KS ENERGY LIMITED

An Integrated Energy Services Hub

SHAPING THE FUTURE

ANNUAL REPORT

2018



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CORPORATE **PROFILE**



KS Medstar 1

A Globally Accredited and Integrated Oil & Gas Services Provider

KS Energy Limited (the "**Company**" and together with its subsidiaries and associated companies, the "**Group**") is a services provider to the global oil and gas industry. Headquartered in Singapore, the shares of the Company are traded on the Main Board of SGX-ST, part of the Singapore Exchange.

The core activities of the Group are capital equipment charter, the provision of drilling and rig management services and specialised engineering and fabrication.

The Group's principal operating segment is held under its 80.09% owned subsidiary, KS Drilling Pte Ltd ("**KS Drilling**"). KS Drilling is an international drilling company that is specialised in shallow water and onshore drilling and our focus is to create value for our customers in the energy industry, including renewable energy, worldwide.

The Group's other operating segment is held under the wholly owned subsidiary, KS Fabrication and Engineering Pte Ltd, which provides customised engineering and fabrication services to a wide range of companies in the oil and gas industry with customers spanning from the Americas to Asia, through its subsidiary Globaltech Systems Engineering Pte Ltd.

CHAIRMAN'S **MESSAGE**



"Having previously experienced such cyclical downturns in this industry, I believe that in the long term the economic fundamentals remain positive for oil and gas service companies such as ours."

DEAR SHAREHOLDERS,

INTRODUCTION

On behalf of your Board of Directors, I am pleased to present you the Annual Report of KS Energy Limited and its subsidiaries (the "**Group**") for the financial year ended 31 December 2018 ("**FY2018**").

The financial year started with Brent crude oil trading at around US$65 per barrel. It steadily increased to a peak of US$85 per barrel in early October, and then dipped to the low US$50's per barrel by year's end due to fears of global oversupply amid slowing global economic growth. In general, the oil and gas industry seemed healthier than it did the year before, with average crude prices at around 30% higher in FY2018 compared to FY2017. Global upstream capital expenditure is now forecast to rise six percent year-on-year.

Moderate growth in the global economy has supported energy demand. Indeed, in January 2019, the International Monetary Fund ("**IMF**") reported that global output was estimated to have grown by 3.7 percent in 2018. However, IMF's global growth forecasts for 2019 and 2020 were revised slightly lower to respectively 3.5 and 3.6 percent.

As a result, FY2018 was a year of improving prospects for the oil and gas industry although the operating environment for our Group, as for other industry players, remained challenging.

FINANCIAL PERFORMANCE

Our revenue in FY2018 totalled $51.4 million, a significant increase compared to revenue of $47.1 million in FY2017. This increase was mainly due to the higher utilization of the fleet of on-shore and off-shore drilling rigs owned and operated by our Drilling business.

In December 2018 we sold our distribution business which had been suffering losses in recent years. The disposal was undertaken as part of the restructuring of the Group and its debt liabilities. It will also allow the Company to strengthen its financial position. Moving forward, the Group will focus on its current businesses of capital equipment charter, the provision of drilling and rig management services, and specialised engineering and fabrication.

Overall, the Group reported a net loss after tax of $53.9 million in FY2018 from a net loss after tax of $24.6 million in FY2017. The net loss attributable to shareholders of the Company was $42.2 million for the year.

BOARD

On 15 August 2018, Mr. Samuel Carew-Jones was appointed an executive director. The Board now consists of three executive directors and three independent directors. Our three independent directors have now served on the Board between four and six years and their diverse experiences have significantly added to the Board's strength.

OUTLOOK

In the new financial year, although our industry's prospects appear to be more encouraging, the operating environment will remain challenging for

CHAIRMAN'S MESSAGE


KS Java Star 2

our business segments. The volatile oil prices that have impacted the global oil and gas industry will continue to affect us. However, having previously experienced such cyclical downturns in this industry, I believe that in the long term the economic fundamentals remain positive for oil and gas services companies such as ours.

APPRECIATION

Our ability to cope with the past financial year's challenges would not have been possible without the outstanding efforts of our entire workforce. In FY2018, the executive teams worked determinedly to steer the business through the difficult times and many tough decisions were taken along the way.

On behalf of the Board I thank shareholders for continuing to support us, and I extend heartfelt gratitude to all our customers, employees, suppliers, bankers and business associates for their trust in us. I look forward to their continuing support in the new financial year.

Yours Sincerely,

Kris Wiluan
Chairman and
Chief Executive Officer
1 April 2019

OPERATIONS **REVIEW**

KS DRILLING PTE. LTD.

Market conditions continued to be challenging in 2018, but we are heartened by continuing activities in our key markets of Vietnam, Indonesia and Egypt. We managed to secure contracts for our jack-up and land rigs operating in these regions, and we have achieved success in reactivating our stacked rigs in a cost-efficient and timely manner. We remain well placed to compete for future jobs due to our efforts in developing local knowledge and business networks in the prior years.

We have sustained our efforts in ensuring an efficient capital program, and we have further restructured our loans to achieve favourable payment terms and financing costs for 2019. We will continue to work closely with our financing partners, who have been steadfast in their support and remain important stakeholders through this challenging period.

On the prospects for the rigs, we believe that fleet utilisation would recover in line with the recovery of the wider Oil and Gas sector. KS Drilling has been actively participating for tenders with various potential clients and we are optimistic in securing contracts for our rigs in 2019. We remain focused on keeping operating and administrative cost bases low without compromising on safety and performance.

In the spirit of friendship between KS Drilling and the rig-building shipyards, we continue to engage in discussions with regards to the delivery of the newbuilds. We will also continue to explore and survey the market for potential opportunities for the newbuilds. In addition, KS Drilling has also decided to reactivate the KS Java Star after an extended laid-up period. The rig is expected to be one of the few Indonesian-flagged rigs currently in Indonesia, and we believe this would place the rig in a frontrunner position for securing local contracts.

We have faith in the long-term viability of this industry and remain confident that our operational excellence and client focus stands us in good stead to capture future opportunities when the market recovers.



KS Java Star 2

OPERATIONS REVIEW

KS DRILLING FLEET:

	NAME OF RIG	TYPE OF RIG	LOCATION
1	KS Orient Star 2	Jack-Up Rig	Under construction in China
2	KS Java Star 3	Jack-Up Rig	Under construction in China
3	KS Java Star	Jack-Up Rig	Indonesia
4	KS Java Star 2	Jack-Up Rig	Vietnam
5	KS Medstar 1	Jack-Up Rig	Egypt
6	KS Discoverer 1	Land Rig	Indonesia
7	KS Discoverer 3	Land Rig	Pakistan
8	KS Discoverer 4	Land Rig	Indonesia
9	KS Discoverer 6	Land Rig	Indonesia
10	KS Discoverer 7	Land Rig	Indonesia
11	KS Discoverer 8	Land Rig	Indonesia


KS Java Star 3


KS Orient Star 2


KS Discoverer 7



KS Orient Star 2

FINANCIAL **REVIEW**

OVERVIEW

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

On 11 December 2018, the Company announced the completion of the disposal of the entire issued share capital of KS Resources Pte Ltd, a wholly owned subsidiary of the Company. KS Resources Pte Ltd held the Group's shareholding in the joint venture KS Distribution Pte Ltd and had issued $35.0 million of unsecured fixed rate bonds at the time of disposal. After accounting for the share of results from KS Distribution Pte Ltd up to the disposal date, which were losses of $9.2 million, the Group recognised a gain of $9.9 million which was recognised as a write-back of impairment losses on the investment in KS Distribution Pte Ltd.

At the beginning of 2018, our Drilling business acquired an additional interest in PT KS Drilling Indonesia ("KSDI") via a new option agreement which resulted in KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture. KSDI and its subsidiaries are referred to as the "JVC Group".

The consolidated revenue was $51.4 million for the full year ended 31 December 2018 ("FY2018"), an increase of $4.3 million, or 9.1%, above that of $47.1 million reported for the twelve months ended 31 December 2017 ("FY2017") due to the higher revenue from the Drilling business.

REVENUE

Drilling Business:

Revenue from the Drilling business increased $4.1 million, or 8.7%, from $46.5 million for FY2017 to $50.6 million for FY2018. The higher revenue resulted from higher fleet utilisation following the award of charter contracts. Revenue contribution from the Drilling business made up about 98.4% of the Group's consolidated revenue for FY2018.

Engineering Business:

Revenue from the Engineering business increased $0.2 million from $0.6 million for FY2017 to $0.8 million for FY2018. The higher revenue resulted from projects delivered in Q2 2018 and Q3 2018. Revenue contribution from the Engineering business made up about 1.6% of the Group's consolidated revenue for FY2018.

GROSS LOSS

The gross loss of $18.1 million for FY2018 was 7.2% smaller than the gross loss of $19.5 million reported for FY2017. The smaller gross loss in FY2018 was the net result of a $2.9 million increase in cost of sales and a $4.3 million increase in revenue. Included in cost of sales are the cost of goods sold, the cost of services provided, and certain fixed costs associated with our fleet of rigs such as depreciation charges which increased from $26.9 million in FY2017 to $29.3 million in FY2018. The higher depreciation charge in FY2018 was mainly due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture.

The gross loss margin decreased from 41.4% in FY2017 to 35.2% in FY2018.

OTHER INCOME

The breakdown of "other income" is shown below:

	31.12.2018 $'000	31.12.2017 $'000	Change $'000
Detailed breakdown:			
Foreign exchange gain	–	1,430	(1,430)
Scrap sales	41	–	41
Gain on sale of diesel supplies	30	–	30
Others	35	64	(29)
Other Income	**106**	**1,494**	**(1,388)**

Other income decreased from $1.5 million for FY2017 to $0.1 million for FY2018. Other income mainly comprised foreign exchange gains and other income not directly related to the revenue generated from our day-to-day operations.



KS Medstar 1

FINANCIAL REVIEW


KS Java Star 2


KS Discoverer 8

OPERATING EXPENSES

Administrative expenses decreased $1.1 million from $18.6 million in FY2017 to $17.5 million in FY2018 mainly due to reduced legal and professional costs and staff costs.

Other operating expenses decreased $13.1 million from $9.5 million expense in FY2017 to $3.6 million income in FY2018. The table below shows the main expense categories contributing to other operating expenses:

Expenses	FY2018 $'000	FY2017 $'000	Change $'000
Loss on disposal of plant and equipment	2,021	3,054	(1,033)
Impairment loss on plant and equipment	1,793	–	1,793
Foreign exchange loss	1,772	–	1,772
Depreciation of plant & equipment	468	637	(169)
Loss on disposal of asset held for sale	363	–	363
Amortisation of intangible assets	116	187	(71)
Write-down of asset held for sale	–	1,811	(1,811)
Other items	(286)	941	(1,227)
	6,247	6,630	(383)
Impairment loss/(write-back of impairment loss) on non-trade receivables	34	(165)	199
Impairment loss on loans to a joint venture	–	12,352	(12,352)
(Write-back of)/Impairment loss on trade receivables	(26)	720	(746)
Write-back of impairment loss on investment in joint venture	(9,904)	(10,004)	100
Total Other Operating Expenses	**(3,649)**	**9,533**	**(13,182)**

The $12.4 million impairment loss on loans to a joint venture in FY2017 related to a receivable due from our rig-owning joint venture and was necessary due to losses within the joint venture. The same entity, PT KS Drilling Indonesia, in FY2018 was consolidated as a subsidiary instead of being equity-accounted as a joint venture after the Drilling business acquired an additional interest via a new option agreement at the beginning of FY2018.

FINANCE INCOME AND COSTS

Finance income decreased from $23.3 million in FY2017 to $2.6 million in FY2018. In FY2018, finance income included a $2.4 million gain on redemption of secured bonds. In FY2017, finance income included a $17.1 million gain on redemption of convertible bonds. The remaining finance income in FY2017 was mainly derived from interest income on loans provided to a joint venture and has decreased due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture.

Finance costs increased $0.1 million from $18.8 million in FY2017 to $18.9 million in FY2018 due to slightly higher overall interest rates.

FINANCIAL REVIEW

SHARE OF RESULTS OF JOINT VENTURES

The Group's share of results from joint ventures decreased $25.6 million from a profit of $16.4 million for FY2017 to a loss of $9.2 million for FY2018. The loss in FY2018 was due to losses recorded by the Distribution business. The Group's share of results from KS Distribution improved by $4.8 million from a loss of $14.0 million for FY2017 to a loss of $9.2 million for FY2018. In addition, in FY2017, the Group recorded a $20.5 million one-time gain from a joint venture following a court ruling (see the announcement by the Company dated 13 July 2017) and a related $9.9 million one-time gain from releasing a provision for loss from a joint venture.

LOSS BEFORE TAX

The Group's loss before tax increased by $32.3 million from $25.2 million for the year ended 31 December 2017, to a $57.5 million for the year ended 31 December 2018.

Profitability by Business Segment:

	FY2018 $'000	FY2017 $'000	Change $'000
Drilling	(55,785)	(27,434)	(28,351)
Engineering	620	(761)	1,381
Distribution	(9,226)	(14,038)	4,812
Others	6,934	17,050	(10,116)
Consolidated Total	**(57,457)**	**(25,183)**	**(32,274)**

Drilling Business:

The Drilling business recorded a loss before tax of $55.8 million for FY2018, compared to a loss before tax of $27.4 million in FY2017. The losses were higher in FY2018 than FY2017 as FY2017 included significant one-time gains from joint ventures.

Engineering Business:

The Engineering business recorded a profit before tax of $0.6 million for FY2018, compared to a loss before tax of $0.8 million in FY2017. The losses were reduced due to higher gross profits and lower administrative expenses.

Distribution Business:

The Distribution business contributed a loss of $9.2 million for FY2018, compared to a $14.0 million loss for FY2017. The Company announced on 11 December 2018 that it had completed the divestment of its interest in Distribution business through the disposal of the entire issued share capital of KS Resources Pte Ltd, a wholly owned subsidiary of the Company that held the Group's shareholding in the joint venture KS Distribution Pte Ltd.

Others Segment:

The segment recorded a profit before tax of $6.9 million in FY2018, compared to a profit before tax of $17.1 million in FY2017. The lower profit of $10.1 million was mainly due to a lower gain on the redemption of bonds and a net foreign exchange rate loss on borrowings in FY2018 compared to a net foreign exchange rate gain in FY2017. Other costs reported in this segment include the finance costs on bonds issued by the Company and administrative expenses incurred in relation to overseeing of Group's operations.

TAX CREDIT

The tax credit increased from a tax credit of $0.6 million in FY2017 to a tax credit of $3.5 million in FY2018 following an adjustment for over provision of tax in respect of prior years.

RESULT ATTRIBUTABLE TO SHAREHOLDERS

The result attributable to owners of the Company was a loss of $42.2 million for FY2018 which was $23.9 million larger than the loss of $18.3 million reported for FY2017.

STATEMENT OF FINANCIAL POSITION REVIEW

Assets

The Group's total non-current assets decreased $64.4 million from $454.1 million as at 31 December 2017 to $389.7 million as at 31 December 2018.

Non-current assets mainly comprise plant and equipment in our Drilling business. The carrying value of the drilling rig fleet increased by $1.4 million from $322.5 million as at 31 December 2017 to $323.9 million as at 31 December 2018 mainly due to a $30.6 million increase from KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture, the purchase of plant and equipment of $0.6 million and foreign exchange impacts of $6.7 million, offset by depreciation charges of $29.8 million, impairment charges of $1.8 million and the disposal of plant and equipment of $4.9 million. There was a corresponding decrease in non-current amounts due from joint ventures of $27.5 million from $27.5 million as at 31 December 2017 to $0 as at 31 December 2018. The carrying value of assets under construction increased by $1.6 million from $62.6 million as at 31 December 2017 to $64.2 million as at 31 December 2018 mainly due to the foreign exchange impacts.

FINANCIAL REVIEW

The carrying value of joint ventures decreased $38.7 million from $38.7 million as at 31 December 2017, to $0 as at 31 December 2018. On 11 December 2018, the Company disposed of all its shareholding in the joint venture KS Distribution Pte Ltd.

Total current assets decreased $18.4 million from $42.3 million as at 31 December 2017 to $23.9 million as at 31 December 2018. The decrease in current assets was mainly due to lower trade receivables, amounts due from joint ventures, contract assets, other assets and offset against the higher amount of cash and cash equivalents. Trade receivables decreased $5.3 million from $7.1 million as at 31 December 2017 to $1.8 million as at 31 December 2018 due to collections from customers and lower activity levels before this year-end. Current amounts due from joint ventures decreased $8.3 million also due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture. Contract assets decreased $5.9 million from $7.2 million as at 31 December 2017 to $1.3 million as at 31 December 2018 due to lower accrued revenue generated and deferred operating expenses. Other current assets decreased $5.4 million from $10.4 million as at 31 December 2017 to $5.0 million as at 31 December 2018 (see table below).

The carrying value of the asset held for sale as at 31 December 2018 was $0 (31 December 2017: $0.7 million) as the disposal was completed in FY2018.

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

	31.12.2018 $'000	31.12.2017 $'000	Movement $'000
Detailed breakdown:			
Sundry deposits	112	128	(16)
Withholding tax recoverable	615	1,480	(865)
Value-added tax receivable	3,269	4,865	(1,596)
Other debtors	506	1,832	(1,326)
Advanced payment to supplier	63	1,594	(1,531)
Prepayments	474	481	(7)
Other Current Assets	**5,039**	**10,380**	**(5,341)**

The decrease in other current assets was mainly due to lower amounts under "value-added tax receivable", "advanced payment to supplier", "other debtors", "withholding tax recoverable", "sundry deposits" and "prepayments" as at 31 December 2018 compared to 31 December 2017. These balances mainly originate from our Drilling business and are routine in nature.

Liabilities

Total liabilities decreased $31.6 million, or 7.1%, from $444.1 million as at 31 December 2017 to $412.5 million as at 31 December 2018. This was principally attributable to a $27.8 million decrease in total borrowings (current and non-current), a $4.8 million decrease in provision for taxes and a $3.5 million decrease in trade and other payables (current and non-current) and contract liabilities, offset by a $3.5 million increase in bank overdraft.

Total borrowings decreased by $27.8 million from $408.1 million as at 31 December 2017 to $380.3 million as at 31 December 2018 due to a $22.8 million decrease in secured borrowings and a $5.0 million decrease in unsecured borrowings. The decrease in total borrowings was due to loan repayments of $5.6 million, the waiver of the redemption premium on the repurchased secured bonds of $2.1 million and the divestment of $35.0 million new bonds issued by our subsidiary, KS Resources Pte Ltd ("KSR"). The decrease in total borrowings was offset by increases due to $8.2 million of deferred finance costs and $6.7 million of foreign exchange impacts, as most of the secured bank loans are denominated in a foreign currency.

The amount of current borrowings due within the next twelve months increased $2.3 million from $9.3 million as at 31 December 2017 to $11.6 million as at 31 December 2018 due to higher scheduled contractual repayment amounts beginning in 2019 leading to a reclassification from non-current to current borrowings.

The amount of non-current borrowings due after more than one year decreased $30.1 million from $398.7 million as at 31 December 2017 to $368.6 million as at 31 December 2018 mainly due to the divestment of new bonds described above.

FINANCIAL REVIEW

Capital Structure of the Group:

	FY2018 $'000	FY2017 $'000	Movement $'000
Current Borrowings – Secured	5,786	9,236	(3,450)
Current Borrowings – Unsecured	5,863	100	5,763
Non-current Borrowings – Secured	364,349	383,727	(19,378)
Non-current Borrowings – Unsecured	4,272	15,000	(10,728)
Consolidated Total Borrowings	380,270	408,063	(27,793)
Less: Cash and Cash Equivalents	12,086	8,455	3,631
Consolidated Net Borrowings	368,184	399,608	(31,424)
Shareholders' Equity	(10,296)	30,527	(40,823)
Non-controlling Interests	11,449	21,795	(10,346)
Total Equity	1,153	52,322	(51,169)
Net Gearing (Debt/Equity)	319.33	7.64	

Within current liabilities, trade and other payables and contract liabilities decreased $3.5 million from $27.4 million as at 31 December 2017 to $23.9 million as at 31 December 2018 mainly due to a $2.6 million reduction in trade creditors, a $2.7 million reduction in contract liabilities and a $1.7 million reduction in accrued operating expenses, offset by a $4.2 million increase in accrued interest. The reduction in trade creditors and accrued operating expenses were due to lower activity levels before this year-end. Provisions for tax decreased $4.8 million from $8.0 million as at 31 December 2017 to $3.2 million as at 31 December 2018 due to the adjustment for the over provision of tax in respect of prior years. The bank overdraft increased $3.5 million from $0 as at 31 December 2017 to $3.5 million as at 31 December 2018.

As at 31 December 2018, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $18.3 million and $2.5 million, respectively. As at 31 December 2017, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $2.5 million and $19.7 million, respectively. Improving the net current liability position of the Group and Company is a key concern for the Company.

In addition, as at 31 December 2018, the Group had negative shareholder's equity of $10.3 million and the Company was in a net liability position (total liabilities exceeded total assets) of $11.7 million. The Group has announced on 9 November 2018 a proposed repurchase of $31.0 million existing secured bonds and the issuance of new shares as consideration for the payment of the Company for the purchase of the existing secured bonds and anticipates convening an extraordinary general meeting soon.

GOING CONCERN

The financial statements for the year ended 31 December 2018 are prepared on a going concern basis, the validity of which is premised on the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, and the sufficiency of cash flows to be generated from the Group's operating activities.

Although the Group expects the overall operating environment to remain challenging in the next twelve months, it anticipates generating positive cash flows from existing rig charter contracts and prospective rig charter contracts. The Group expects to secure additional work for its rigs in South East Asia over the course of the year ahead with contract values of at least US$30 million. The operating cash flow forecast is derived from the chartering cash flow forecast, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by management. In addition, the Group shall seek to divest any surplus assets when opportunities arise and currently expects to generate at least US$1.2 million over the course of the year. The Group shall continue to work closely with its bankers and is confident of extending the repayment of $5.7 million loan currently within current borrowings to allow the Group to meet its debt obligations as and when they fall due.

The Group has capital commitments of $258.2 million and $230.8 million for assets under construction. The Group continues to engage in discussions with the shipyards and, subject to obtaining the required financing, is expected to have sufficient resources to meet the capital commitments of the Group.

STATEMENT OF CASH FLOWS REVIEW

As at 31 December 2018, cash and cash equivalents less the bank overdraft amounted to $12.1 million (31 December 2017: $8.5 million), of which unpledged cash and cash equivalents amounted to $10.0 million (31 December 2017: $6.8 million).

Cash Flow from Operating Activities

Operating activities incurred a net cash outflow of $0.6 million for the year ended 31 December 2018. The net cash outflow from operating activities comprised a cash outflow of $7.4 million arising due to operating losses before changes in working capital; a cash outflow of $0.3 million arising due to taxes paid; and offset with a cash inflow of $7.1 million arising due to changes in working capital.

FINANCIAL REVIEW

Cash Flow from Investing Activities

The net cash flow from investing activities amounted to an inflow of $16.2 million for the year ended 31 December 2018. This was mainly due to proceeds from disposal of joint venture of $2.8 million; KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture which generated a cash inflow of $9.0 million; proceeds from disposal of plant and equipment of $2.9 million; proceeds from a disposal of a subsidiary of $1.6 million (see the announcement by the Company dated 19 October 2018); proceeds from sale of asset held for sale of $0.3 million; proceeds from issue of new shares by an indirect subsidiary of $0.4 million (see the announcement by the Company dated 4 June 2018); interest received of $0.1 million; offset with the acquisition of plant and equipment which incurred cash outflow of $0.9 million.

Cash Flow from Financing Activities

The net cash flow from financing activities amounted to an outflow of $12.3 million for the year ended 31 December 2018. The issuance of new unsecured bonds during FY2018 generated a cash inflow of $35.0 million. The repayment of secured bonds during FY2018 generated a cash outflow of $30.0 million. The repayment of bank loans during FY2018 generated a cash outflow of $10.6 million. Interest paid on loans during FY2018 incurred a cash outflow of $6.2 million. An increase of cash deposits pledged generated a cash outflow of $0.4 million in FY2018. A payment of transaction costs of bank loans during FY2018 incurred a cash outflow of $0.1 million.



FINANCIAL **HIGHLIGHTS**

	2018	2017	2016	2015	2014 Restated*
FOR THE YEAR ($'000)					
Revenue	51,449	47,144	35,091	91,951	227,330
Gross (Loss)/Profit	(18,116)	(19,521)	(29,209)	(39,714)	58,353
Gross Profit excluding rig depreciation	11,174	7,373	1,978	20,161	113,331
EBITDA (defined below)	(5,531)	27,812	(26,343)	(12,734)	128,615
Earning Before Interest and Tax ("EBIT")	(38,541)	(6,412)	(108,768)	(241,242)	68,090
(Loss)/Profit after Tax	(53,939)	(24,559)	(126,318)	(260,432)	46,411
(Loss)/Profit attributable to owners of the Company	(42,180)	(18,295)	(107,487)	(229,642)	30,128
Operating Cash (Outflow)/Inflow	(576)	(9,634)	(13,399)	19,954	53,864
Capital Expenditure	924	2,407	1,319	9,166	288,724
AT YEAR END ($'000)					
Current assets	23,892	42,290	36,671	61,785	163,069
Non-current assets	389,722	454,109	529,416	608,203	758,941
Total assets	413,614	496,399	566,087	669,988	922,010
Current liabilities	42,226	44,740	124,868	411,637	174,048
Non-current liabilities	370,235	399,337	354,172	47,577	302,906
Total liabilities	412,461	444,077	479,040	459,214	476,954
Net assets	1,153	52,322	87,047	210,774	445,056
Net tangible assets	1,152	52,205	86,727	209,527	440,894
Equity attributable to owners of the Company	(10,296)	30,527	56,976	162,210	370,652
Cash and cash equivalents	12,086	8,455	5,320	19,422	78,210
KEY RATIOS					
Gross Profit Margin excluding rig depreciation (%)	21.7%	15.6%	5.6%	21.9%	49.9%
EBITDA Margin (%)	-10.8%	59.0%	-75.1%	-13.8%	56.6%
EBIT Margin (%)	-74.9%	-13.6%	-310.0%	-262.4%	30.0%
Net Profit Margin (%)	-104.8%	-52.1%	-360.0%	-283.2%	20.4%
Current Ratio (times)	0.57	0.95	0.29	0.15	0.94
Net Debt to Equity Ratio (times)	319.3	7.6	4.9	1.7	0.8
Net Assets Value Per Share (cents/share)	(2.0)	5.9	11.1	31.5	72.3

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

EBITDA is defined as EBIT excluding depreciation, amortisation and impairment charges and any profit or loss on disposal of non current assets including the Group's share of EBITDA recorded in joint ventures and associated companies.

CORPORATE **DATA**

BOARD OF DIRECTORS

Executive:

KRIS WILUAN
(Chairman and Chief Executive Officer)
RICHARD JAMES WILUAN
SAMUEL PAUL OLIVER CAREW-JONES

Non-Executive and Independent:

SOH GIM TEIK
(Lead Independent Director)
LAWRENCE STEPHEN BASAPA
CHEW CHOON SOO

AUDIT & RISK MANAGEMENT COMMITTEE

SOH GIM TEIK *(Chairman)*
LAWRENCE STEPHEN BASAPA
CHEW CHOON SOO

NOMINATING COMMITTEE

LAWRENCE STEPHEN BASAPA
(Chairman)
KRIS WILUAN
SOH GIM TEIK
CHEW CHOON SOO

REMUNERATION COMMITEE

CHEW CHOON SOO *(Chairman)*
SOH GIM TEIK
LAWRENCE STEPHEN BASAPA

SECRETARY

LAI KUAN LOONG, VICTOR

REGISTERED OFFICE

19 Jurong Port Road
Singapore 619093
Tel: + 65 6577 4600
Fax: + 65 6577 4618
Website: www.ksenergy.com.sg
Company Registration No: 198300104G

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte Ltd)
80 Robinson Road #02-00
Singapore 068898

AUDITORS

KPMG LLP
Certified Public Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Partner-in-charge: Kenny Tan Choon Wah
Year of appointment: 2015

Principal Bankers

Oversea-Chinese Banking Corporation Limited
PT Bank Mandiri (Persero) Tbk



KS Java Star 2

BOARD OF **DIRECTORS**



MR KRIS WILUAN

Chairman and Chief Executive Officer

MR KRIS WILUAN is the Chairman and Chief Executive Officer of the Company. He is also a member of the Nominating Committee of the Company.

He is also the founder of the Citramas Group, a diversified group of companies that he started in 1980, which now have work-force of more than 3,000 employees in Batam. The Citramas Group's business activities include oilfield equipment manufacturing, shipping and logistics, infrastructure development comprising of industrial estate, digital park and ferry terminal, the leisure business including marina, golf course and resorts, studio for animation and film production.

A graduate from London University with a BSc Honours Degree in Mathematics and Computer Science, Mr Wiluan was awarded "CEO of the Year" by Bisnis Indonesia in 2007 and in the following year, he was named "The Best CEO 2008" by SWA magazine. In 2009, he was awarded "Entrepreneur of the Year" by Ernst & Young Indonesia, representing Indonesia in the EY Global Entrepreneur Hall of Fame. Mr Wiluan was awarded "Asia's Most Influential Cover Personalities Awards" by Fortune Times in 2015.



MR RICHARD JAMES WILUAN

Executive Director

MR RICHARD JAMES WILUAN was appointed as Executive Director of the Company on 1 May 2014.

Mr. Richard Wiluan is also the President Director of Indonesian public-listed PT Citra Tubindo Tbk – a manufacturer of tubular products for the oil and gas industry whose shares are quoted on the Jakarta and Surabaya Stock Exchanges, and 35 other subsidiaries with activities spanning different countries in the ASEAN region.

Prior to joining the Group, he worked as a consultant in a European management consulting firm, focusing on restructuring solutions for multinational manufacturing companies.

Mr Richard Wiluan holds a BA (Honours) in Economics from the University of Nottingham.



MR SAMUEL PAUL OLIVER CAREW-JONES

Executive Director and Group Chief Financial Officer

MR SAMUEL PAUL OLIVER CAREW-JONES was appointed as Executive Director of the Company on 15 August 2018. He has been with KS Energy since 2009 and was our Director of Treasury prior to his appointment as Group Chief Financial Officer in October 2012.

Mr Carew-Jones is responsible for overseeing the accounting and finance matters of the Company. He had over fourteen years' experience in the finance sector before joining KS Energy, including nine years in the banking industry with a major financial institution in Europe and the United States and four years in practice as an auditor in London.

Mr Carew-Jones qualified as a chartered accountant in the United Kingdom in 1999 and graduated in 1995 with a bachelor's degree in Physics from Imperial College London.

BOARD OF DIRECTORS



MR SOH GIM TEIK
Lead Independent Director

MR SOH GIM TEIK was appointed as an Independent Director and subsequently the Lead Independent Director of the Company on 1 May 2015 and 27 April 2017, respectively. He is also the Chairman of the Audit and Risk Management Committee and a member of the Remuneration and Nominating committees of the Company.

Mr Soh advises corporations through his firm, Finix Corporate Advisory LLP, and has extensive experience in corporate governance, finance and strategic management.

Mr Soh is a member of the Institute of Singapore Chartered Accountants (ISCA) and a Fellow of the Singapore Institute of Directors (SID). Presently, he is a board member of the SID and serves in its Governing Council as the Audit Committee Chairman. He was named the Best CFO of the Year at the inaugural Singapore Corporate Awards in 2006 in the mid-cap category.

Besides serving as an independent director on the boards of SGX listed companies, he is also a director and audit committee chairperson or member in a number of charitable and non-profit organisations.

Mr Soh graduated from the National University of Singapore in 1978 with a Bachelor of Accountancy Degree.



MR LAWRENCE STEPHEN BASAPA
Independent Director

MR LAWRENCE STEPHEN BASAPA was appointed as Independent Director of the Company on 1 June 2013. He is also the Chairman of Nominating Committee and a member of the Audit and Risk Management and Remuneration committees of the Company.

Mr Basapa worked initially in journalism, covering such fields as Asian industrial developments for newspapers and international magazines. He then entered the hydrocarbons industry, working mainly for a multinational energy and petrochemicals conglomerate, which he served in various capacities in Asia Pacific and the USA for more than 20 years. He was also an Independent Director of SSH Corporation Limited from October 2005 until it was delisted pursuant to the integration of the distribution business of KS Energy Limited in 2010.

Mr Basapa also is a trustee of three property-based estates in Singapore, and has personal interests in horticulture and property in Thailand.

Mr Basapa has a BA in Economics and Political Science from the (then) University of Singapore, and did postgraduate studies in management with universities in Boston and San Diego.



MR CHEW CHOON SOO
Independent Director

MR CHEW CHOON SOO was appointed as Independent Director on 1 November 2014. He is also the Chairman of Remuneration Committee and a member of Audit and Risk Management and Nominating committees of the Company.

Mr Chew has extensive experience in the Executive Search and Assessment Industry. During his 23 year tenure at Russell Reynolds Associates, he served in various senior capacities, including Co-head of Asia Pacific, Financial Services Leader and Managing Partner of the Singapore operations. Prior to this, Mr Chew spent 7 years in Banking.

Mr Chew has a BSc (Hons) in Economics and Accounting from Bristol University, UK, and holds a MBA in Finance from The Wharton School of the University of Pennsylvania, USA.

KEY **MANAGEMENT**

MR JUMEIDI DIRWAN ALEXANDER

Chief Executive Officer of KS Drilling Pte. Ltd.

Mr Alexander was appointed as the CEO of KS Drilling Pte. Ltd ("KSDR") on 1 September 2013. He is responsible for leading the development and execution of KSDR's long and short terms plans in accordance with its strategy. He is also responsible for all day-to-day management decisions. He acts as a direct liaison between the Board and management of KSDR. Mr Alexander has been in the drilling industry for the past 20 years with a track record of successes in rig operations management. He started his career as a Trainee Engineer with Transocean/Schlumberger Sedco Forex in 1996. Prior to joining KSDR in December 2012, he was with Vantage Drilling where he last held the position of Director of Operations.

Mr Alexander graduated from the Institute Teknologi Bandung of Indonesia in 1996 with a Bachelor's Degree in Electrical Engineering, majoring in Computer Engineering, and further completed the Stanford-National University of Singapore Executive Program in 2012.

MS DIANA LENG

Chief Financial Officer of KS Drilling Pte. Ltd.

Ms Diana Leng has been with KS Energy since 2007. Prior to her appointment as CFO and Director of KS Drilling Pte Ltd in 2010, Ms Leng was the Director of Treasury of KS Energy Ltd. Ms Leng has over 18 years of executive experience within the Banking and Oil & Gas sectors, with a proven track record in the areas of treasury, corporate finance, mergers and acquisitions, equity and capital market activities, and strategic and corporate support.

Ms Leng started her career with a global financial institution from the Netherlands where she gained experience in banking, insurance and asset management internationally.

Ms Leng holds a Master of Science in International Business from Maastricht University.

MR NICHOLAS LAURENT FOURNIER

Chief Operating Officer of KS Drilling Pte. Ltd.

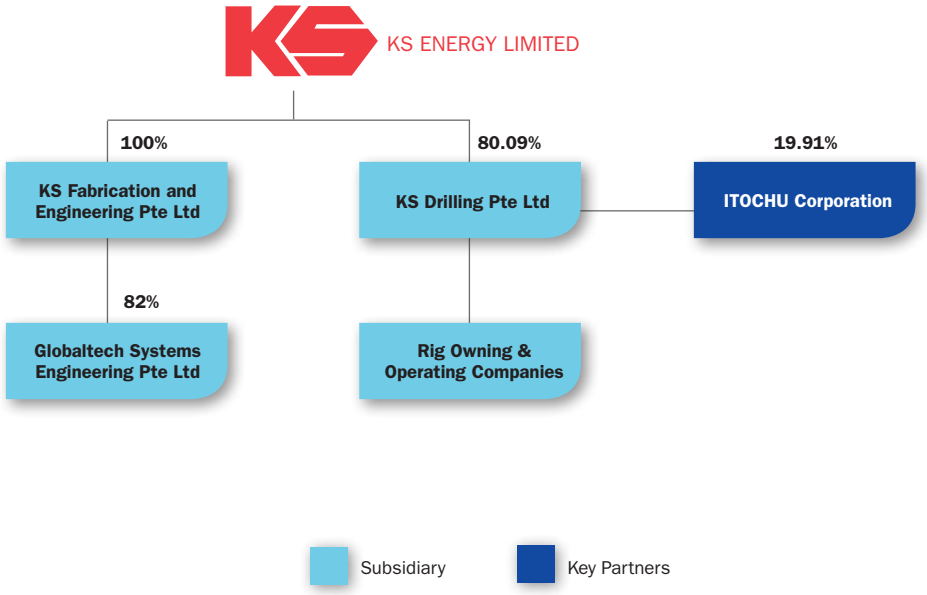
Mr Fournier was appointed as the COO of KS Drilling Pte. Ltd ("KSDR") on the 1 September 2013. He is responsible for strategic business planning, implementation and KSDR operations management. Mr Fournier has been in the drilling industry for the past 20 years with a track record of successes in rig operations management. He started his career as Operations Engineer with Transocean/Schlumberger Sedco Forex and prior joining KSDR has held various managerial positions with Transocean as Rig Manager, Operations Manager, Human Resources director and Indonesia General Manager.

Mr Fournier graduated from the University of Compiegne in 1994 with a Bachelor Degree in Mechanical Engineering and in 1995 with an officer rank (Lieutenant) from the French Army.

KS ENERGY GROUP'S **GLOBAL NETWORK**



KS ENERGY **GROUP STRUCTURE**



KS DRILLING **OFFICES**

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Ba Ria-Vung Tau Province,
Vietnam
Tel: +84 64 3815358/381533


KS Discoverer 4


KS Java Star 2

CORPORATE SOCIAL RESPONSIBILITY AND **EMPLOYEE VOLUNTEERISM**

KS Energy ("**KSE**") Group strives to conduct its business in a manner that is socially responsible and environmentally sustainable. Employees are constantly reminded to be responsible citizens with regard to the environment, and strongly encouraged to make every conscientious effort to conserve energy as well as reduce wastage. Mindful of our impact to society, employee volunteerism is also strongly encouraged and the Company strives to play its part in the corporate giving and philanthropy. The Company's continuing commitment to meet to contribute to a better society and cleaner environment forms the pillar to our Corporate Social Responsibility ("**CSR**") initiatives.

PEOPLE DEVELOPMENT THROUGH COMMUNITY ENGAGEMENT

It is indeed our responsibility and privilege to be in a position to contribute to the well-being of the communities in which we operate. As a Group whose business spans several regions, we leverage on our network and resources to engage the community through economic, environmental, and social efforts. We endeavor to project KSE as a credible and reliable business partner to customers and principals, while also fostering staff dedication in giving back to the community. All these initiatives actualize the Group's philosophy on CSR.

KEY **MILESTONES**

The Group's key milestones are listed below.

1999

On 6 August 1999, the Company was listed on SGX-SESDAQ.

2001

In April 2001, the Company acquired Aqua-Terra Supply Co, Limited ("ATS").

2002

On 11 March 2002, the Company transferred to the SGX-ST Main Board.

2004

In March 2004, ATS was listed on SGX-SESDAQ.

In July 2004, the Company acquired a 75% equity stake in oil and gas company GlobalTech Group Pte. Ltd.

In November 2004, the ATS acquired a 100% equity stake in MarineHub Pte. Ltd., a distributor of oil and gas consumables, in order to expand its product range and customer base.

2005

In January 2005, ATS acquired a 25% equity stake in Runva Holdings Pte. Ltd., a manufacturer and supplier of winches.

On 18 April 2005, the Issuer's subsidiary, ATS acquired a 100% equity stake in Orient Marine (as defined below), a specialist in the procurement of marine equipment and consumable parts business.

2006

In February 2006, the Company acquired the remaining 25% equity stake in oil and gas engineering company, GlobalTech Group Pte. Ltd., which engages in the engineering consultancy, project management, and supply of custom-built system equipment for oil and gas, petrochemical, refinery, power generation, and marine industries.

In November 2006, ATS acquired a 28.4% equity stake in SSH Corporation Ltd ("SSH"), a specialist supplier of high-grade industrial materials such as tubular products, steel plates and welding equipment.



KEY MILESTONES

2007

The Group's drilling business was established with the acquisition of Atlantic Oilfield Services Ltd in May 2007. After the acquisition, the Group had the capability to supply and operate capital equipment, including onshore and offshore rigs.

On 26 October 2007, KS Flow Control Pte. Ltd. ("KSFC") was incorporated in furtherance of the intended consolidation of the business carried on by the Instrumentation and Hydraulic Division and Valve Division of the Group.

2009

On 8 December 2009, the Company announced its proposal to integrate the distribution businesses of KSFC with ATS and SSH in partnership with Actis Excalibur Limited ("Actis").

2010

On 6 May 2010, the Company completed the integration of the distribution businesses held by a newly established holding company, KS Distribution Pte. Ltd. ("KSD").

On 29 October 2010, KS Drilling Pte. Ltd ("KSDR") entered into a sale and purchase agreement to purchase 60% of the entire issued and paid-up capital of PPE (as defined below) for a total consideration of approximately US$5.3 million (approximately S$6.8 million). With the acquisition of PPE, the drilling operations of KSDR will expand into Indonesia.

2011

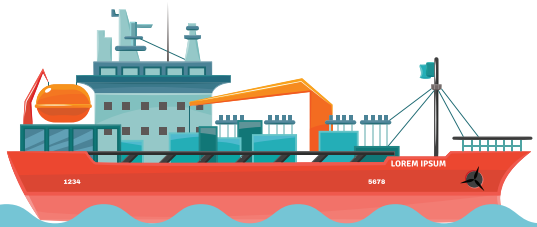
On 24 February 2011, the Company announced that ITOCHU (as defined below) proposed to invest approximately 20% equity interest in KSDR which was successfully completed on 31 May 2011.

2012

On 3 October 2012, a joint venture company between KSDR and PT Citra Agramasinti Nusantara ("PT CAIN") was incorporated (the "JVC"). PT CAIN is a part of the Citramas Group founded by Mr. Kris Taenar Wiluan.

2018

On 19 October 2018, the Company announced that it has entered into a sale and purchase agreement with ACH Distribution Pte. Ltd. in relation to the proposed disposal of 100% of the existing issued share capital of its wholly-owned subsidiary KS Resources Pte Ltd, ("KSR") which holds 55.35% of KS Distribution Pte. Ltd. The sale was completed on 10 December 2018.



CORPORATE GOVERNANCE **STATEMENT**

KS Energy Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to setting and maintaining high standards of corporate governance in conducting the Group's business and believes that strong corporate transparency, and sound corporate policies, business practices and internal controls enables the Company to safeguard its assets and interests while strives to achieve its objectives and attain sustainable growth and value for shareholders. Corporate governance practices are in line with the Code of Corporate Governance (the "**Code**") and where there are variations to the Code, explanation are provided.

BOARD MATTERS

Principle 1: Board's Conduct of Affairs

The board of directors (the "**Board**") has the duty to protect and enhance the long-term value of the Company and achieve sustainable growth for the Group. It sets the overall strategic direction of the Company and oversees the proper conduct of the business, performance and affairs of the Group. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Company.

As well as its fiduciary duties under the law, the principal functions of the Board include:

a) Setting values and standards (including ethical standards) of the Group and ensuring obligations to shareholders and other stakeholders are understood and met;

b) Identifying key stakeholder groups and recognising that their perceptions affect the Group's reputation;

c) Providing entrepreneurial leadership, approving corporate policies and strategies to ensure that sufficient financial and human resource are available for the Group to achieve its objectives;

d) Establishing goals for management, monitoring and reviewing management's performance against such goals and reviewing the operational and financial performance of the Group;

e) Overseeing the processes for evaluating the adequacy and effectiveness of internal controls and risk management, including financial, operational, information technology controls and compliance risk areas identified by the Audit and Risk Management Committee (the "**ARMC**"), and the ARMC's recommendations on actions to be taken to address and monitor the areas of concern;

f) Reviewing and approving annual budgets, financial plans and key operational matters, including major acquisitions, divestments and funding and investment proposals;

g) Approving the release of the financial results announcements and material transaction announcements to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on a timely basis;

h) Approving the appointments and re-appointments of directors and appointments of senior management or key management personnel as well as evaluating and reviewing the directors' performance and remuneration packages;

i) Assuming responsibility for the corporate governance framework of the Group; and

j) Considering sustainability issues such as environmental, social and governance factors as part of its strategic formulation.

CORPORATE GOVERNANCE **STATEMENT**

To facilitate effective management and assist the Board in discharging its duties, certain functions of the Board have been delegated to various board committees, namely the Audit and Risk Management Committee, the Nominating Committee and the Remuneration Committee (collectively, the "**Board Committees**"). The Board Committees have specific functions clearly enumerated in their respective Terms of References setting out their compositions, authorities and duties and to report and make recommendations to the Board on matters under its purview.

The Company has in place, a delegation of authority matrix ("**DOA**") setting out the procedures and levels of authorisation required for specified transactions, approval limits for operating and capital expenditure as well as acquisition and disposal of assets and investment. Under the DOA, certain transactions are specifically reserved for the approval of the Board, such as transactions of material and price sensitive nature, major acquisitions, divestments, funding and investment proposals of the Group.

The Board and Board Committees meet regularly to discuss strategy, operational matters and governance issues. Board and Board Committee meetings are scheduled in advance in consultation with the Directors to facilitate planning. The non-executive directors meet separately at least once a year without any executives present. The Board holds approximately four scheduled meetings each year and may also convene ad-hoc meetings where necessary to address any significant issues that may arise in-between the scheduled meetings. Where physical meetings are not possible, timely communication with Board and Board Committee members are achieved through electronic means and circulation of written resolutions. The Company's Constitution (the "**Constitution**") provides for Board meetings to be conducted by way of telephonic, video conferencing or any other electronic means of communication.

Directors are welcome to request for further explanation, briefings or discussions on any aspect of the Group's operations or business from Management. Board and Board Committee members meet as and when required to exchange views outside the formal environment of Board meetings.

The attendance of the Directors at meetings of the Board and Board Committees as well as the frequency of such meetings held during the year ended 31 December 2018 ("**FY2018**") are set out in the table below:

Name of Director	**Board**	**ARMC**	**NC**	**RC**	**AGM**
Mr Kris Wiluan	5	n/a	1	n/a	1
Mr Richard James Wiluan	5	n/a	n/a	n/a	1
Mr Samuel Paul Oliver Carew-Jones[(1)]	2	n/a	n/a	n/a	n/a
Mr Soh Gim Teik	6	5	1	2	1
Mr Lawrence Stephen Basapa	6	5	1	2	1
Mr Chew Choon Soo	6	5	1	2	1
Total No. of meeting(s) in FY2018	**6**	**5**	**1**	**2**	**1**

Notes:

Refers to meetings held/attended while each Director was in office.

(1) Appointed as an Executive Director with effect from 15 August 2018.

CORPORATE GOVERNANCE **STATEMENT**

Principle 2: Board Composition and Guidance

As at 31 December 2018, the financial year end, the Board comprised of six Directors, of whom, three were independent.

Name	Date of appointment	Date of last re-election/ re-appointment
Executive Directors		
Mr Kris Wiluan	2 May 2006	29 April 2016
Mr Richard James Wiluan	1 May 2014	27 April 2017
Mr Samuel Paul Oliver Carew-Jones[1]	15 August 2018	–
Independent Directors		
Mr Soh Gim Teik	1 May 2015	26 April 2018
Mr Lawrence Stephen Basapa	1 June 2013	26 April 2018
Mr Chew Choon Soo	1 November 2014	27 April 2017

[1] Mr Samuel Paul Oliver Carew-Jones was appointed as an Executive Director on 15 August 2018.

Based on declarations of independence made by each of the Independent Directors, none have any relationship with the Company, its related corporations, its 5% shareholders or the officers of the Company that could interfere or be reasonably perceived to interfere with the exercise of their independent judgement with a view to the best interest of the Company. In addition, none of the Independent Directors are, or has been, employed by the Company or any of its related corporations for the current year, or any of the past three financial years, or has an immediate family member who is employed, or has been employed, by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the Remuneration Committee of the Company.

As at 31 December 2018, the financial year end, the Independent Directors represented half of the Board members and contributed to the Board process by monitoring and reviewing management's performance against the established goals and objectives. The Independent Directors, led by the Lead Independent Director, meets without the presence of Management, and where necessary, the Lead Independent Director will provide feedback to the Chairman. Their views and opinions provide alternate perspectives to the Group's business. When challenging management's proposals or decisions constructively, the Independent Directors bring independent and objective judgement to bear on business activities and transactions involving conflicts of interest and other complexities. The Company does not have any alternate directors.

The size and composition of the Board is reviewed on an ongoing basis to facilitate effective decision making and to ensure alignment of the needs of the Group. As a team, the core competencies of the Board include areas of oil and gas industry knowledge, accounting, finance, business and management experience. The Board, considering the scope and nature of the Group's operations, is of the view that the current size of the Board is considered to be appropriate to provide the balance and diversity of skills, experience and knowledge for effective decision making.

CORPORATE GOVERNANCE **STATEMENT**

Whilst the current Board does not have gender diversity, this is an important aspect of the NC's consideration, should there be any proposed new appointment(s) to the Board. New directors will continue to be selected based on objective criteria set as part of the process for appointment of new directors.

The duties and obligations of the Directors, including their responsibilities as fiduciaries and how to deal with conflicts of interest that may arise are clearly set out in their respective letter of appointment issued to them upon appointment.

The Company has orientation programmes for newly appointed Directors to familiarise themselves with the Group's senior management, culture, business activities, strategic directions, policies, corporate governance and best practices as well as their statutory and other duties and responsibilities as Directors. Going forward, in accordance with the amended SGX Listing Rules, unless the NC is of the view that training is not required because a director has other relevant experience, any new director appointed to the Board, who has no prior experience as a director of an issuer listed on the SGX-ST, will undergo mandatory training in his roles and responsibilities by the Singapore Institute of Directors ("**SID**") as prescribed by the SGX-ST.

All Directors are responsible for their own training needs and may access a training budget set aside by the Company to be kept updated on the Group's businesses and the regulatory and industry-specific environments in which the Group operates and are encouraged to attend professional development courses or seminars, such as those conducted by the Singapore Institute of Directors, to keep abreast of developments on the corporate, financial, legal and regulatory requirements. During FY2018, Directors and senior Management attended courses and seminars in relation to the ACRA-SGX-SID Audit Committee Seminar 2018; KPMG's seminar on Revised Singapore Corporate Code; SGX Sustainability Reporting Workshop; IVAS-IVSC Business Valuation Conference 2018; SID Corporate Governance Code Briefing sessions on Understanding the Revised Code and Listing Rule Changes, and KPMG's seminar on Data & Analytics to enable the finance function of the future, respectively.

The Board is also regularly updated on latest key changes to regulatory requirements which may have an important bearing on the Company and the Directors' obligations to the Company by the Company's Auditors, lawyers or the Company Secretary.

Key information regarding the Directors, such as academic and professional qualifications, Board Committees served on, directorships or chairmanships both present and those held over the last three years in other listed companies, and other principal commitments, are disclosed on pages 14 to 16 of this Annual Report. The shareholdings or interests of the Directors in the Company, if any, are set out under the Directors' Statement in this Annual Report.

Principle 3: Chairman and Chief Executive Officer ("CEO")

The Chairman and CEO of the Company, Mr Kris Wiluan was appointed to the Board in May 2006. Given there is a strong independent element on the Board that enables the exercise of independent and objective judgment on the corporate affairs of the Group, the Board is of the view that there are adequate safeguards and checks in place to ensure that the process of decision-making by the Board is based on collective decisions of the Directors without any excessive or unrestricted concentration of power or influence residing in any individual. Furthermore, half of the Board consists of Independent Directors and all the Board Committees are chaired by Independent Directors.

The Board, with the concurrence of the NC, believes that vesting the roles of both Chairman and CEO in the same person who is knowledgeable in the business of the Group provides strong and consistent leadership, thus allowing for more effective planning and execution of long-term business strategies. As such, there is no need for the role of the Chairman and the CEO to be separated.

CORPORATE GOVERNANCE **STATEMENT**

Mr Kris Wiluan, plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. He is responsible for inter alia the following:

- establishing operational and strategic policies for the Group;
- setting the meeting agenda of Board meetings in consultation with Directors and the Company Secretary and ensuring that adequate time is available for discussion of all agenda items, in particular, strategic issues;
- leading the Board and encouraging constructive relations within the Board and between the Board and management;
- facilitating the effective contribution of Independent Directors in particular;
- promoting a culture of openness and debate at the Board;
- promoting high standards of corporate governance; and
- maintaining effective communication with shareholders of the Company.

He ensures that Board meetings are held at least quarterly and ensures that Board members are provided with complete, adequate and timely information at least 3 working days prior to the meetings for Directors to be adequately apprised of matters to be discussed at the meetings, and on an ongoing basis, to enable them to make informed decisions and discharge their duties and responsibilities. Members of the management team are invited to attend Board meetings as and when necessary to provide additional insight on matters to be discussed.

The Chairman and CEO's performance is reviewed periodically by the NC and his remuneration package reviewed by the RC. Both the NC and RC are chaired by Independent Directors.

The contribution and performance of the Chairman and CEO has been reviewed by the NC in FY2018. The results of the evaluation forms were collated and tabled for discussion at the NC meeting and noted at the Board meeting, with comparatives from the previous year's results.

Feedback on results of performance evaluation of the Chairman and CEO was reviewed by the NC and based on the review, the Chairman and CEO performed his duties and contributed to the Group effectively for FY2018.

Lead Independent Director ("LID")

The LID of the Company, Mr Soh Gim Teik was appointed to serve in a lead capacity to coordinate the activities of the non-executive directors in circumstances where it would be inappropriate for the Chairman and CEO to serve in such capacity. He is also the principal liaison to address shareholders' concerns where direct contact through normal channels of the Chairman and CEO or Chief Financial Officer ("**CFO**") to adequately resolve or for which such contact is inappropriate. He can also facilitate periodic meetings with the Independent Directors on Board matters, when necessary, and provide feedback to the Chairman thereafter. His other specific roles as LID are as follows:

a) act as liaison between Independent Directors and the Chairman and CEO and lead the Independent Directors to provide non-executive perspectives in circumstances where it would be inappropriate for the Chairman and CEO to serve in such capacity and to contribute a balanced viewpoint to the Board;

b) advise the Chairman and CEO as to the quality, quantity and timeliness of the information submitted by Management that is necessary or appropriate for the Independent Directors to effectively and responsibly perform their duties; and

c) assist the Board and Company officers in better ensuring compliance with and implementation of corporate governance.

CORPORATE GOVERNANCE **STATEMENT**

BOARD COMMITTEES

Principle 4: Board Membership

Nominating Committee

The Nominating Committee ("**NC**") comprises the following members:

Mr Lawrence Stephen Basapa – Chairman	(Independent Director)
Mr Soh Gim Teik	(Lead Independent Director)
Mr Chew Choon Soo	(Independent Director)
Mr Kris Wiluan	(Executive Director)

The functions of the NC includes:

a) review and recommend to the Board the structure, size and composition of the Board and Board Committees;

b) review Board succession plans for Directors, in particular, the Chairman and CEO;

c) identify, review and recommend candidates for appointment to the Board and Board Committees;

d) evaluate the effectiveness of the Board as a whole and the Board Committees and assess the contribution by each Director to the effectiveness of the Board;

e) develop a process for the evaluation of performance of the Board and Board Committees and determine how the Board's performance may be evaluated and proposed objective performance criteria;

f) review the training and professional development programmes for the Board;

g) determine annually, on a discretionary basis, whether or not a Director is independent, bearing in mind the definition and criteria set forth in the Code and any other salient factors;

h) decide whether a Director who has multiple board representation is able to and has been adequately carrying out his duties as a Director, having regard to competing time commitments; and

i) make recommendations to the Board on the appointment or re-election of the Directors to the Board at the Company's Annual General Meetings ("**AGM**"), having regard to the Directors' contributions and performance.

The NC assessed each Independent Director's independence based on the circumstances set out in the Code and their respective declaration of independence and is of the view that Mr Soh Gim Teik, Mr Lawrence Stephen Basapa and Mr Chew Choon Soo are independent. The Board having considered the recommendations of the NC, concurred with the NC's assessment.

In selecting potential new directors to the Board, the NC will take into consideration the current Board size and mix and identify the required skills, experience and competencies necessary to enable the Board to fulfil its responsibilities. Potential candidates are sourced through an extensive network of contacts or where required, external executive search professionals are engaged. These candidates are rigorously reviewed by the NC based on key attributes *inter alia* such as integrity, commitment and competencies and ability to carry out his duties as a director (in particular where the director has multiple listed company directorships principal commitments). The NC will thereafter submit its recommendation to the Board. All candidates are carefully evaluated by the Board to ensure that the recommendations are objective and well supported.

CORPORATE GOVERNANCE **STATEMENT**

A Director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Company. The NC is of the view that, to allow for flexibility, there will not be a fixed maximum number of listed company directorships and principal commitments the Directors may hold as these should not be prescriptive as the time commitment for each board membership or principal commitments may vary. The NC will review the number of listed company directorships each Director holds on an annual basis or from time to time when the need arises. The NC having considered the confirmations received from the Independent Directors, is of the view that the listed board directorships and principal commitments of the Independent Directors do not hinder them from carrying out their duties to the Company. The NC is satisfied that sufficient time and attention have been accorded by the Independent Directors to the affairs of the Company. The Board concurred with the NC's views.

In accordance with the provisions of the Company's Constitution, one-third of the Directors are to retire by rotation and are subject to re-election at every AGM. All Directors are required to retire from office at least once every three years. New Directors appointed during the year will retire and submit themselves for re-election at the next AGM immediately following their appointment.

The following Directors are subject to retirement pursuant to the Company's Constitution at the forthcoming AGM:

1) Mr Kris Wiluan – Article 91
2) Mr Chew Choon Soon – Article 91; and
3) Mr Sam Carew-Jones (appointed on 15 August 2018) – Article 97.

The retiring Directors have expressed their consents to seek re-election as Directors of the Company at the forthcoming AGM. Additional information on Directors seeking re-election is shown in pages 30 to 37.

The NC, having considered the attendance and participation of the retiring Directors at Board and Board Committee meetings and in particular, their contributions to the business and operations of the Company as well as Board processes, recommended their nomination for re-election at the forthcoming AGM. The Board had accepted the NC's recommendation.

CORPORATE GOVERNANCE **STATEMENT**

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the director who is seeking re-appointment at the forthcoming Annual General Meeting of the Company, as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

Name	**Kris Wiluan**	**Samuel Paul Oliver Carew-Jones**	**Chew Choon Soo**
Date of appointment	2 May 2006	15 August 2018	1 November 2014
Date of last re-appointment, if any	29 April 2016	–	27 April 2017
Age	71	45	62
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on the re-appointment	After assessing Mr Wiluan's contribution, responsibilities and performance, the NC has recommended that he be re-elected as the Executive Chairman and CEO of the Company to continue to lead the Group.	The Board having considered the NC's recommendations, the qualifications and contribution of Mr Carew-Jones, is of the view that he has the requisite experience and capabilities as an Executive Director of the Company.	After assessing Mr Chew's contribution and performance, the NC has recommended that he be re-elected as Director of the Company.
Whether the appointment is executive, and if so, the area of responsibility	Executive. Overall Strategy and development of the Group	Executive. Overseeing the accounting and finance matters of the Group.	Non executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chairman and Chief Executive Officer and member of the Nominating Committee	Executive Director and Group Chief Financial Officer	Independent Director, Chairman of the Remuneration Committee and members of the Audit and Risk Management Committee and Nominating Committee

CORPORATE GOVERNANCE **STATEMENT**

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT (CONTINUED)

Name	Kris Wiluan	Samuel Paul Oliver Carew-Jones	Chew Choon Soo
Professional Qualifications	A graduate from London University with a BSc Honours Degree in Mathematics and Computer Science.	A chartered accountant in the United Kingdom in 1999 and graduated in 1995 with a bachelor's degree in Physics from Imperial College London.	A BSc (Hons) in Economics and Accounting from Bristol University, UK, and holds a MBA in Finance from The Wharton School of the University of Pennsylvania, USA.
Working experience and occupation(s) in the past 10 years	Please refer to Mr Wiluan's CV in the Board of Directors information on page 15.	Please refer to Mr Carew-Jones's CV in the Board of Directors information on page 15.	Please refer to Mr Chew's CV in the Board of Directors information on page 16.
Shareholding interest in the listed issuer and its subsidiaries	Please refer to Directors' Statement on pages 54 and 55 and Shareholder's Information on pages 183 and 184 of the Annual Report.	Hold 1,594,000 Ordinary Shares in the Company	No
Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Father of Richard James Wiluan, Executive Director of the Company. Father-in-law of Samuel Paul Oliver Carew-Jones, Executive Director and Chief Financial Officer of the Company	Son-in-law of Kris Wiluan, the Chairman and CEO of the Company. Brother-in-law of Richard James Wiluan, Executive Director of the Company	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes	Yes

CORPORATE GOVERNANCE **STATEMENT**

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT (CONTINUED)

Name	Kris Wiluan	Samuel Paul Oliver Carew-Jones	Chew Choon Soo
	Other principal commitments including directorships		
Past (for the last 5 years)	Please see attached*(1)	No	No
Present	Please see attached*(2)	1. Atlantic Rotterdam Limited 2. Sphinx Frontier Ltd 3. S&E Cumford (Thailand) Ltd 4. Globatech Systems Engineering Pte. Ltd. 5. KS Energy Limited	1. Asia General Holding (Pte) Ltd 2. Singora Pte Ltd 3. KS Energy Limited 4. WITC Asia Pte Ltd 5. GL Capital Management GP Ltd. 6. GL Capital Management GP II Ltd 7. GL Capital Management GP II BC Ltd 8. GL Capital Management GP III Ltd 9. GL Capital Management GP III BC Ltd 10. Haw Par Corporation Ltd
	Information required pursuant to Listing Rule 704(7)		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

CORPORATE GOVERNANCE **STATEMENT**

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT (CONTINUED)

Name	Kris Wiluan	Samuel Paul Oliver Carew-Jones	Chew Choon Soo
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

CORPORATE GOVERNANCE **STATEMENT**

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT (CONTINUED)

Name	Kris Wiluan	Samuel Paul Oliver Carew-Jones	Chew Choon Soo
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

CORPORATE GOVERNANCE **STATEMENT**

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT (CONTINUED)

Name	Kris Wiluan	Samuel Paul Oliver Carew-Jones	Chew Choon Soo
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: **(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or** **(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or**	No	No	No

CORPORATE GOVERNANCE **STATEMENT**

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT (CONTINUED)

Name	Kris Wiluan	Samuel Paul Oliver Carew-Jones	Chew Choon Soo
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or **(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?**			
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

CORPORATE GOVERNANCE **STATEMENT**

*(1)	**LIST OF DIRECTORSHIP FOR PAST 5 YEARS**
1	KS Distribution Pte Ltd
2	PT. Suryasarana Hidupjaya
3	Aqua-Terra Supply Co. Limited
4	SSH Corporation Ltd
5	KS Marinehub Pte Ltd
6	KS Flow Control Pte Ltd
7	KS Technical Resources Pte Ltd
8	Specialist Resources International Pte Ltd
9	Globaltech Systems Engineering Pte Ltd
10	PT AT Oceanic Offshore
11	PT H-Tech Oilfield Equipment
12	Citra Tubindo (International) Pte Ltd
13	Citra Sumit Valind Investments Pte Ltd
14	NS Connection Technology Inc.
15	Citra Tubindo (Australia) Pty Ltd
16	PT Sarana Citranusa Kabil
17	PT Hymindo Petromas Utama
18	Vietube Corporation Limited
19	PT Citra Pembina Pengangkutan Industries
20	PT Bandarkabil Indonusa
21	PT Citra Pembina Logistik
22	PT Citra Sarana Baja
23	PT Tirta Utama Riani Indah
24	PT Taman Nongsa Indah Village
25	PT Nongsapura Wahanabahari
26	PT Nongsaterminal Bahari
27	PT Citramas Wisata Nusa
28	PT Unimas Motor Wasta
29	Delisari Food Supplies Pte Ltd
30	PT Intancitra Logamindo
31	Interpacific Japan Limited
32	Interlink Ferry Services Pte Ltd
33	ATF Corporation Pte Ltd

*(2)	**LIST OF DIRECTORSHIP AS PRESENT**
1	KS Energy Limited
2	PT KSD Indonesia
3	Atlantic Rotterdam Limited
4	KS Fabrication and Engineering Pte Ltd
5	PT Globaltech Systems Engineering
6	KSAM2 Petrodrill Offshore Inc.
7	PT Petro Papua Energi
8	PT Atlantic Oilfield Services
9	KS Rig Invest Pte Ltd
10	KS Rig Invest One Pte Ltd
11	KS Rig Invest Two Pte Ltd
12	KS Rig Invest Three Ltd
13	PT KS Drilling Indonesia
14	PT Java Star Rig
15	KS Drilling Pte Ltd
16	Pacific One Energy Limited
17	PT Citra Tubindo Tbk
18	NSCT Premium Tubulars B.V.
19	Citramas Nusaterra Pte Ltd
20	Ascendas-Citramas Pte Ltd
21	PT Citra Agramasinti Nusantara
22	PT Dwi Sumber Arca Waja
23	PT Citra Engineering Procurement Construction
24	PT Citra Tubindo Engineering
25	PT Intimas Citrasarana
26	PT Kinema Systrans Multimedia
27	PT Nongsa Point Marina
28	PT Taman Resor Internet
29	PT Kawasan Pembangunan Nongsa
30	PT Citramasindah Realtindo
31	PT Haskon Citra Perdana
32	PT Citranusa Sarana Komunikatama
33	PT Kabil Citranusa
34	PT Kabil Indonusa Estate
35	PT Tirtawisata Pratama
36	PT Kosaido Tamarin Santana
37	PT Citra Bonang
38	PT Delisari Nusantara
39	PT Indo Lysaght
40	PT Ustrada Sakti Supplies
41	PT Citra Resins Industries
42	PT Indo Fermex
43	PT Jaya Fermex
44	PT Bandiera Permata Biru
45	Kinema Entertainment Private Limited
46	Infinite Frameworks Pte Limited
47	Asean Taekwondo Federation

CORPORATE GOVERNANCE **STATEMENT**

Principle 5: Board Performance

The NC has in place an annual Board performance evaluation to assess the effectiveness of the Board and to facilitate discussion to enable the Board to discharge its duties more effectively. The annual Board performance evaluation is carried out by means of a questionnaire relating to areas such as the size and composition of the Board, information flow to the Board, Board procedures and accountability, matters concerning CEO/senior Management and standards of conduct of Board members being completed by each Director. The NC also assessed the contribution and performance of the Chairman and CEO each individual Director in FY2018.

In line with the guidelines of the Code, annual performance evaluation exercises were also conducted for the Board Committees in FY2018. The performance evaluation process for the ARMC, NC and RC similarly involved the use of questionnaires being completed by Board Committee members relating to the following matters:

(i) ARMC – Membership and appointments, meetings, training and resources, financial reporting, internal financial controls and risk management systems, IA process, external audit process, whistle-blowing, relationship with the Board and communication with shareholders.

(ii) NC – Membership and appointments, meetings, training and resources, reporting, process for selection and appointment of new Directors, nomination of Directors for re-election, independence of Directors, Board performance evaluation, succession planning, Director who has multiple board representation, standards of conduct and communication with shareholders.

(iii) RC – Membership and appointments, meetings, training and resources, remuneration framework, reporting, standards of conduct and communication with shareholders.

To ensure objectivity and transparency in the evaluation and appraisal process, an external party was appointed to assist in conducting the evaluation and appraisal process.

The results of the completed questionnaires are collated and findings of the performance evaluations are tabled for discussion by the NC and the Board with comparatives from the previous year's results, where applicable.

The aim of the evaluation of the Board and Board Committees is to review the effectiveness of the Board as a whole and each of the Board Committees and to provide an opportunity to obtain constructive feedback from the Directors on whether the Board and Board Committee's procedures and processes had allowed them to discharge their duties effectively. Members of the Board and Board Committees are encouraged to propose changes to enhance the effectiveness of the Board as a whole and the respective Board Committees.

In discussing the results of the Board performance evaluation for FY2018, Board members were able to identify areas for improving the effectiveness of the Board. The NC will continue to evaluate the process for such review and their effectiveness from time to time.

CORPORATE GOVERNANCE **STATEMENT**

The NC, in considering the contribution of each Director to the effectiveness of the Board, reviews:

a) the Directors' contribution in relation to their skills;

b) the Directors' attendance and participation at Board and Board Committee meetings;

c) the Directors' competing time commitments with multiple board representations; and

d) the independence of the Independent Directors.

The NC is generally satisfied with the overall rating and results of the performance evaluation of the Board as a whole and of each of the Board Committee, as well as contribution by the Chairman and CEO and each individual director for FY2018 which indicated areas of strengths and areas that could be improved. The NC had discussed the results with Board members who agreed to work on those areas that could be improved.

Feedback from evaluation of the Board Committees were reviewed separately by the respective Board Committees before being submitted to the Board for discussion and determining areas for improvement and enhancement of each Board Committee's effectiveness and overall contribution to the Board.

Feedback on results of performance evaluation of the Chairman and CEO, and each individual Director was reviewed by the NC and based on the review, the Chairman and CEO, and each Director has contributed to the overall effectiveness of the Board.

Access to Information

The Company recognises the importance of providing the Board with accurate and relevant information on a timely basis. Management provides the Directors with monthly management reports, information, background and explanatory notes pertaining to areas such as budget, forecasts, funding positions and quarterly financial statements of the Group. In addition, all relevant information on material events and transactions are circulated to Directors as and when they arise. In respect of budgets, any material variance between the projections and actual results would also be disclosed and explained.

The Chairman and CEO sits on the board of the Group's key businesses, KS Drilling Pte. Ltd. and KS Distribution Pte. Ltd. (which has been disposed off in December 2018). He is an important link between the Board and the boards of the key businesses. He keeps the Board apprised of key developments affecting the Group as well as any material transactions. The Board has separate and independent access to senior Management and the Company Secretary. The appointment and removal of the Company Secretary is a matter reserved for the Board.

The Company Secretary is responsible for, among other things, ensuring that Board procedures, the Company's Constitution, and relevant rules and regulations, including requirements of the Companies Act, Cap. 50 and the SGX-ST Listing Manual are complied with. The Company Secretary also facilitates and acts as a channel of communication to ensure adequate and timely information flow between the Board and Board Committees as well as between and with senior Management.

Where it is required to discharge their duties, the Board may obtain independent professional advice at the Company's expense. The appointment of such independent professional advisor is subject to approval by the Board.

CORPORATE GOVERNANCE **STATEMENT**

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies
Principle 7: Level and Mix of Remuneration
Principle 8: Disclosure on Remuneration

The Remuneration Committee ("**RC**") comprises the following members:

Mr Chew Choon Soo – Chairman	(Independent Director)
Mr Soh Gim Teik	(Lead Independent Director)
Mr Lawrence Stephen Basapa	(Independent Director)

The functions of the RC includes:

a) recommend to the Board base salary level, benefits and incentive programs, and identify components of salary which can best be used to focus Management staff on achieving corporate objectives;

b) approve the structure of compensation programmes (including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind) for Directors and key management personnel to ensure that the programme is competitive and sufficient to attract, retain and motivate key management personnel of the required quality to run the Group successfully;

c) review, on an annual basis, the compensation packages of the Chairman and CEO, Executive Directors, key management personnel and any employees related to the Directors of the Company;

d) review the remuneration of the Non-Executive Directors, taking into account factors such as effort, time spent and responsibilities and that the Non-Executive Directors are not overly-compensated to the extent that their independence may be compromised; and

e) function as the committee referred to in the KS Energy Employee Share Option Scheme and the KS Energy Performance Share Plan and having all the powers set out in both schemes.

The Company's remuneration package comprises a base/fixed salary component and a variable bonus component that is linked to the Company/Group and individual performances.

The RC will review the Company's obligations arising in the event of a termination of the Executive Directors' and key management personnel's contracts of service and the need to adopt provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstance of misstatement of financial results or of misconduct resulting in financial loss to the Company.

Disclosure on Directors' Remuneration

In setting the remuneration packages of Executive Directors, the RC takes into account the respective performances of the Group and of the individual. In its deliberation, the RC takes into consideration, remuneration packages and employment conditions within the industry and benchmarked against comparable companies.

CORPORATE GOVERNANCE **STATEMENT**

The structure of fees paid to the Independent Directors is as follows:

	Basic Fee (S$) per annum	Standard number of meeting(s) per annum
Board		
Lead Independent Director	$52,000	
Independent Director	$40,000	4
ARMC		
Chairman	$20,000	
Member	$10,000	5
NC		
Chairman	$10,000	
Member	$5,000	2
RC		
Chairman	$10,000	
Member	$5,000	2

If a Director occupies a position for part of the financial year, the fee payable will be prorated accordingly.

Attendance Fee

In addition, an Independent Director will be paid an attendance fee of $1,000 for each additional Board or Board Committee meeting which he attended in that financial year.

The Chairman of each Board Committee is compensated for additional responsibilities that may be assigned to him. Directors' fees are tabled for approval by the shareholders of the Company as a lump sum payment at the AGM of the Company.

The RC is of the view that the current remuneration of the Independent Directors is appropriate, taking into account factors such as effort and time expended and responsibilities. Other than Directors' fees, the Independent Directors do not receive any other form of remuneration from the Company. The RC had recommended the payment of Directors' fees of S$225,000 for FY2018 which is calculated based on a fee reduction for FY2018 as proposed by the independent directors. This recommendation had been endorsed by the Board and will be tabled at the Company's AGM for shareholders' approval.

In FY2018, the RC carried out an annual review of the Chairman and key management personnel's remuneration packages to ensure that their remuneration commensurate with their performance, giving due regard to the performance criteria set out in the Group's remuneration framework for key management personnel and the financial performance and business needs of the Group. The RC had also reviewed the Group's remuneration framework for key management personnel to further align performance with the variables in the compensation structure, as well as to include contractual non-compete and confidentiality provisions.

The service agreements of the Executive Directors and key management personnel of the Company contains contractual provisions which allow the Company to reclaim incentive components of remuneration from Executive Directors and/or key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

CORPORATE GOVERNANCE **STATEMENT**

The Company has a share option scheme and a share-based incentive plan (i.e. the KS Energy Employee Share Option Scheme and KS Energy Performance Share Plan (the "**Plan**"), collectively referred to as the "**Schemes**"). The Company had not granted any share option or share award pursuant to the Schemes during FY2018. Details of both Schemes are disclosed on pages 56 to 58 of the Directors' Statement.

For FY2018, the RC was satisfied with the Chairman's and key management personnel's remuneration packages and recommended the same for Board approval. The Board concurred with the RC's recommendations.

No remuneration consultants were engaged in FY2018. The RC members or Directors did not participate in any decision concerning their own remuneration.

The following table shows a breakdown (in percentage terms) of Directors' remuneration for FY2018, falling within broad bands:

	Breakdown of the Director's remuneration						
	No. Of Directors	**Fee (%)**	**Salary & CPF (%)**	**Bonus & CPF (%)**	**Other Benefits (%)**	**Shares (%)**	**Total (%)**
Above S$750,000 to S$1 million	1						
Mr Kris Wiluan*(1)		–	96%	–	4%	–	100%
Above S$500,000 to S$750,000	–	–	–	–	–	–	–
Above S$250,000 to S$500,000	–	–	–	–	–	–	–
S$250,000 & Below	5						
Mr Richard James Wiluan		100%	–	–	–	–	100%
Mr Samuel Paul Oliver Carew-Jones*(2)		–	96%	–	4%	–	100%
Mr Soh Gim Teik		100%	–	–	–	–	100%
Mr Lawrence Stephen Basapa		100%	–	–	–	–	100%
Mr Chew Choon Soo		100%	–	–	–	–	100%

*(1) The remuneration paid includes remuneration paid to the Director by KS Distribution Pte. Ltd. ("**KSD**"), a subsidiary of the Company, as defined under the Companies Act, Cap 50, but treated by the Company as a joint venture in the consolidated financial statements in accordance with Singapore Financial Reporting Standards until disposal in December 2018.

*(2) Appointed as an Executive Director on 15 August 2018. Mr Samuel Paul Oliver Carew-Jones is the son-in-law of Mr Kris Wiluan (Chairman and Chief Executive Officer of the Company)

CORPORATE GOVERNANCE **STATEMENT**

The remuneration of the Group's top five (5) key management personnel, who are not directors of the Company for FY2018 falls within the following remuneration bands:

Remuneration Bands	No. of Executives	Fee (%)	Salary & CPF (%)	Bonus & CPF (%)	Other Benefits (%)	Shares (%)	Total (%)
S$750,000 to S$1 million	1	–	90%	–	10%	–	100%
Above S$500,000 to S$750,000	1	–	92%	–	8%	–	100%
Above S$250,000 to S$500,000	3	–	95%	–	5%	–	100%
S$250,000 & Below	–	–	–	–	–	–	–

For confidentiality reasons, the Company is not disclosing each individual Director's remuneration and the performance criteria used to determine the remuneration packages of the Chairman and CEO, Executive Directors and key management personnel. The remuneration and names of key management personnel are also not disclosed given the competitiveness, hiring pressure and disadvantages that this might bring. In aggregate, the total remuneration paid to the top five key management personnel in FY2018 was S$2,520,837 (FY2017: S$2,563,091) which included remuneration paid by KSDR, a subsidiary of the Company, as defined under the Companies Act, Cap. 50.

Save for Mr. Kris Wiluan and Mr. Richard James Wiluan as disclosed above, none of the employees who are immediate family members of a Director or the CEO received more than S$100,000 in remuneration for the FY2018.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risks and for ensuring that management maintains a sound system of risk management and internal controls with a view to safeguard the Company's assets and shareholders' interest.

During the year, the Board, through the Audit and Risk Management Committee ("**ARMC**"), reviewed the adequacy and effectiveness of the Company's internal controls and risk management systems.

The ARMC, through the assistance of internal and external auditors, reviews and reports to the Board at least annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, established by Management. In addition, the Board reviews and determines the Group's level of risk tolerance and risk polices, and oversees the design, implementation and monitoring of the risk management and internal control systems. In assessing the effectiveness of internal controls, the ARMC ensures primarily that key objectives are met, material assets are properly safeguarded, fraud or errors in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

CORPORATE GOVERNANCE **STATEMENT**

Since FY2012, the Group has put in place an Enterprise Risk Management ("**ERM**") Framework (the "**ERM Framework**"), which governs the risk management process in the Group. Through this ERM Framework, risk capabilities and competencies are continuously enhanced. The ERM Framework also enables the identification, prioritisation, assessment, management and monitoring of key risks and associated key controls to the Group's business. The ownership of these risks lies with the respective business and corporate executive heads with stewardship residing with the Board. The key risks of the Group are deliberated by Management and reported to the ARMC on a quarterly basis. The ARMC reviews the adequacy and effectiveness of the ERM Framework against leading practices in risk management and vis-à-vis the external and internal environment in which the Group operates.

Complementing the ERM Framework is a group-wide system of internal controls, which includes the documented policies and procedures, proper segregation of duties, approval procedures and authorities, as well as checks-and-balances built into the business processes. The Group has in place a risk management process that requires business units to assess the effectiveness of their internal controls. In addition, to ensure that internal controls and risk management processes are adequate and effective, the ARMC is assisted by various independent professional service providers. Any material non-compliance or lapses in internal controls together with corrective measures recommended by internal and external auditors are reported to and reviewed by the ARMC. The adequacy and effectiveness of the measures taken by Management in response to the recommendations made by the internal and external auditors is also reviewed by the ARMC.

The Board has received assurance:

(a) from the CEO, CFO and the respective business unit heads of the Group that as at 31 December 2018, the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) from the CEO and the CFO that as at 31 December 2018, the Group's risk management and internal control systems were adequate and effective.

Opinion on Adequacy and Effectiveness of the Group's Internal Controls

Based on the review of the key risks identified through the ERM process, and the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by Management and the ARMC; and the aforesaid assurances from the CEO and the CFO, the Board, with the concurrence of the ARMC, is of the opinion, pursuant to Rule 1207(10), that the Group's internal controls, addressing financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective as at 31 December 2018.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Principle 10: Audit and Risk Management Committee

The ARMC comprises the following members:

Mr Soh Gim Teik – Chairman	(Lead Independent Director))
Mr Lawrence Stephen Basapa	(Independent Director)
Mr Chew Choon Soo	(Independent Director)

CORPORATE GOVERNANCE **STATEMENT**

The Board is of the view that the ARMC members are appropriately qualified. At least 2 of the ARMC members, including the ARMC Chairman, have recent and relevant accounting and/or related financial management expertise or experience to discharge their responsibilities competently. None of the ARMC members were former partners or directors of the Company's external auditors, KPMG LLP, within the last twelve (12) months or holds any financial interest in the external auditors.

The ARMC meets at least four times a year and as and when required to carry out its duties. The ARMC performs the following functions:

a) reviews with the external auditors, their audit plan, evaluation of the accounting controls, audit reports and any matters which the external auditors wish to discuss;

b) reviews with the internal auditors, their audit plan and reports, the adequacy of the internal audit procedures and their evaluation of the effectiveness of the overall internal control systems, including financial, operational, compliance and information technology controls and risk management;

c) reviews the quarterly and annual financial statements and related announcements to shareholders and the SGX-ST prior to submission to the Board for approval, so as to ensure the integrity of the Company's financial statements;

d) reviews the internal control procedures to ensure co-ordination between the internal and external auditors, any significant findings and recommendations of the external and internal auditors and related management response including co-operation and assistance given by Management to the internal and external auditors;

e) reviews interested person transactions ("**IPTs**") to ensure that internal control and review procedures are adhered to;

f) conducts annual reviews of the cost effectiveness of the audit, independence and objectivity of the external auditors, including the value of non-audit services provided by the external auditors, to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their re-nomination;

g) appointment or re-appointment of the internal and external auditors and matters relating to the resignation or dismissal of the auditors;

h) review whistle blowing investigations within the Group and ensure appropriate follow-up actions;

i) reviews potential conflicts of interests;

j) advises the Board on the Company's overall risk tolerance and strategy;

k) advises the Board on the current risk exposures and future risk strategy of the Company;

CORPORATE GOVERNANCE **STATEMENT**

l) in relation to risk assessments:

(i) keeps under review the Company's overall risk assessment processes that inform the Board's decision making;

(ii) reviews regularly and approve the parameters used in these measures and the methodology adopted; and

(iii) sets a process for the accurate and timely monitoring of large exposures and certain risk types of critical importance;

m) reviews the Company's capability to identify and manage new risk types;

n) before a decision to proceed is taken by the Board, advises the Board on proposed strategic transactions, focusing in particular on risk aspects and implications for the risk tolerance of the company, and taking independent external advice where appropriate and available;

o) reviews reports on any material breaches of risk limits and the adequacy of proposed action;

p) provides advice to the RC on risk weightings to be applied to performance objectives incorporated in executive remuneration;

q) monitors the independence of risk management functions throughout the organisation;

r) reviews risk reports of the Company and monitors Management's responsiveness to the findings; and

t) conducts such other reviews and undertakes projects as may be requested by the Board, reports to the Board its findings from time to time on matters arising and requiring the ARMC's attention and generally undertakes such other functions and duties as may be required by statute or the SGX-ST Listing Manual (as amended from time to time).

The Company has in place a Whistle-blowing Policy to provide an accessible channel through which employees and any other persons of the Group may report and raise in good faith and in confidence, any concerns about possible improprieties, fraudulent activities, or malpractices within the Group in a responsible and effective manner. The objective of the Whistle-blowing Policy is to facilitate independent investigation of such matters and for appropriate follow-up action. This policy was updated in FY2017. Reports can be made verbally or in writing to any member of the ARMC whose contact numbers and email addresses are stated in the said policy. External parties may access the Whistle-blowing Policy which is available on the corporate website at http://www.ksenergy.com.sg. An independent investigation of the matters raised would be conducted and appropriate follow-up action would be undertaken. There were no whistle-blowing reports received in FY2018.

The ARMC has full authority to commission investigations and review findings into matters when alerted of any suspected fraud, irregularity, failure of internal controls or infringement of any law that may likely have a material impact on the Group's operating results. It also has full access to and co-operation from Management and full discretion to invite any Director or executive officer to attend its meetings as well as reasonable resources to enable it to discharge its function properly.

CORPORATE GOVERNANCE **STATEMENT**

The ARMC meets with the Group's internal and external auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group. In FY2018, the ARMC:

(i) held 5 meetings;

(ii) reviewed the quarterly and full-year financial statements and, considered both the external and internal audit plans;

(iii) reviewed the adequacy of internal control procedures and transactions with Interested Persons;

(iv) met with both the internal and external auditors, without the presence of Management, to obtain feedback on Management's co-operation in the audits and on other matters that may warrant the ARMC's attention. Both the internal and external auditors had confirmed that they had access to and received full co-operation and assistance from Management and no restrictions were placed on the scope of their audits;

(v) undertook a review of all non-audit services provided by the external auditors and is of the opinion that the nature and provision of such services would not affect the independence and objectivity of the external auditors. The external auditors have affirmed their independence in this respect. The following fees for FY2018 amounting to S$368,000*(1) (FY2017: S$1,094,000) were approved:

Audit fees	S$316,000 (FY2017 S$911,000)
Non-audit fees*(2)	S$52,000 (FY2017 S$183,000)

*(1) The total fees of NIL (FY2017:S$1,094,000) approved for payment include fees payable by KSD to the Company's auditors, who are also the external auditors of KSD, treated by the Company as a joint venture in the consolidated financial statements in accordance with Singapore Financial Reporting Standards.

*(2) Non-audit fees were mainly in respect of corporate tax compliance services.

(vi) confirmed that the Company has complied with Rule 712 of the SGX-ST Listing Manual in that KPMG LLP is registered with the Accounting and Corporate Regulatory Authority; The ARMC was satisfied that the resources and experience of KMPG LLP, the audit engagement partner and his team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group;

(vii) confirmed that the Company has complied with Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the same auditing firm based in Singapore to audit the accounts of the Company, all its Singapore-incorporated subsidiaries and significant associated companies. For significant foreign-incorporated subsidiaries and associated companies, the ARMC assessed and confirmed that pursuant to Rule 715(2), the company engaged a suitable auditing firm. The Group's jointly controlled entities, subsidiaries and associates are disclosed under Notes 14 and 16 of the Notes to the Financial Statements on pages 113 to 127 of the Annual Report.

CORPORATE GOVERNANCE **STATEMENT**

(viii) In the review of the financial statements, the ARMC has discussed with management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with management and the external auditor and were reviewed by the ARMC:

Significant Matters	**How the ARMC reviewed these matters and what decisions were made**
Going concern assumption	The ARMC considered the basis of assessment of the continuing use of the going concern assumption for the preparation of the financial statements, specifically looking at operating cash flow projections, upcoming loan repayments and financing for known capital commitments. The ARMC reviewed the reasonableness of cash flow forecasts and assessed the current status for each material component, together with alternative plans.
Impairment test of plant and equipment – rigs	The ARMC considered the approach and methodology applied to the valuation model in assessing the valuation of cash generating units ("CGU"). The ARMC reviewed the reasonableness of cash flow forecasts, long-term growth rate and discount rate used in the valuation model.

The ARMC, with the concurrence of the Board, had recommended the re-appointment of KPMG LLP as auditors for the ensuing year at the AGM based on their performance and quality of their audit.

The external auditors and/or the CFO will keep the ARMC abreast of changes to accounting standards and issues, if any, which have a direct impact on the financial statements through updates and/or reports from time to time, where applicable or relevant. In addition, the ARMC is entitled to seek clarification from Management, the external auditors and/or internal auditor or seek independent professional advice, or attend relevant seminars at the Company's expense from time to time to apprise themselves of accounting standards/financial updates.

Internal Audit

The Company engaged an independent audit firm, BDO LLP as its internal auditors to support its in-house internal audit team. All internal audit reports will be submitted to the ARMC directly for review on quarterly basis. The role of the internal auditors is to support the ARMC in ensuring that the Group maintains a sound system of internal controls by highlighting weaknesses in the current process, ascertaining that operations were conducted in accordance with established policies and procedures, identify areas for improvement and where controls can be strengthened. The ARMC reviews the independence, adequacy and effectiveness of the internal auditors to ensure that they are sufficiently resourced and able to perform their function effectively and objectively. The ARMC considers the internal audit function to be independent, effective and adequately resourced.

For FY2018, the ARMC was satisfied that the resources and experience of BDO LLP, the internal audit engagement partners and their teams assigned to the internal audit of the Group were adequate to meet their internal audit obligations. The internal auditor is required to apply and has confirmed that the standards applied meet the equivalent of the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

CORPORATE GOVERNANCE **STATEMENT**

During the year under review, the internal auditors had reviewed key processes to test the effectiveness of internal controls within the Group. In addition, the external auditors have, during the course of their audit, tested the operating effectiveness of certain controls over the Group's financial reporting process. Any lapses in compliance or internal controls together with corrective measures are reported to the ARMC. No material issues or lapses in internal controls were raised by the internal auditor in the course of the audit. The ARMC reviews the internal and external auditors' comments and findings and ensure that there are adequate internal controls in the Group and follow up on actions implemented.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholders Rights and conduct of general meetings
Principle 12: Engagement with Shareholders
Principle 13: Engagement with Stakeholders

The Company strives for timeliness and transparency in its disclosures to shareholders and the public and does not practise selective disclosure so as to facilitate the exercise of ownership rights of the shareholders. All information on the Company's developments and initiatives, especially any price-sensitive information, are disseminated via SGXNET followed by a news release, where appropriate. Results and annual reports are announced or issued within the stipulated timelines prescribed by the SGX-ST.

The Company currently holds analyst briefings upon request following the release of its quarterly and full year financial results. Communications with shareholders, analysts and fund managers are handled by a dedicated investor relation consultant.

The Company also regularly updates its corporate website http://www.ksenergy.com.sg through which shareholders are able to access information on the Group. The website provides the Group's business profile, corporate announcements, press releases and other relevant information.

The Board has also taken steps to solicit and understand the views of the shareholders through general meetings. At general meetings of the Company, shareholders are given the opportunity to participate effectively by expressing their views and asking questions regarding the Company and the Group. The Board welcomes questions from shareholders who may ask questions or seek clarification either informally or formally before or at the general meetings. The Annual Report is despatched to shareholders, together with the Notice of AGM, explanatory notes or a circular on items of special business, at least 14 days before the meeting for ordinary resolutions and 21 days before the meeting for special resolutions. There are separate resolutions on each distinct issue. Resolutions passed at the general meetings are voted by poll. The Company currently employs paper polling as electronic polling is not practical and cost-effective rules, including the voting procedures, that govern the shareholders' general meetings are communicated to shareholders.

All shareholders of the Company are encouraged to attend the general meetings to ensure a high level of accountability and to stay informed of the Group's strategy and goals. Shareholders may vote in person or in absentia by way of proxy forms deposited, in person or by mail, at the registered address of the Company at least 48 hours before the meetings.

All Directors, if available, and the chairman of each Board Committee are present at the shareholders' meetings to address questions which are within the purview of the Board Committee. The external auditors and key management personnel of the Company are present to address shareholders' queries about the conduct and the preparation and content of the auditors' report.

CORPORATE GOVERNANCE **STATEMENT**

Minutes of the AGM and/or Extraordinary General Meeting will be made available to shareholders upon their request.

Other than communicating with shareholders at general meetings, the shareholders may contact the Company's CFO on any investor relations matters through various means set out in the corporate website. The contact details are as follows:

Tel : +65 6577 4600
Fax : +65 6577 4618
Email : mail@ksenergy.com.sg

The Company does not have a policy on payments of dividends. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

For FY2018, the Board did not recommend payment of dividends, as the Company is in a loss position.

SECURITIES TRANSACTIONS

The Company has developed a practice governing dealings in the securities of the Company by directors, management and staff. All directors, management and staff of the Company are reminded, on a quarterly basis, that it is an offence under the laws of Singapore to be dealing in the securities of the Company while in possession of material unpublished price-sensitive information. They are also, on the same quarterly basis, notified to refrain from dealing in the securities of the Company during the period commencing two (2) weeks before the announcement of the Company's financial statements for the first and third quarter of its financial year, and one (1) month before the announcement of the Company's half year and full year financial statements, as the case may be, and ending on the date of the announcement of the relevant results.

The directors, management and staff of the Company are discouraged from dealing in the securities of the Company on short term considerations and reminded that they should, at all times, be mindful of the laws of Singapore prohibiting insider trading.

The Company has complied with Rule 1207(19) of the SGX-ST Listing Manual.

MATERIAL CONTRACTS

Other than as disclosed below and in Note 26 of Financial Statements on pages 149 to 150, there were no other material contracts entered into by the Company and its subsidiaries involving the interest of the Executive Chairman and CEO, Director or controlling shareholder, which were either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

The Group has established procedures to manage and capture any transactions with interested persons and report them in a timely manner to the ARMC. Business units are required to be familiar with the IPT mandate as well as the internal policy and procedure, and report interested person transactions to the company for review and approval by the ARMC. The Group maintains a register of the company's interested person transactions in accordance with the requirements of the SGX-ST Listing Manual.

CORPORATE GOVERNANCE **STATEMENT**

When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

Interested person transactions are reviewed by BDO LLP, the independent internal audit firm engaged by the Company. Their internal audit reports are submitted to the ARMC directly for review on a quarterly basis.

The ARMC and the Board have reviewed the proposed renewal of mandates for IPTs with PT DWI Sumber Arca Waja Group and PT KS Drilling Indonesia to be tabled for shareholders' approval at the forthcoming AGM. Details of the proposed renewal of IPT mandates are set out in the Appendix to the Notice of AGM.

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST) are as follows:

Name of Interested Person	**Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**	**Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than $100,000)**
PT KS Drilling Indonesia and its subsidiaries ("JVC Group")		
• Expected additional interest income on Financing[2]		SGD3,562,231
• Extention of outstanding principal and interest due on the Additional Loan[1]	SGD2,544,497	
• Expected additional interest income on Additional Loan[1]	SGD56,526	
Additional information pursuant to the JVC IPT Mandate:		
• *Injection of funds by KS Drilling to JVC Group*		*USD86,088*
• *Total outstanding amount due from JVC Group on Additional Loan including accrued interest thereon as at the end of the period[1]*	*USD2,432,438*	
• *Total outstanding amount due from JVC Group for rig management fees and other services as at the end of the period*	*USD312,768*	
• *Total outstanding amount due from JVC Group including loan principal, accrued interest and guarantee fees as at the end of period[2]*		*USD49,220,154*

CORPORATE GOVERNANCE **STATEMENT**

(1) On 22 January 2016, PT Java Star Rig ("**PT JSR**", a subsidiary of PT KS Drilling Indonesia) was notified that its appeal had been rejected, and the Ministry of Finance of the Republic of Indonesia – Directorate General Customs and Excise commenced the process to call upon the Customs Bond. The Insurer paid the amount due under the Customs Bond, and subsequently called on the Guarantee. The funds were disbursed pursuant to the Guarantee on 4 February 2016. As a result, a debt arose between KS Drilling as creditor and PT JSR as debtor (the "**Additional Loan**"). The Additional Loan has been charged to PT JSR at an interest rate of 7.0% per annum (please refer to the announcement dated 1 March 2016 for more details) and the principal amount outstanding as at 31 December 2018 was US$0.5 million. The Company released an update announcement dated 21 June 2018.

(2) With reference to the IPT Mandate approved by shareholders at the EGM held on 7 December 2012 and the Circular dated 22 November 2012, which was reapproved by shareholders at the AGM held on 26 April 2018, the Group provided funding for the purchase of Rigs and Equipment which has been provided by way of shareholder guarantees and shareholder loans (the "**Financing**") to JVC Group. The shareholder loans provided under such Financing by KS Drilling Pte Ltd ("**KS Drilling**"), an 80.09% subsidiary of the Company, to PT JSR, accrue interest at a rate of 7% per year and the principal amount outstanding as at 31 December 2018 was US$37.8 million which has been used to finance the acquisition of the jack-up rig named "**KS Java Star**" and additional equipment required by the rig. Included in the US$37.8 million balance is US$0.09 million that has been advanced during the current financial year to 31 December 2018.

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DIRECTORS' **STATEMENT**

We submit this annual report to the members of the Company, together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

(a) the financial statements set out on pages 63 to 182 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Kris Wiluan
Richard James Wiluan
Samuel Paul Oliver Carew-Jones (Appointed on 15 August 2018)
Soh Gim Teik
Lawrence Stephen Basapa
Chew Choon Soo

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Direct interest			Deemed interest		
Name of director and corporation in which interests are held	**Holdings at the beginning of the year**	**Holdings at the end of the year**	**Holdings at 21 January 2019**	**Holdings at the beginning of the year**	**Holdings at the end of the year**	**Holdings at 21 January 2019**
KS Energy Limited						
Ordinary shares fully paid						
Kris Wiluan	–	–	–	308,281,662	308,281,662	308,281,662
Richard James Wiluan	–	–	–	308,281,662	308,281,662	308,281,662
Lawrence Stephen Basapa	50,000	50,000	50,000	–	–	–
Samuel Paul Oliver Carew-Jones	1,594,000	1,594,000	1,594,000	–	–	–
Warrant shares[#1 #2]						
Kris Wiluan	–	–	–	18,500,000	–	–
Richard James Wiluan	–	–	–	18,500,000	–	–

DIRECTORS' STATEMENT

	Direct interest			Deemed interest		
Name of director and corporation in which interests are held	**Holdings at the beginning of the year**	**Holdings at the end of the year**	**Holdings at 21 January 2019**	**Holdings at the beginning of the year**	**Holdings at the end of the year**	**Holdings at 21 January 2019**
Secured bonds[#1 #2]						
Kris Wiluan	–	–	–	$18,500,000	$21,500,000	$21,500,000
Richard James Wiluan	–	–	–	$18,500,000	$21,500,000	$21,500,000
PT Globaltech Systems Engineering						
Kris Wiluan (5% shares)	–	–	–	12,500	12,500	12,500
PT Atlantic Oilfield Services						
Kris Wiluan (4.98% shares)	–	299,000	299,000	49,000	–	–
PT Java Star Rig						
Kris Wiluan (4.9% shares)	–	–	–	49,000	49,000	49,000
PT KS Drilling Indonesia						
Kris Wiluan (51% shares)	–	–	–	510,000	510,000	510,000

#1 Refer to Note 21 to the accompanying financial statements.

#2 Pacific One Energy Limited holds fixed rate secured bonds due 2020 and issued by the Company on 8 December 2017.

By virtue of Section 7 of the Act, Kris Wiluan and Richard James Wiluan are deemed to have interests in the shares of the Company and all its subsidiaries at the beginning and at the end of the financial year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

DIRECTORS' STATEMENT

Except as disclosed in Note 25 to the accompanying financial statements, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, 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.

During the financial year, the Company and/or its related corporations have in the normal course of business entered into transactions with parties which are affiliated to the directors, being related parties and parties in which some of the directors are deemed to have an interest, with the directors having disclosed their interests in such transactions pursuant to Section 156 of the Companies Act, Chapter 50. Such transactions may comprise sale and purchase of goods, operating lease arrangements, consultancy services and/or other transactions carried out on normal commercial terms and in the normal course of business of the Company and/or its related corporations. However, the directors have neither received nor become entitled to receive any benefit arising out of these transactions other than those to which they may be entitled as directors and members of these corporations.

Except as disclosed above and for salaries, bonuses and fees and those benefits that are disclosed in this statement and in Note 26 to the accompanying financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial interest.

Share options

The KS Energy Employee Share Option Scheme (the "Scheme") and KS Energy Performance Share Plan (the "Plan") were approved at the Company's Extraordinary General Meeting held on 2 July 2009. The Plan contemplates the award of fully-paid shares to Participants after performance targets have been met and is targeted at key employees who are in the best position to drive the growth of the Company through superior performance while the Scheme is targeted at employees of the Group in general and is meant to be more of a "loyalty" driven time-based incentive scheme. Details of the Scheme and Plan are outlined in the Company's circular dated 16 June 2009.

Both the Scheme and the Plan are administered by the Remuneration Committee (the "Committee"), comprising:

Chew Choon Soo (Chairman)	(Independent Director)
Soh Gim Teik	(Lead Independent Director)
Lawrence Stephen Basapa	(Independent Director)

Other information regarding the Scheme and the Plan is set out below:

(a) During the financial year, the Company did not grant any award. In 2015, the Company granted Awards pursuant to the Plan to eligible participants (including the Group's key management personnel). The Awards were granted at the closing market price of the Company's shares on 6 March 2015, the Award Date, which was $0.375. No Share Awards are granted to the Company's Directors, controlling shareholders and their associates. In 2015, the aggregate number of Shares comprised in Awards vested to the directors and employees of the parent company and its subsidiaries was 2,669,000.

DIRECTORS' STATEMENT

(b) Subject to the absolute discretion of the Committee, options/shares may be granted, under the Scheme/Plan, to the Group's employees, executive directors and non-executive directors provided that certain criteria are met. Subject to the absolute discretion of the Committee, Controlling Shareholders and their Associates who meet certain criteria are eligible to participate in the Scheme/Plan, provided that the participation of each Controlling Shareholder or his Associate and each grant of an option/a share to any of them may only be effected with the specific prior approval of Shareholders in general meeting by a separate resolution.

(c) The aggregate number of ordinary shares over which options/shares may be granted on any date under the Scheme/Plan, when added to the number of ordinary shares issued and/or issuable in respect of:

- all options granted under the Scheme;
- all contingent award of ordinary shares granted pursuant to the rules of the Plan; and
- all ordinary shares in the capital of the Company, options or awards granted under any other share option or share scheme of the Company then in force;

shall not exceed 15% of the total number of issued ordinary shares, excluding treasury shares, in the capital of the Company on the day preceding the relevant date of grant.

Furthermore, the aggregate number of ordinary shares over which options/shares may be granted under the Scheme/Plan to Controlling Shareholders and their Associates shall not exceed 25% of the ordinary shares available under the Scheme/Plan, and the number of ordinary shares over which options/shares may be granted under the Scheme/Plan to each Controlling Shareholder or his Associate shall not exceed 10% of the ordinary shares available under the Scheme.

(d) The Scheme/Plan shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten years commencing on the date on which the Scheme/Plan is adopted by shareholders of the Company in general meeting, provided that the Scheme/Plan may continue beyond the aforesaid period of time with the approval of shareholders of the Company in general meeting and of any relevant authority which may then be required.

(e) The subscription price of the options shall be fixed by the Committee at its absolute discretion at:

- the Market Price, determined by reference to the price equal to the average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX-ST for five consecutive market days immediately preceding the offer date of that option, rounded up to the nearest whole cent in the event of fractional prices;
- or at a discount to the Market Price, the quantum of such discount to be determined by the Committee at its absolute discretion, provided that the maximum discount shall not exceed 20% of the Market Price and is approved by shareholders of the Company in general meeting in a separate resolution.

DIRECTORS' STATEMENT

(f) Options granted with the Exercise Price set at the Market Price may be exercised at any time after the first anniversary of the date of grant, provided that the option shall be exercised before the tenth anniversary of the date of grant or such earlier date as may be determined by the Committee, failing which the unexercised option shall immediately be null and void.

(g) Options granted with the Exercise Price set at a discount to the Market Price may be exercised at any time after the second anniversary of the date of grant, provided that the option shall be exercised before the tenth anniversary of the date of grant or such earlier date as may be determined by the Committee, failing which the unexercised option shall immediately be null and void.

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Audit and Risk Management Committee

The members of the Audit and Risk Management Committee ("ARMC") during the year and at the date of this statement are:

Soh Gim Teik (Chairman)	(Lead Independent Director)
Lawrence Stephen Basapa	(Independent Director)
Chew Choon Soo	(Independent Director)

The ARMC performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The ARMC held five meetings since the last directors' statement. In performing its functions, the ARMC met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The ARMC also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

DIRECTORS' STATEMENT

The ARMC has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings.

The ARMC has reviewed the level of audit and non-audit fees and is satisfied with the independence and objectivity of the external auditors as required under Section 206 (1A) of the Act and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Kris Wiluan
Director

Soh Gim Teik
Director

1 April 2019

INDEPENDENT **AUDITORS' REPORT**

Members of the Company
KS Energy Limited

Report on the audit of the financial statements

Disclaimer of Opinion

We were engaged to audit the financial statements of KS Energy Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of profit or loss and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 182.

Because of the significance of the matters described in the '*Basis for 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. Accordingly, we do not express an opinion on the accompanying financial statements.

Basis for disclaimer of opinion

a) Capital commitments

We draw attention to note 29 to the financial statements, which states that the Group has capital commitments totalling $489,020,000 for two rigs under construction (the "new builds"), of which $230,840,000 is due for delivery on 31 December 2019 and $258,180,000 is past due as at the date of this report. These sums shall become due and payable upon delivery of the new builds, which the vendor yards are contractually obliged to do so on the stated delivery dates. The financing arrangements to fund these new builds, however, have not yet been secured, while the Group continues to negotiate with the vendor yards on the contract terms and timing of delivery of these new builds. If, however, the contracts were subsequently discontinued, the rig construction costs of $64,212,000 included in note 17 – plant and equipment as at 31 December 2018, net of cost recovery from the yards where applicable, together with other effects associated with contract discontinuance, would have to be expensed in the statement of profit or loss. Such a financial outcome cannot be reliably assessed as at the date of this report, and accordingly, the consolidated financial statements for the year ended 31 December 2018 do not include any adjustments that may become necessary.

INDEPENDENT AUDITORS' REPORT

b) Plant and equipment

We draw attention to note 17 to the financial statements, which states the carrying amount of the Group's oil rigs at $388,065,000 as at 31 December 2018 net of cumulative impairment losses of $66,177,000. The Group has assessed that an impairment loss of $1,793,000 for rigs and other related assets is required for the current year. The recoverable amounts of the rigs were derived using the value in use method, as management does not consider that there is a sufficient level of transactions of oil rigs on a willing-buyer-willing-seller charter-free basis to properly appraise the market valuation in an orderly manner. Furthermore, it is management's intention to recover the value of its oil rigs through charters. The value in use is premised on future charter contracts to be obtained, with the assumption that the Group's oil rigs would be deployed progressively from July 2019. As at the date of this report, there is only one oil rig with a confirmed contract, secured for 12 months, out of nine oil rigs held by the Group (excluding the new builds). Owing to the continuing difficult market conditions in the oil and gas sector, which has affected the timing and utilisation of the Group's oil rigs, we are unable to satisfy ourselves over the appropriateness of those assumptions (refer to note 17 to the financial statements) used in arriving at the recoverable amounts of the Group's rigs.

c) Equity investments in subsidiaries (Company level)

We draw attention to note 16 to the financial statements, which states the net carrying amount of the Company's equity investments in subsidiaries comprising $47,251,000, net of cumulative impairment losses of $178,408,000 as at 31 December 2018. The net carrying amount of $47,251,000, net of cumulative impairment losses of $171,921,000, represents the Company's equity investment in KS Drilling Pte Ltd and its subsidiaries, whose assets substantially comprise the entire fleet of the Group's oil rigs and new builds. Due to the aforementioned section (b) which states that we are unable to satisfy ourselves over the appropriateness of assumptions used in arriving at the recoverable amounts of the Group's oil rigs, we are also unable to satisfy ourselves over the recoverability of the Company's equity investment in KS Drilling Pte Ltd and its subsidiaries.

d) Going concern

We draw attention to:

- Note 2.1 to the financial statements which indicates that the Group incurred a net loss of $53,939,000 for the year ended 31 December 2018 and, as of that date, the Group's and the Company's current liabilities exceed current assets by $18,334,000 and $2,508,000 respectively, and the Group and the Company had deficits in shareholders' equity of $10,296,000 (excluding non-controlling interests) and $11,667,000 respectively;

- Note 2.1 to the financial statements, $31,000,000 of the Group's bonds are subject to a proposed redemption through a proposed issuance of new ordinary shares in the capital of the Company to be approved by the Company's shareholders at an Extraordinary General Meeting; and

- The aforementioned section (a) where the Group has capital commitments of $489,020,000 as at 31 December 2018, and there are currently no financing arrangements put in place to meet the obligations.

It is the intention of the Group to continue to operate as a going concern. However, due to the above matters, there is significant doubt on the Group's and the Company's ability to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

These conditions set out in (a), (b), (c) and (d) in the preceding paragraphs indicate the existence of multiple uncertainties that are significant to the financial statements as a whole. The financial statements do not include any adjustments that may be necessary as a result of these uncertainties.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International), 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.

Auditors' responsibilities for the audit of the financial statements

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

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code")* together with the ethical requirement 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, because of the significance of the matter described in the *'Basis 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 have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Kenny Tan Choon Wah.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
1 April 2019

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS**

YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	2017 $'000
Revenue	4	**51,449**	47,144
Cost of sales		**(69,565)**	(66,665)
Gross loss		**(18,116)**	(19,521)
Other income		**106**	1,494
Administrative expenses		**(17,545)**	(18,580)
Other operating expenses		**(6,247)**	(6,630)
Write-back/(Impairment loss) on trade receivables		**26**	(720)
(Impairment loss)/Write-back of impairment loss on non-trade receivables		**(34)**	165
Impairment loss on loan to a joint venture		**–**	(12,352)
Write-back of impairment loss on investment in joint venture		**9,904**	10,004
Results from operating activities		**(31,906)**	(46,140)
Finance income	5	**2,591**	23,292
Finance costs	5	**(18,916)**	(18,771)
Share of results of joint ventures (net of tax)		**(9,226)**	16,436
Loss before tax	6	**(57,457)**	(25,183)
Tax credit	7	**3,518**	624
Loss for the year		**(53,939)**	(24,559)
Loss attributable to:			
Owners of the Company		**(42,180)**	(18,295)
Non-controlling interests		**(11,759)**	(6,264)
Loss for the year		**(53,939)**	(24,559)
Earnings per share:			
Basic earnings and diluted earnings per share (cents)	8	**(8.18)**	(3.55)

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

Consolidated Statement of **Comprehensive Income**

YEAR ENDED 31 DECEMBER 2018

	2018 $'000	2017 $'000
Loss for the year	**(53,939)**	(24,559)
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss:		
Defined benefit plan remeasurements	**75**	–
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations	**1,625**	(10,488)
Other comprehensive income/(expense) for the year, net of tax	**1,700**	(10,488)
Total comprehensive expense for the year	**(52,239)**	(35,047)
Total comprehensive expense attributable to:		
Owners of the Company	**(40,796)**	(26,771)
Non-controlling interests	**(11,443)**	(8,276)
Total comprehensive expense for the year	**(52,239)**	(35,047)

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

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Current assets							
Cash and cash equivalents	9	**15,606**	8,455	8,754	**1,079**	549	290
Amounts due from subsidiaries	10	**–**	–	–	**171**	221	222
Amounts due from joint ventures	12	**–**	8,306	1	**–**	1	–
Trade receivables	11	**1,758**	7,106	3,084	**–**	–	–
Contract assets	4	**1,263**	7,152	7,621	**–**	–	–
Inventories		**226**	222	240	**–**	–	–
Other assets	12	**5,039**	10,380	14,367	**98**	70	76
Asset held for sale	13	**–**	669	2,604	**–**	–	–
		23,892	42,290	36,671	**1,348**	841	588
Non-current assets							
Joint ventures	14	**–**	38,746	42,780	**–**	38,746	42,780
Amounts due from joint ventures	12	**–**	27,451	35,677	**–**	–	–
Subsidiaries	16	**–**	–	–	**47,251**	92,583	122,297
Plant and equipment	17	**388,487**	386,046	448,446	**21**	114	333
Intangible assets and goodwill	18	**1**	117	320	**–**	–	–
Other assets	12	**679**	617	968	**–**	–	301
Deferred tax assets	22	**555**	1,132	1,225	**–**	–	–
		389,722	454,109	529,416	**47,272**	131,443	165,711
Total assets		**413,614**	496,399	566,087	**48,620**	132,284	166,299
Current liabilities							
Bank overdraft	9	**3,520**	–	3,434	**–**	–	–
Trade and other payables	19	**23,840**	24,526	24,255	**2,267**	1,270	3,430
Contract liabilities	4	**20**	2,769	1,711	**–**	–	–
Amounts due to joint ventures	19	**–**	78	44	**–**	64	32
Amounts due to subsidiaries	20	**–**	–	–	**1,589**	19,213	20,529
Provision for current tax		**3,197**	8,031	9,880	**–**	–	1,182
Financial liabilities	21	**11,649**	9,336	85,544	**–**	–	74,862
		42,226	44,740	124,868	**3,856**	20,547	100,035

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Non-current liabilities							
Trade and other payables	19	**561**	555	540	**–**	–	–
Amounts due to subsidiaries	20	**–**	–	–	**18,180**	–	–
Financial liabilities	21	**368,621**	398,727	343,124	**38,221**	70,514	–
Deferred tax liabilities	22	**1,053**	55	12	**30**	55	–
Provision for loss from joint venture	15	**–**	–	10,496	**–**	–	–
		370,235	399,337	354,172	**56,431**	70,569	–
Total liabilities		**412,461**	444,077	479,040	**60,287**	91,116	100,035
Net assets		**1,153**	52,322	87,047	**(11,667)**	41,168	66,264
Equity attributable to owners of the Company							
Share capital	23	**359,973**	359,973	359,973	**359,973**	359,973	359,973
Equity reserve	24	**18,007**	18,007	17,685	**18,007**	18,007	17,685
Treasury shares	24	**(26,365)**	(26,365)	(26,365)	**(26,365)**	(26,365)	(26,365)
Foreign currency translation reserve	24	**(7,160)**	(8,476)	–	**–**	–	–
Other reserve	24	**(3,750)**	(3,750)	(3,750)	**–**	–	–
Accumulated losses		**(351,001)**	(308,862)	(290,567)	**(363,282)**	(310,447)	(285,029)
		(10,296)	30,527	56,976	**(11,667)**	41,168	66,264
Non-controlling interests		**11,449**	21,795	30,071	**–**	–	–
Total equity		**1,153**	52,322	87,047	**(11,667)**	41,168	66,264

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

Group	Share capital $'000	Equity reserve $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Other reserve $'000	Accumulated losses $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018	**359,973**	**18,007**	**(26,365)**	**(8,476)**	**(3,750)**	**(308,862)**	**30,527**	**21,795**	**52,322**
Adjustment on initial application of SFRS(I) 9 (net of tax)	–	–	–	–	–	(27)	(27)	–	(27)
At 1 January 2018, as restated	**359,973**	**18,007**	**(26,365)**	**(8,476)**	**(3,750)**	**(308,889)**	**30,500**	**21,795**	**52,295**
Total comprehensive expense for the year									
Loss for the year	–	–	–	–	–	(42,180)	(42,180)	(11,759)	(53,939)
Other comprehensive income/(expense)									
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	–	–	–	1,316	–	8	1,324	301	1,625
Defined benefit plan remeasurements	–	–	–	–	–	60	60	15	75
Total other comprehensive income	–	–	–	1,316	–	68	1,384	316	1,700
Total comprehensive income/(expense) for the year	–	–	–	1,316	–	(42,112)	(40,796)	(11,443)	(52,239)
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Acquisition of a subsidiary	–	–	–	–	–	–	–	688	688
Issuance of shares in subsidiary with non-controlling interests	–	–	–	–	–	–	–	409	409
Total contributions by and distributions to owners of the Company	–	–	–	–	–	–	–	1,097	1,097
At 31 December 2018	**359,973**	**18,007**	**(26,365)**	**(7,160)**	**(3,750)**	**(351,001)**	**(10,296)**	**11,449**	**1,153**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

Group	Share capital $'000	Equity reserve $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Other reserve $'000	Accumulated losses $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2017	359,973	17,685	(26,365)	–	(3,750)	(290,567)	56,976	30,071	87,047
Total comprehensive expense for the year									
Loss for the year	–	–	–	–	–	(18,295)	(18,295)	(6,264)	(24,559)
Other comprehensive expense									
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	–	–	–	(8,476)	–	–	(8,476)	(2,012)	(10,488)
Total other comprehensive expense	–	–	–	(8,476)	–	–	(8,476)	(2,012)	(10,488)
Total comprehensive expense for the year	–	–	–	(8,476)	–	(18,295)	(26,771)	(8,276)	(35,047)
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Warrants issued during the year	–	322	–	–	–	–	322	–	322
Total contributions by and distributions to owners of the Company	–	322	–	–	–	–	322	–	322
At 31 December 2017	359,973	18,007	(26,365)	(8,476)	(3,750)	(308,862)	30,527	21,795	52,322

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000
Cash flows from operating activities			
Loss before tax		**(57,457)**	(25,183)
Adjustments for:			
Amortisation of intangible assets		**116**	187
Depreciation of plant and equipment		**29,758**	27,531
Impairment loss on plant and equipment		**1,793**	–
(Write-back)/Impairment loss on trade receivables		**(26)**	720
Impairment loss on loan to a joint venture		**–**	12,352
Loss on disposal of plant and equipment		**2,021**	3,054
Write-down of asset held for sale		**–**	1,811
Write-back of impairment loss on investment in joint venture		**(9,904)**	(10,004)
Impairment loss/(Write-back) of impairment loss on non-trade receivables		**34**	(165)
Finance income		**(2,591)**	(23,292)
Finance costs		**18,916**	18,771
Loss on disposal of asset held for sale		**363**	–
Share of results of joint ventures, net of tax		**9,226**	(16,436)
Unrealised foreign exchange loss/(gain)		**390**	(1,428)
		(7,361)	(12,082)
Changes in:			
– trade receivables		**5,539**	(5,654)
– other assets		**6,222**	3,032
– trade and other payables		**(7,778)**	3,809
– contract assets		**5,889**	469
– contract liabilities		**(2,748)**	1,058
Cash used in operating activities		**(237)**	(9,368)
Taxes paid		**(339)**	(266)
Net cash used in operating activities		**(576)**	(9,634)
Cash flows from investing activities			
Proceeds arising from non-trade net receivables with joint ventures		**–**	10,372
Interest received		**143**	46
Acquisition of plant and equipment		**(924)**	(2,407)
Proceeds from disposal of plant and equipment		**2,848**	1,401
Proceeds from sale of asset held for sale		**296**	–
Proceeds from disposal of joint venture together with a subsidiary, net of transaction costs	31	**4,424**	–
Proceeds from issue of new shares by an indirect subsidiary		**409**	–
Acquisition of subsidiary, net of cash acquired	31	**9,041**	–
Net cash from investing activities		**16,237**	9,412

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000
Cash flows from financing activities			
(Increase)/Decrease in deposits pledged		**(403)**	1,233
Interest paid on borrowings		**(6,228)**	(8,453)
Interest paid on related party loan		**(39)**	–
Issuance of new unsecured bonds	31	**35,000**	–
Proceeds from bank loans		**–**	15,000
Repayment of bank loans		**(10,613)**	(2,971)
Loan from related parties		**2,380**	494
Repayment of loan from related parties		**(2,380)**	(394)
Repayment of secured bonds, excluding interest	21	**(30,000)**	–
Payment of transaction costs of bank loans		**(48)**	(55)
Net cash (used in)/from financing activities		**(12,331)**	4,854
Net increase in cash and cash equivalents		**3,330**	4,632
Cash and cash equivalents at beginning of the year		**6,777**	2,409
Effect of exchange rate fluctuations on cash held in foreign currencies		**(102)**	(264)
Cash and cash equivalents at end of the year	9	**10,005**	6,777

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

NOTES TO THE **FINANCIAL STATEMENTS**

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 1 April 2019.

1 DOMICILE AND ACTIVITIES

KS Energy Limited (the "Company") is incorporated in the Republic of Singapore and has its registered office at No. 19 Jurong Port Road, Singapore 619093.

The principal activities of the Company are those of investment holding. The principal activities of the subsidiaries are set out in Note 16 to the financial statements.

The financial statements of the Group as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in equity-accounted investees.

The immediate and ultimate holding companies of the Group are Pacific One Energy Limited and Rija Holdings Limited respectively.

2 BASIS OF PREPARATION

2.1 Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its obligations as and when they fall due within the next twelve months.

The Group has recognised a loss after tax of $53,939,000 (2017: $24,559,000) for the year ended 31 December 2018 and as at that date, the Group's and the Company's current liabilities exceed current assets by $18,334,000 and $2,508,000 (2017: $2,450,000 and $19,706,000) respectively, and the Group and Company had deficits in shareholders' equity of $10,296,000 (excluding non-controlling interests) and $11,667,000 respectively. Improving the net current liability position of the Group and Company is a key concern for the Company. The financial statements for the year ended 31 December 2018 are prepared on a going concern basis, the validity of which is premised on the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, and the sufficiency of cash flows to be generated from (i) the Group's operating activities, and (ii) financing plans.

(i) Operating activities

Although the Group expects the overall operating environment to remain challenging in the next twelve months, it anticipates generating positive cash flows from existing rig charter contracts and prospective rig charter contracts. The Group expects to secure additional work for its rigs in South East Asia over the course of the year ahead with contract values of at least US$30 million. The operating cash flow forecast is derived from the chartering cash flow forecast, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by management.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

2.1 Going concern basis of accounting (Continued)

(ii) Financing plans

The Group shall seek to divest any surplus assets when opportunities arise and currently expects to generate at least US$1.2 million from such divestments over the course of the year. The Group shall continue to work closely with its bankers and is confident of extending loan repayments of $5.7 million currently within current borrowings to allow the Group to meet its debt obligations as and when they fall due.

The Group has capital commitments of $258.2 million and $230.8 million for assets under construction due on 31 December 2018 and 31 December 2019 respectively. The Group continues to engage in discussions with the shipyards and, subject to obtaining the required financing, is expected to have sufficient resources to meet the capital commitments of the Group.

(iii) Capital plans

The Group also plans to redeem $31,000,000 of the Group's bonds, the consideration for which will be through a proposed issuance of new ordinary shares in the capital of the Company to be approved by the Company's shareholders at an Extraordinary General Meeting, thereby removing the deficit in shareholders' equity for the Group and the Company.

The financing plans, together with the operating activities as described above, is expected to allow the Group to meet its current obligations as and when they fall due.

In view of the continuing credit facilities being made available to the Group, for at least another twelve months from the reporting date, and together with the financing and capital plans, the Group believes that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate.

Notwithstanding the above cash flow analysis, management acknowledges that there remain uncertainties over the ability of the Group to generate the necessary cash flows to meet its debt obligations. These uncertainties include:

- The eventual conclusion and timing of execution of several rig charter contracts currently subject to on-going negotiations with prospective customers; and
- The successful implementation of the financing and capital plans.

The above-mentioned conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least another twelve months from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

2.1 Going concern basis of accounting (Continued)

If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements. As the Group also plans to raise the necessary funding for the new build contracts, there is no adjustment considered for the carrying value of the assets under construction of $64,212,000 (2017: $62,634,000) as at 31 December 2018. Should the Group decide subsequently to discontinue the new build contracts, adjustment to the carrying values of these rigs may be required.

2.2 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)). These are the Group's first financial statements prepared in accordance with SFRS(I)s, and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in note 33.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise stated below.

2.4 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 2.1 – going concern basis of accounting.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

2.5 Use of estimates and judgements (Continued)

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and that have a significant risk of resulting in a material adjustment within the next financial year are described in the following notes:

- Note 7 – estimation of provisions for current and deferred taxation;
- Note 16 – assumptions of recoverable amounts relating to investments in and loans to subsidiaries;
- Note 17 – useful lives, residual values and assumptions of recoverable amounts relating to plant and equipment; and
- Note 27 – measurements of expected credit loss allowance for trade receivables and contract assets: key assumptions in determining the weighted-average loss rate.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

Further information about the assumptions made in measuring fair values is included in Note 27 – Financial risk management.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Acquisitions from 1 January 2017

For acquisitions from 1 January 2017, the Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Acquisitions from 1 January 2017 (Continued)

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions before 1 January 2017

As part of transition to SFRS(I)s, the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I)s, i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

– Joint operations – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement. The Group accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

– Joint ventures – when the Group has rights only to the net assets of the arrangements, rather than rights to its assets and obligations for its liabilities.

The Group accounts for its investments in joint ventures using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore the carrying amounts of assets and liabilities are not changed and goodwill is not recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the adjustment to non-controlling interests and the fair value of consideration paid is recognised directly in equity and presented as part of equity attributable to owners of the Company.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Accounting for subsidiaries and joint ventures by the Company

Investments in subsidiaries and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

- qualifying cash flow hedges to the extent the hedge is effective.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (Continued)

Foreign operations (Continued)

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in a joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

3.3 Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses. The cost of certain items of plant and equipment at 1 January 2017, the Group's date of transition to SFRS(I), was determined with reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the cost of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Plant and equipment (Continued)

Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Disposals

Gain or loss arising on disposal of an item of plant and equipment is determined by comparing the net proceeds from disposal with the carrying amount of plant and equipment, and is recognised net within "Other income" or "Other operating expenses" in profit or loss on the date of disposal.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

No depreciation is provided on assets under construction. Depreciation on other plant and equipment is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives are as follows:

– Plant and machinery	3 to 10 years
– Rigs and other related assets	5 to 30 years
– Renovation, furniture and fittings	2 to 10 years
– Office equipment	2 to 8 years
– Motor vehicles	3 to 10 years

Dry docking cost is considered a separate component of the rig and is separately depreciated over the period between dry dockings, or from acquisition until the next dry docking. The amortisation periods range from 3 to 5 years.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

Goodwill is tested for impairment as described in Note 3.6.

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

–	Computer software	1 to 3 years
–	Other intangible assets	5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets: Business model assessment – Policy applicable from 1 January 2018 (Continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classified non-derivative financial assets into loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, and trade and other receivables.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings and trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(iii) Derecognition (Continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, restricted cash are excluded from cash and cash equivalents.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissues of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, net of any tax effects, is recognised as a deduction of equity. Repurchased shares are classified and presented as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit is presented in non-distributable capital reserve.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(vii) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in Singapore dollar that can be converted to share capital at the option of the holder, where the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and gains and losses related to the financial liability component are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Group that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

Expected credit losses ("ECLs") are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'loans and borrowings'.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(vii) Compound financial instruments (Continued)

Intra-group financial guarantees (Continued)

Intra-group financial guarantees in the separate financial statements – Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for subsequent measurement, the financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

3.6 Impairment

(i) Non-derivative financial assets and contract assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- contract assets (as defined in SFRS(I) 15); and
- intra-group financial guarantee contracts ("FGC").

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECL: these are ECL that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECL for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

General approach

The Group applies the general approach to provide for ECL on all other financial instruments and FGCs, if any. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improve such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECL.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL, including an interest in an associate and joint venture, was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment. The Group considered a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables

The Group considered evidence of impairment for loans and receivables at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(ii) Non-financial assets (Continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. A write-down on cost is made when the cost is not recoverable or if the selling prices have declined below cost.

3.8 Non-current asset held for sale

Non-current asset that is highly probable to be recovered primarily through sale rather than through continuing use, is classified as held for sale. Immediately before classification as held for sale, the asset, is remeasured in accordance with the Group's accounting policies. Thereafter, the asset, is generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The discount rate is the yield at the reporting date on high quality corporate bonds. For currencies for which there is no deep market in such high quality corporate bonds, the Group uses market yields (at the end of the reporting period) on government bonds with maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Employee benefits (Continued)

Defined benefit plans (Continued)

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Provision

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.11 Revenue

Revenue from rig charters, sale of goods and rendering of services

Revenue from rig charters, sale of goods and rendering of services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

Mobilisation fees are not considered separate performance obligations and they are recognised over time following the timing of satisfaction of the PO in rig charter contracts. Incremental cost of mobilisation is capitalised and subsequently amortised on a systematic basis as the Group recognises the related revenue.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue (Continued)

Contract revenue

Contract revenue are generally recognised over time as performance obligations are satisfied as work progresses. Progress billings are generated based on the achievement of specified milestone stipulated in the contracts on a monthly basis. Progress billings are usually payable within 30 days.

Revenue is recognised progressively by reference to the stage of completion method, which is typically assessed by reference to the cost incurred relative to total estimated costs (input method) as it commensurates the pattern of transfer of control to the customer. The related costs are recognised in profit or loss when they incurred, unless they relate to future performance obligations.

When the period between the satisfaction of a PO and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognise a financing component. In adjusting for financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and the customer at contract inception.

For contracts with variable considerations (i.e. liquidated damages), revenue is recognised to the extent that it is highly probable that a reversal of previously recognised revenue will not occur. Therefore, the amount of revenue recognised is adjusted for possibility of delays of the projects and ability to meet key performance indicators stipulated in the contract. The Group reviews the progress of the projects at each reporting date and updates the transaction price accordingly.

If the value of services rendered exceeds payments received from the customer, a contract asset is recognised and presented separately on the balance sheet. The contract assets is transferred to receivables when the entitlement to payment becomes unconditional. If the amounts invoiced to the customer exceeds the value of services rendered, a contract liability is recognised and separately presented on the balance sheet.

Dividend income

Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

3.13 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- gain or loss on redemption of bond; and
- interest expense.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can utilised.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Tax (Continued)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.15 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible bonds, warrants and employee share options.

3.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO") (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment, and intangible assets other than goodwill.

NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE

	Group	
	2018	**2017**
	$'000	**$'000**
Revenue from contracts with customers		
Chartering revenue	**42,065**	42,907
Rendering of services	**8,552**	3,816
Contract revenue	**727**	116
Sale of goods	**105**	305
	51,449	47,144

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Chartering revenue

Nature of goods or services	Revenue generated from the charter of jack-up and land rigs, including mobilisation fees.
When revenue is recognised	Rig charter income is recognised as services are performed based on the daily rates in accordance with the terms and conditions of the charter agreement. Mobilisation fees included in the rig charter contracts are recognised on a percentage of completion basis over the estimated duration of the related charter contract.
Significant payment terms	Invoices are issued on a monthly basis and are payable mainly within 30 days.

Rendering of services

Nature of goods or services	Revenue generated from the provision of services to the oil and gas industry, which includes the provision of manpower, maintenance and camp and catering services for the crew.
When revenue is recognised	Revenue from rendering of services is recognised when the related services have been rendered over time since the customer simultaneously receives and consumes the benefits provided by the Group.
Significant payment terms	Invoices are issued on a monthly basis and are payable mainly within 30 days.

NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE (CONTINUED)

Contract revenue

Nature of goods or services	Revenue generated from contract work relating to design engineering, project management and fabrication of systems equipment for industrial applications. These contract work are performed based on specifically negotiated contracts with customers.
When revenue is recognised	Revenue is recognised progressively based on the stage of completion, which is assessed by reference to the cost incurred relative to total estimated costs (input method), which commensurates with the pattern of transfer of control to the customer.
Significant payment terms	Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified milestones. If the value of the contract work exceeds payments received from the customer, a contract asset is recognised. Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less. Progress billings are issued based on a progress of the work and are payable within 30 days.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs would be amortised consistently with the pattern of revenue for the related contract. Other costs are expensed as incurred. The Group has applied the practical expedient and recognised the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less. There are no costs incurred to fulfil a contract during the year ended 31 December 2018 and 2017.

Sale of goods

Nature of goods or services	Sale of custom-built system equipment for the marine, offshore oil and gas, petrochemical, refinery and power generation industries.
When revenue is recognised	Revenue is recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied.
Significant payment terms	Invoices for sales of goods are issued to the customers when the goods are delivered. Payment for these products is due within 30 days.

NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Drilling		Engineering		Others		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Primary geographical markets								
Singapore	**–**	–	**739**	–	**–**	–	**739**	–
Kurdistan	**–**	19	**–**	–	**–**	–	**–**	19
Egypt	**4,472**	9,340	**–**	–	**–**	–	**4,472**	9,340
Pakistan	**339**	1,450	**–**	–	**–**	–	**339**	1,450
Vietnam	**16,509**	11,983	**14**	–	**–**	–	**16,523**	11,983
Indonesia	**29,297**	23,776	**–**	69	**–**	–	**29,297**	23,845
Malaysia	**–**	–	**71**	192	**–**	–	**71**	192
Other countries	**–**	–	**8**	315	**–**	–	**8**	315
	50,617	46,568	**832**	576	**–**	–	**51,449**	47,144
Major products/ service line								
Chartering revenue	**42,065**	42,907	**–**	–	**–**	–	**42,065**	42,907
Rendering of services	**8,552**	3,661	**–**	155	**–**	–	**8,552**	3,816
Contract revenue	**–**	–	**727**	116	**–**	–	**727**	116
Sale of goods	**–**	–	**105**	305	**–**	–	**105**	305
	50,617	46,568	**832**	576	**–**	–	**51,449**	47,144
Timing of revenue recognition								
Products transferred at a point in time	**–**	–	**105**	305	**–**	–	**105**	305
Products and services transferred over time	**50,617**	46,568	**727**	271	**–**	–	**51,344**	46,839
	50,617	46,568	**832**	576	**–**	–	**51,449**	47,144

NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE (CONTINUED)

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2018 $'000	2017 $'000	1 January 2017 $'000
Trade receivables	**1,758**	7,106	3,084
Contract assets	**1,263**	7,152	7,621
Contract liabilities	**(20)**	(2,769)	(1,711)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on chartering revenue, rendering of services, contract revenue and sales of goods. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

The contract liabilities primarily relate to advance consideration received from customers for sale of goods and rendering of services.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows.

	Contract assets		Contract liabilities	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**–**	–	**2,769**	–
Contract asset reclassified to trade receivables	**(5,945)**	(287)	**–**	–
Progress billings issued to customers during the year	**–**	–	**2,024**	4,931

Significant judgements are used to estimate total contract costs to complete. In making these estimates, management relies on the expertise from both internal project managers and external customers to determine the progress of the contract work and also on past experience of completed projects. The estimated total contract costs are reviewed every reporting period and adjusted where necessary, with the corresponding adjustment to profit margin being recognised prospectively from the date of change.

NOTES TO THE FINANCIAL STATEMENTS

5 FINANCE INCOME AND FINANCE COSTS

	Group	
	2018	**2017**
	$'000	**$'000**
Recognised in profit or loss		
Finance income:		
– Interest income on fixed and cash deposits with banks	**144**	46
– Interest income on loans and receivables	**–**	6,146
– Gain on redemption of bonds (refer to Note 21)	**2,447**	17,100
	2,591	23,292
Finance costs:		
– Interest expense on:		
– Bank loans	**(13,316)**	(12,790)
– Convertible bonds	**–**	(5,584)
– Secured bonds	**(5,560)**	(384)
– Related party loans	**(40)**	(13)
	(18,916)	(18,771)

The above finance income and finance costs include the following interest income and expense in respect of assets and liabilities not at fair value through profit or loss:

	Group	
	2018	**2017**
	$'000	**$'000**
– Total interest income on financial assets	**2,591**	23,292
– Total interest expense on financial liabilities	**(18,916)**	(18,771)

NOTES TO THE FINANCIAL STATEMENTS

6 LOSS BEFORE TAX

The following items have been charged in arriving at loss before tax for the year:

	Group	
	2018	**2017**
	$'000	**$'000**
Included in other income:		
Foreign exchange gain	**–**	1,430
Included in other operating expenses:		
Impairment loss on plant and equipment	**(1,793)**	–
Amortisation of intangible assets	**(116)**	(187)
Foreign exchange loss	**(1,772)**	–
Loss on disposal of plant and equipment	**(2,021)**	(3,054)
Loss on disposal of asset held for sale	**(363)**	–
Write-down of asset held for sale	**–**	(1,811)
Included in administrative expenses:		
Audit and other attestation fees paid and payable to:		
– auditors of the Company	**(229)**	(237)
– other auditors	**(93)**	(206)
Non-audit fees paid and payable to:		
– auditors of the Company	**(33)**	(40)
– other auditors	**(306)**	(223)
Operating lease expenses	**(632)**	(790)
Employee benefit expense[a]:		
Included in cost of sales:		
Staff costs	**(11,777)**	(11,102)
	(11,777)	(11,102)
Included in administrative expenses:		
Staff costs	**(12,235)**	(12,397)
Contributions to defined contribution plans, included in staff costs	**(311)**	(380)
	(12,546)	(12,777)
	(24,323)	(23,879)
Depreciation expenses[b]:		
Included in cost of sales	**(29,290)**	(26,894)
Included in other operating expenses	**(468)**	(637)
	(29,758)	(27,531)

[a] Employee benefit expense related to rig operations are charged to cost of sales.
[b] Depreciation expense related to rigs and other related assets are charged to cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

7 TAX CREDIT

	Group	
	2018	**2017**
	$'000	**$'000**
Tax expense recognised in profit or loss		
Current tax expense		
Current year	**874**	885
Over provision of tax in respect of prior years	**(4,947)**	(1,552)
	(4,073)	(667)
Deferred tax expense		
Origination and reversal of temporary differences	**1,044**	55
Recognition of tax effect of previously unrecognised losses	**(489)**	–
Over provision of tax in respect of prior years	**–**	(12)
	555	43
Total tax credit	**(3,518)**	(624)
Reconciliation of effective tax rate		
Loss before tax	**(57,457)**	(25,183)
Share of results of joint ventures (net of tax)	**9,226**	(16,436)
Loss before tax excluding share of results of joint ventures	**(48,231)**	(41,619)
Tax calculated using Singapore tax rate of 17% (2017: 17%)	**(8,199)**	(7,075)
Effect of different tax rates in other countries	**1,323**	7,298
Income not subject to tax	**(2,180)**	(11,221)
Expenses not deductible for tax purposes	**5,873**	6,731
Deferred tax assets on tax losses not recognised	**5,101**	5,207
Over provision of tax in respect of prior years	**(4,947)**	(1,564)
Recognition of tax effect of previously unrecognised losses	**(489)**	–
	(3,518)	(624)

The Group is subject to income tax in several jurisdictions. Significant judgement is required to determine the capital allowances, the types and rates of taxes payable, deductibility of certain expenses, and taxability of certain income. The Group recognises liabilities for anticipated tax based on estimates of whether taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the provision for current tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

8 EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2018 was based on the loss attributable to ordinary shareholders of $42,180,000 (2017: loss of $18,295,000), and a weighted-average number of ordinary shares outstanding of 515,601,215 (2017: 515,601,215), calculated as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Basic earnings and diluted earnings per share is based on:		
(a) Loss attributable to ordinary shareholders	**(42,180)**	(18,295)
(b) Number of ordinary shares in issue at beginning and end of the year, representing weighted-average number of ordinary shares	**515,601,215**	515,601,215
Basic earnings and diluted earnings per share (cents)	**(8.18)**	(3.55)

On 7 December 2018, the Company entered into a termination deed with existing warrant holders to terminate all 65,500,000 of its outstanding warrants to streamline and rationalise the Group's existing capital structure (Refer to Note 21). As at 31 December 2018, the Company has no warrants outstanding (2017: 65,500,000).

The outstanding warrants at 31 December 2017 was excluded from the diluted weighted-average number of ordinary shares calculation as their effect would have been anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

9 CASH AND CASH EQUIVALENTS

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Cash and bank balances	**11,255**	6,077	8,011	**1,079**	549	290
Fixed deposits with banks	**4,351**	2,378	743	**–**	–	–
	15,606	8,455	8,754	**1,079**	549	290
Bank overdrafts used for cash management purposes	**(3,520)**	–	(3,434)			
Deposits pledged	**(2,081)**	(1,678)	(2,911)			
Cash and cash equivalents in the consolidated statement of cash flows	**10,005**	6,777	2,409			

The deposits pledged represent bank balances of subsidiaries pledged as security to obtain banking facilities as disclosed in Note 21.

The weighted-average effective interest rates per annum relating to fixed deposits with banks in Indonesian rupiah and United States dollars (2017: United States dollars) at the reporting date for the Group and the Company are at 3.48% (2017: 1.00% to 1.30%) and Nil (2017: Nil) respectively. Interest rates are repriced at intervals of one months.

The Group's and the Company's exposure to interest rate risk, foreign currency risk, and sensitivity analysis for cash and cash equivalents are disclosed in Note 27.

NOTES TO THE FINANCIAL STATEMENTS

10 AMOUNTS DUE FROM SUBSIDIARIES

	Company		
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Non-trade	**20,610**	20,200	21,769
Impairment losses	**(20,439)**	(19,979)	(21,547)
	171	221	222

The amounts due from subsidiaries, which are mainly denominated in United States dollars, are unsecured and repayable on demand. These amounts are interest-free except for amounts of $650,000 (2017: $673,000) which bear fixed interest at 1.00% to 3.14% (2017: 1.00% to 3.14%) per annum.

The Company's exposures to credit risk and currency risk, and impairment losses related to amounts due from subsidiaries, are disclosed in Note 27.

11 TRADE RECEIVABLES

	Group		
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Trade receivables from third parties	**2,061**	11,757	10,725
Impairment losses	**(303)**	(4,651)	(7,641)
	1,758	7,106	3,084

Trade receivables denominated in currencies other than the Company's functional currency are mainly denominated in United States dollars.

The Group's and the Company's exposure to credit risk and currency risk, impairment losses related to trade receivables, are disclosed in Note 27.

NOTES TO THE FINANCIAL STATEMENTS

12 OTHER ASSETS AND AMOUNTS DUE FROM JOINT VENTURES

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Current						
Non-trade amounts due from joint venture (note a)	**–**	2	1	**–**	1	–
Loan to a joint venture (note c)	**–**	8,304	–	**–**	–	–
Amounts due from joint ventures	**–**	8,306	1	**–**	1	–
Deposits	**112**	128	210	**4**	45	46
Staff loans and advances	**60**	64	90	**–**	–	–
Other receivables	**446**	1,768	1,199	**78**	2	7
	618	1,960	1,499	**82**	47	53
Tax recoverables	**3,884**	6,345	12,250	**16**	23	23
Advanced payments to supplier	**63**	1,594	–	**–**	–	–
Prepayments	**474**	481	618	**–**	–	–
Other assets	**5,039**	10,380	14,367	**98**	70	76
	5,039	18,686	14,368	**98**	71	76
Non-current						
Non-trade amounts due from joint venture (note b)	**–**	4,190	2,931	**–**	–	–
Loan to a joint venture (note c)	**–**	60,018	80,966	**–**	–	–
	–	64,208	83,897	**–**	–	–
Impairment losses	**–**	(36,757)	(48,220)	**–**	–	–
	–	27,451	35,677	**–**	–	–
Tax recoverables	**679**	617	667	**–**	–	–
Others	**–**	–	301	**–**	–	301
Other assets	**679**	617	968	**–**	–	301
	679	28,068	36,645	**–**	–	301

NOTES TO THE FINANCIAL STATEMENTS

12 OTHER ASSETS AND AMOUNTS DUE FROM JOINT VENTURES (CONTINUED)

(a) These relate to payments on behalf of a joint venture and the amounts are interest-free, unsecured and repayable on demand.

(b) These relate to interest receivable from and payments on behalf of a joint venture. In the previous financial year, the amount was interest-free, unsecured and repayable on demand.

(c) In the previous financial year, the loan to a joint venture was unsecured, bore interest at 7% per annum and repayable on demand.

In (b) and (c), the Group had assessed the repayment dates and had classified an amount of $8,304,000 as "Current", and the remaining $64,208,000 as "Non-current" according to the expected manner of realisation in the previous financial year.

In the previous financial year, the impairment loss on loan to a joint venture amounted to $36,757,000 (Refer to Note 15 for details of the write-back).

The Group's and the Company's exposure to credit risk and foreign currency risk, and impairment losses related to other assets, are disclosed in Note 27.

13 ASSET HELD FOR SALE

In the previous financial year, the asset held for sale was stated at fair value less costs to sell. Impairment losses of $1,811,000 for write-down of the asset held for sale to the lower of its carrying amount and its fair value less costs to sell had been included in "Other operating expenses" during financial year ended 31 December 2017. The disposal of the asset was completed during the financial year. Accordingly, the Group recognised a loss on disposal of asset held for sale amounting to $363,000 during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

14 JOINT VENTURES

The Group does not have any joint venture, which is individually material to the Group for the financial year ended 31 December 2018.

The following tables summarise the financial information of the joint ventures, adjusted for any differences in accounting policies and fair value adjustments. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in the joint ventures, which is accounted for using the equity method.

	KS Distribution Pte Ltd and its subsidiaries $'000	PT KS Drilling[b] Indonesia and its subsidiary $'000	Total $'000
Group			
2018			
Results			
Revenue	**107,314**	**–**	
Depreciation and amortisation	**(2,647)**	**–**	
Interest income	**72**	**–**	
Other expenses	**(38,856)**	**–**	
Loss before tax	**(16,400)**	**–**	
Tax expense	**(702)**	**–**	
Loss after tax	**(17,102)**	**–**	
Other comprehensive expense	**570**	**–**	
Total comprehensive expense	**(16,532)**	**–**	
Total comprehensive expense attributable to owners of the Company	**(16,669)**	**–**	
Group's share of total comprehensive expense	**(9,226)**	**–**	**(9,226)**
Group's share of results of joint ventures (net of tax)	**(9,226)**	**–**	**(9,226)**

NOTES TO THE FINANCIAL STATEMENTS

14 JOINT VENTURES (CONTINUED)

	KS Distribution Pte Ltd and its subsidiaries $'000	PT KS Drilling[b] Indonesia and its subsidiary $'000	Total $'000
Group			
2018			
Group's interest in net assets of investee at beginning of the year	**38,746**	**–**	**38,746**
Group's share of total comprehensive income	**(9,226)**	**–**	**(9,226)**
Disposal of joint venture, net of transaction costs[a]	**(39,424)**	**–**	**(39,424)**
Write-back of impairment	**9,904**	**–**	**9,904**
Carrying amount of interest in investee at end of the year	**–**	**–**	**–**

a On 10 December 2018, the Group completed a series of transactions comprising an internal reorganisation, a bond restructuring and a disposal. Pursuant to the internal reorganisation, the Company transferred all the Company's 55.35% shareholding interest held in KS Distribution Pte Ltd ("KSD") to a wholly-owned subsidiary KS Resources Pte Ltd ("KSR") for a consideration of $37,857,000. KSR issued an aggregate of S$35,000,000 fixed rate unsecured bonds due 2021. The Company then disposed of 100% of the existing issued share capital of KSR which held the 55.35% of KSD for an aggregate cash consideration of $1,643,000.

b On 1 January 2018, the Group entered into an option agreement with a shareholder of a joint venture, PT KS Drilling Indonesia ("PT KSDRI"), giving the Group an option to purchase 20,000 shares of PT KSDRI, representing 2% of total voting rights. Pursuant to the option agreement, which confers onto the Group potential voting rights of 51% of PT KSDRI, the Group has determined it has control over PT KSDRI from 1 January 2018 and began accounting PT KSDRI as a subsidiary from that date.

	KS Distribution Pte Ltd and its subsidiaries $'000	PT KS Drilling Indonesia and its subsidiary $'000
Group		
2017		
Percentage of interest	55.35%	49.00%
Assets and liabilities		
Non-current assets	33,620	32,291
Cash and cash equivalents	28,319	9,213
Current assets, excluding cash and cash equivalents	88,552	322
Loan due to shareholder	–	(58,780)
Other non-current liabilities	–	(1,005)
Current trade and other payables	(17,050)	(15,751)
Other current liabilities	(616)	–
Non-controlling interests	(608)	(67)
Net assets/(liabilities)	132,217	(33,777)

NOTES TO THE FINANCIAL STATEMENTS

14 JOINT VENTURES (CONTINUED)

	KS Distribution Pte Ltd and its subsidiaries $'000	PT KS Drilling Indonesia and its subsidiary $'000	Total $'000
Group			
2017			
Percentage of interest	55.35%	49.00%	
Group's share of net assets	73,182	(34,373)	38,809
Impairment of loan to joint venture (refer to Note 12)	–	36,757[a]	36,757
Impairment of investment	(34,436)	–	(34,436)
Unrealised profit	–	(2,384)	(2,384)
Carrying amounts in the statement of financial position	38,746	–	38,746
Results			
Revenue	103,838	–	
Depreciation and amortisation	(3,289)	(5,464)	
Interest income	132	133	
Interest expense	–	(6,161)	
Other expenses	(54,097)	–	
(Loss)/Profit before tax	(24,346)	17,677	
Tax expense	(1,760)	–	
(Loss)/Profit after tax	(26,106)	17,677	
Other comprehensive expense	(1,282)	–	
Total comprehensive (expense)/income	(27,388)	17,677	
Total comprehensive income attributable to owners of the Company	(25,363)	17,677[b]	
Group's share of total comprehensive income	(14,038)	30,474	16,436
Group's share of results of joint ventures (net of tax)	(14,038)	30,474[b]	16,436
Group's interest in net assets of investee at beginning of the year	42,780	–	42,780
Group's share of total comprehensive income	(14,038)	–	(14,038)
Write-back of impairment	10,004	–	10,004
Carrying amount of interest in investee at end of the year	38,746	–	38,746

NOTES TO THE FINANCIAL STATEMENTS

14 JOINT VENTURES (CONTINUED)

a Share of losses of the joint venture exceeds the Group's interest in the joint venture and the carrying amount of the joint venture is stated at $Nil. Separately the Group recognised an impairment loss on the loan receivable from the joint venture.

b The profit from the joint venture includes $30,474,000 of write-back of a loss liability, and $12,797,000 of operating losses for the year. The write-back has been recognised as share of results of joint ventures as the Group had previously recognised a provision for its obligation to extend payments to this joint venture (see Note 15). The operating losses of $12,797,000 has not been recognised, since the carrying amount of this joint venture is already at $Nil.

	KS Distribution Pte Ltd and its subsidiaries $'000	PT KS Drilling Indonesia and its subsidiary $'000	Total $'000
Group			
1 Jan 2017			
Percentage of interest	55.35%	49.00%	
Assets and liabilities			
Non-current assets	37,470	40,667	
Cash and cash equivalents	28,374	109	
Current assets, excluding cash and cash equivalents	117,915	1,948	
Non-current trade and other payables	–	(10,498)	
Loan due to shareholder	–	(74,493)	
Other non-current liabilities	(1)	(1,087)	
Current financial liabilities	(1,440)	–	
Current trade and other payables	(22,773)	(11,552)	
Other current liabilities	(730)	–	
Non-controlling interests	(1,322)	(72)	
Net assets/(liabilities)	157,493	(54,978)	
Group's share of net assets	42,780	–	
Carrying amount of interest in investee at end of the year	42,780	–	42,780

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Investment in joint ventures	–	116,082	130,120	–	176,000	176,000
Impairment losses	–	(77,336)	(87,340)	–	(137,254)	(133,220)
	–	38,746	42,780	–	38,746	42,780

NOTES TO THE FINANCIAL STATEMENTS

14 JOINT VENTURES (CONTINUED)

Impairment

Management evaluates whether there is any objective evidence that the Group's and the Company's investments in joint ventures are impaired and determines the amount of impairment loss based on the recoverable amounts of the joint ventures. For impairment testing, each joint venture is a separate CGU.

The changes in impairment losses in respect of the Group's and Company's investments in joint ventures during the year are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	**77,336**	87,340	**137,254**	133,220
Impairment losses recognised	**–**	–	**–**	4,034
Amount written back	**(9,904)**	(10,004)	**(678)**	–
Disposal	**(67,432)**	–	**(136,500)**	–
Others	**–**	–	**(76)**	–
At 31 December	**–**	77,336	**–**	137,254

Group

In previous financial year, the balance of impairment losses includes an amount of $42,900,000 recognised as goodwill at the time of restructuring in 2010. Management had assessed the recoverable amount of KS Distribution Pte Ltd and its subsidiaries to be $38,746,000, which was arrived based on the expected fair value less costs to sell. Based on the above assessment, management wrote back $10,004,000 of impairment, following additional losses equity-accounted for in the previous financial year.

On 10 December 2018, the Group completed the disposal of 100% of the existing issued share capital of KS Resources which held the 55.35% of KS Distribution Pte Ltd ("KSD"). Using the agreed consideration, management wrote back $9,904,000 of impairment losses previously recognised based on the recoverable amount, after additional losses equity-accounted for during the year.

Company

Management adopted the same basis as above to assess recoverable amounts of the Company's investment in this joint venture. Based on this assessment, management recognised a write-back on impairment loss of $678,000 (2017: impairment loss of $4,034,000).

Fair value hierarchy

The non-recurring fair value measurement had been categorised as a Level 3 fair value based on the inputs to the valuation technique.

NOTES TO THE FINANCIAL STATEMENTS

14 JOINT VENTURES (CONTINUED)

Fair value hierarchy (Continued)

Details of the joint ventures are as follows:

Name of joint ventures	Principal activities	Country of incorporation	Ownership interest		
			2018	2017	1 Jan 2017
			%	%	%
KS Distribution Pte. Ltd.[1,2,6] and its subsidiaries	Trading of hydraulic products, hardware products, tools and equipment and provision of design engineering and fabrication of system equipment for industrial applications to the marine and oil and gas industries	Singapore	**–**	55	55
FODE-AOS Operating Company Limited[4]	Dormant	Nigeria	**40**	40	40
PT KS Drilling Indonesia[3,4,6,#]	Investment holding	Indonesia	**49[6]**	49	49
PT Java Star Rig, subsidiary of PT KS Drilling Indonesia[3,5,6,#]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Indonesia	**49[6]**	47	47

1 In the previous financial year, the Group owned more than half of the equity interests in the entity, but it had only joint control over the entity, established by contractual agreement which required unanimous consent over decisions about relevant activities. Consequently, the Group did not consolidate its investment in this entity.

2 Audited by KPMG LLP, Singapore.

3 Audited by other member firms of KPMG International.

4 Interests held by KS Drilling Pte Ltd and its subsidiaries.

5 In the previous financial year, the Group was entitled to a proportion of profits or losses for specific projects or rigs based on the proportion of funding that the Group had provided. The Group had assessed and concluded that it had joint control over this entity and had recognised its share of the beneficial interest in the entity's earnings in accordance with the contractual agreement.

6 Details of the changes in control and ownership interests of the joint ventures during the financial year are disclosed in Note 31 to the financial statements.

A joint venture is considered significant as defined under Rule 718 of the SGX Listing Manual if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

Ceased as a joint venture from 1 January 2018 and become a subsidiary thereafter. Refer to Note 31 for further details.

NOTES TO THE FINANCIAL STATEMENTS

15 PROVISION FOR LOSS FROM JOINT VENTURE

	Group	
	2018	**2017**
	$'000	**$'000**
At 1 January	**–**	10,496
Reversal of provision	**–**	(9,928)
Translation difference	**–**	(568)
At 31 December	**–**	–

In the previous financial year, the Indonesian customs court issued its decision in writing accepting the appeal filed by PT Java Star Rig ("PT JSR"), and PT JSR is due to recover the full amount previously paid. As PT JSR no longer needs to incur the loss liability, and its related tax payments, the Group reversed the provision for loss from joint venture of $9,928,000 and provision for impairment losses on loans to joint venture of $20,546,000.

16 SUBSIDIARIES

	Company		
			1 Jan
	2018	**2017**	**2017**
	$'000	**$'000**	**$'000**
Equity investments, at cost	**225,659**	225,659	225,659
Loans to subsidiaries	**107,356**	105,208	113,840
	333,015	330,867	339,499
Less: Impairment losses			
– Equity investments	**(178,408)**	(133,076)	(103,362)
– Loans to subsidiaries	**(107,356)**	(105,208)	(113,840)
	(285,764)	(238,284)	(217,202)
	47,251	92,583	122,297

The loans to subsidiaries are mainly denominated in United States dollars, are unsecured and interest-free.

NOTES TO THE FINANCIAL STATEMENTS

16 SUBSIDIARIES (CONTINUED)

Impairment

The change in impairment losses in respect of investments in subsidiaries during the year is as follows:

	Company	
	2018	**2017**
	$'000	**$'000**
At 1 January	**133,076**	103,362
Impairment losses recognised	**45,332**	29,714
At 31 December	**178,408**	133,076

The change in impairment losses in respect of loans to subsidiaries during the year is as follows:

	Company	
	2018	**2017**
	$'000	**$'000**
At 1 January	**105,208**	113,840
Translation differences	**2,148**	(8,632)
At 31 December	**107,356**	105,208

The impairment test on the investment in a subsidiary was triggered because of the poor financial performance of the subsidiary caused by the oil crisis. Management assessed the recoverable amount of the subsidiary to be $47,251,000 (2017: $92,583,000), which is arrived based on the recoverable amount of the net assets owned by the subsidiary. Accordingly, the Company recognised an impairment loss on investment in the subsidiary of $45,332,000 (2017: $29,714,000) during the financial year . These net assets reported in the books of the subsidiary comprise predominantly oil rigs whose recoverable amounts were determined using the value in use approach as described in Note 17.

Sources of estimation uncertainty

The Company maintains impairment allowance at a level considered adequate to provide for potential non-recoverability of the equity investments in subsidiaries. The level of allowance is evaluated on the basis of factors that affect the recoverability of the investments. These factors include, but are not limited to, the activities and financial position of the entities and market conditions. The Company reviews and identifies balances that are to be impaired on a regular basis. The amount and timing of recorded expenses for any period would differ if there are changes in judgement or estimates. An increase in impairment losses would decrease a Company's profit and decrease the carrying value of the investment in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

16 SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Ownership interest		
			2018	2017	**1 Jan 2017**
			%	%	%
KS Fabrication and Engineering Pte. Ltd.[1]	Investment holding	Singapore	**100**	100	100
Subsidiary of KS Fabrication and Engineering Pte. Ltd.					
Globaltech Systems Engineering Pte. Ltd.[1]	Provision of engineering design, project management, procurement and supply of custom-built system equipment for the marine, offshore oil & gas, petrochemical, refinery and power generation industries	Singapore	**82**	82	82
Subsidiary of Globaltech Systems Engineering Pte. Ltd.					
PT Globaltech Systems Engineering	Provision of engineering design, project management, procurement and supply of custom-built system equipment for the marine, offshore oil & gas, petrochemical, refinery and power generation industries	Indonesia	**78**	78	78
KS Drilling Pte. Ltd.[1]	Investment holding	Singapore	**80**	80	80
Subsidiaries of KS Drilling Pte. Ltd.					
KSAM 2 Petrodrill Offshore Inc.	Ownership and chartering of jack up rigs and provision of services for oil and gas industry	British Virgin Islands	**80**	80	80

NOTES TO THE FINANCIAL STATEMENTS

16 **SUBSIDIARIES** (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Ownership interest		
			2018	2017	1 Jan 2017
			%	%	%
Subsidiaries of KS Drilling Pte. Ltd. (Continued)					
KS Discoverer 1 Pte. Ltd.[1]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Singapore	**80**	80	80
KS Discoverer 2 Pte. Ltd.[1]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Singapore	**80**	80	80
KS Discoverer 3 (HK) Limited[3,6]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Hong Kong	**80**	80	80
KS Discoverer 4 Pte. Ltd.[1]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Singapore	**80**	80	80
KS Discovery (HK) Limited[3]	Investment holding	Hong Kong	**80**	80	80
Subsidiaries of KS Discovery (HK) Limited					
QIM Ventures Limited[2]	Ownership and leasing of jack up rigs and provision of services to the oil and gas industry	Cyprus	**80**	80	80
KS Drilling Egypt Inc.[2]	Provision of services for oil and gas industry	Egypt	**80**	80	80
KS Drilling EMEA Limited[2]	Provision of rig management and support services to the oil and gas industry	Cyprus	**80**	80	80

NOTES TO THE FINANCIAL STATEMENTS

16 **SUBSIDIARIES** (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Ownership interest		
			2018	**2017**	**1 Jan 2017**
			%	%	%
Subsidiaries of KS Drilling EMEA Limited					
Atlantic Oilfield Services Europe B.V.[2]	Development of business prospects in the onshore/ offshore/marine industries and management of accommodation-platforms	Netherlands	**80**	80	80
Atlantic Onshore Services B.V.[2]	Development of business prospects in the onshore/ offshore/marine industries and management of accommodation-platforms/ rigs	Netherlands	**80**	80	80
KS Drilling Operating Company Ltd[2]	Trading and leasing of equipment and provision of services to the oil and gas industry	British Virgin Islands	**80**	80	80
KS Rig Invest Pte Ltd[1]	Investment holding	Singapore	**80**	80	80
Subsidiaries of KS Rig Invest Pte Ltd					
KS Rig Invest One Pte Ltd	In process of liquidation	Singapore	**80**	80	80
KS Rig Invest Two Pte Ltd	In process of liquidation	Singapore	**80**	80	80
KS Rig Invest Three Ltd[1]	Ownership and leasing of equipment and provision of services to the oil and gas industry	British Virgin Islands	**80**	80	80

NOTES TO THE FINANCIAL STATEMENTS

16 **SUBSIDIARIES** (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Ownership interest		
			2018	**2017**	**1 Jan 2017**
			%	%	%
Subsidiaries of KS Rig Invest Pte Ltd (Continued)					
KS Rig Invest Five Ltd	Ownership and leasing of equipment and provision of services to the oil and gas industry	British Virgin Islands	**80**	80	80
KS Rig Invest Six Ltd	Ownership and leasing of equipment and provision of services to the oil and gas industry	British Virgin Islands	**80**	80	80
Subsidiary of KS Rig Invest Six Ltd					
KS Investar Corporation	Ownership and leasing of equipment and provision of services to the oil and gas industry	British Virgin Islands	**80**	80	80
KS Drilling Arabia	Provision of onshore and offshore oil and gas drilling, maintenance and technical support services	Saudi Arabia	**48**	48	48
PT Atlantic Oilfield Services[2]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Indonesia	**76**	76	76
PT Petro Papua Energi[2]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Indonesia	**72**	72	72
PT KS Drilling Indonesia[2,5,#]	Investment holding	Indonesia	**49**	49	49

[#] Became a subsidiary only with effect from 1 January 2018. Prior to 1 January 2018, the Company was held as a joint venture. Refer to Note 31 for further details.

NOTES TO THE FINANCIAL STATEMENTS

16 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Ownership interest		
			2018	2017	1 Jan 2017
			%	%	%
Subsidiary of PT KS Drilling Indonesia					
PT Java Star Rig[2,4,5,#]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Indonesia	**47**	47	47
KS Resources Pte Ltd[5]	Dormant	Singapore	**–**	100	100
S&E Cumford (Thailand) Ltd	Dormant	Thailand	**100**	100	100
Sphinx Frontier Ltd.	Investment holding	British Virgin Islands	**100**	100	100
Subsidiary of Sphinx Frontier Ltd.					
Atlantic Rotterdam Limited	Provision of rig rental, rig management and support services to the oil and gas industry	Bermuda	**100**	100	100

1 KPMG LLP, Singapore are the auditors of all significant Singapore-incorporated subsidiaries and KS Rig Invest Three Ltd.
2 Audited by other member firms of KPMG International.
3 Audited by Cheer Link CPA Limited.
4 Arising from a contractual agreement, the Group is entitled to a proportion of profits or losses for specific projects or rigs based on the proportion of funding that the Group has provided. The Group has assessed and concluded that it has control over this entity after taking into account potential voting rights with effect from 1 January 2018 (Refer to Note 14).
5 Details of acquisitions and disposal of interests in subsidiaries during the financial year are disclosed in Note 31 to the financial statements.
6 Audited by Cheer Link CPA Limited. KS Discoverer 3 (HK) Limited is a significant foreign-incorporated subsidiary and the Company has assessed Cheer Link CPA Limited to be a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies.

The remaining foreign-incorporated subsidiaries are not considered significant in accordance with Rule 718 of the SGX-ST Listing Manual. For this purpose, a subsidiary is considered significant as defined under the SGX Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

Became a subsidiary only with effect from 1 January 2018. Prior to 1 January 2018, the Company was held as a joint venture. Refer to Note 31 for further details.

NOTES TO THE FINANCIAL STATEMENTS

16 SUBSIDIARIES (CONTINUED)

Non-controlling interests in subsidiaries

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests (NCI), before any intra-group eliminations.

	KS Drilling Pte Ltd and its subsidiaries $'000	Globaltech Systems Engineering Pte Ltd and its subsidiary $'000	Total $'000
2018			
NCI percentage	**20%**	**18%**	
Non-current assets	**407,129**	**17**	**407,146**
Current assets	**21,351**	**1,602**	**22,953**
Non-current liabilities	**(331,985)**	**–**	**(331,985)**
Current liabilities	**(38,477)**	**(1,492)**	**(39,969)**
Net assets	**58,018**	**127**	**58,145**
Net assets attributable to NCI	**10,985**	**464**	**11,449**
Revenue	**50,618**	**832**	**51,450**
Loss after tax	**(56,856)**	**621**	**(56,235)**
Other comprehensive income/(expense)	**2,700**	**(25)**	**2,675**
Total comprehensive expense	**(54,156)**	**596**	**(53,560)**
Attributable to NCI:			
– (Loss)/Income	**(11,872)**	**113**	**(11,759)**
– Other comprehensive income	**1,625**	**–**	**1,625**
Total comprehensive expense	**(10,247)**	**113**	**(10,134)**
Cash flows from operating activities	**2,173**	**146**	**2,319**
Cash flows from investing activities	**11,779**	**1**	**11,780**
Cash flows (used in)/from financing activities, before dividends to NCI	**(11,670)**	**370**	**(11,300)**
Net increase in cash and cash equivalents	**2,282**	**517**	**2,799**

NOTES TO THE FINANCIAL STATEMENTS

16 SUBSIDIARIES (CONTINUED)

Non-controlling interests in subsidiaries (Continued)

	KS Drilling Pte Ltd and its subsidiaries $'000	Globaltech Systems Engineering Pte Ltd and its subsidiary $'000	Total $'000
2017			
NCI percentage	20%	18%	
Non-current assets	434,332	48	434,380
Current assets	44,863	1,803	46,666
Non-current liabilities	(328,768)	–	(328,768)
Current liabilities	(36,210)	(2,342)	(38,552)
Net assets/(liabilities)	114,217	(491)	113,726
Net assets attributable to NCI	21,440	355	21,795
Revenue	46,567	576	47,143
Loss after tax	(27,934)	(751)	(28,685)
Other comprehensive expense	(10,472)	(23)	(10,495)
Total comprehensive expense	(38,406)	(774)	(39,180)
Attributable to NCI:			
– Loss	(6,131)	(133)	(6,264)
– Other comprehensive expense	(2,012)	–	(2,012)
Total comprehensive expense	(8,143)	(133)	(8,276)
Cash flows used in operating activities	(3,840)	(1,490)	(5,330)
Cash flows from/(used in) investing activities	9,054	(7)	9,047
Cash flows (used in)/from financing activities, before dividends to NCI	(687)	854	167
Net increase/(decrease) in cash and cash equivalents	4,527	(643)	3,884
1 Jan 2017			
NCI percentage	20%	18%	
Non-current assets	505,198	84	505,282
Current assets	38,363	4,013	42,376
Non-current liabilities	(354,159)	(12)	(354,171)
Current liabilities	(36,702)	(3,816)	(40,518)
Net assets/(liabilities)	152,700	269	152,969
Net assets attributable to NCI	29,578	493	30,071

NOTES TO THE FINANCIAL STATEMENTS

17 PLANT AND EQUIPMENT

	Plant and machinery $'000	Rigs and other related assets $'000	Renovation, furniture and fittings $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
Group						
Cost						
At 1 January 2017	2,778	752,216	3,004	1,127	257	759,382
Additions	–	2,391	7	9	–	2,407
Disposals	–	(6,829)	–	–	–	(6,829)
Translation differences	(211)	(56,843)	(42)	(23)	(20)	(57,139)
At 31 December 2017	2,567	690,935	2,969	1,113	237	697,821
At 1 January 2018	**2,567**	**690,935**	**2,969**	**1,113**	**237**	**697,821**
Additions	**–**	**905**	**4**	**15**	**–**	**924**
Write-off	**–**	**–**	**(4)**	**–**	**–**	**(4)**
Disposals	**–**	**(11,593)**	**–**	**–**	**(163)**	**(11,756)**
Acquisition of subsidiary	**–**	**32,291**	**–**	**–**	**–**	**32,291**
Translation differences	**52**	**9,586**	**11**	**6**	**4**	**9,659**
At 31 December 2018	**2,619**	**722,124**	**2,980**	**1,134**	**78**	**728,935**
Accumulated depreciation and impairment losses						
At 1 January 2017	1,692	305,348	2,660	1,052	184	310,936
Depreciation charge for the year	333	26,894	232	41	31	27,531
Disposals	–	(2,374)	–	–	–	(2,374)
Translation differences	(141)	(24,097)	(42)	(23)	(15)	(24,318)
At 31 December 2017	1,884	305,771	2,850	1,070	200	311,775
At 1 January 2018	**1,884**	**305,771**	**2,850**	**1,070**	**200**	**311,775**
Depreciation charge for the year	**323**	**29,290**	**100**	**30**	**15**	**29,758**
Impairment	**–**	**1,793**	**–**	**–**	**–**	**1,793**
Write-off	**–**	**–**	**(4)**	**–**	**–**	**(4)**
Disposals	**–**	**(6,747)**	**–**	**–**	**(140)**	**(6,887)**
Translation differences	**42**	**3,952**	**11**	**5**	**3**	**4,013**
At 31 December 2018	**2,249**	**334,059**	**2,957**	**1,105**	**78**	**340,448**
Carrying amounts						
At 1 January 2017	1,086	446,868	344	75	73	448,446
At 31 December 2017	683	385,164	119	43	37	386,046
At 31 December 2018	**370**	**388,065**	**23**	**29**	**–**	**388,487**

NOTES TO THE FINANCIAL STATEMENTS

17 PLANT AND EQUIPMENT (CONTINUED)

	Renovation, furniture and fittings $'000	Office equipment $'000	Total $'000
Company			
Cost			
At 1 January 2017	2,420	637	3,057
Additions	–	2	2
At 31 December 2017	2,420	639	3,059
Additions	–	–	–
At 31 December 2018	**2,420**	**639**	**3,059**
Accumulated depreciation			
At 1 January 2017	2,088	636	2,724
Depreciation charge for the year	220	1	221
At 31 December 2017	2,308	637	2,945
Depreciation charge for the year	96	1	97
Disposals	(4)	–	(4)
At 31 December 2018	**2,400**	**638**	**3,038**
Carrying amounts			
At 1 January 2017	332	1	333
At 31 December 2017	112	2	114
At 31 December 2018	**20**	**1**	**21**

NOTES TO THE FINANCIAL STATEMENTS

17 PLANT AND EQUIPMENT (CONTINUED)

Assets under construction

In 2011 and 2014, the Group entered into two contracts for the construction and delivery of two jack-up drilling rigs, "Rig 1" and "Rig 2".

At 31 December 2018, rigs and other related assets include assets under construction with total costs capitalised of $64,212,000 (2017: $62,634,000), being $44,722,000 for Rig 1 and $19,490,000 for Rig 2 (see Note 29 for details of the capital commitments). No borrowing costs were capitalised for assets under construction in 2018 (2017: $Nil).

The depreciation charge of the Group is recognised in the following line items of the statement of profit or loss:

	2018 $'000	2017 $'000
Cost of sales	**29,290**	26,894
Other operating expenses	**468**	637
	29,758	27,531

The depreciation charge on rigs and other related assets was recorded in "Cost of sales". Depreciation charges on other categories of plant and equipment are presented as "Other operating expenses".

At 31 December 2018, the Group's rigs and other related assets with total carrying amount of $313,826,000 are pledged as securities to secure a bank overdraft facility and bank loans (see Note 21).

In the previous financial year, the Group's rigs and other related assets with total carrying amount of $10,992,000 were pledged as securities to secure a bank overdraft facility; and $300,703,000 were pledged as securities to secure bank loans (see Note 21).

NOTES TO THE FINANCIAL STATEMENTS

17 PLANT AND EQUIPMENT (CONTINUED)

Impairment

Rigs

Management evaluates, amongst other factors, the business outlook for the rig industry, including factors such as laws and regulations applicable to the assets, and changes in economic and market conditions. Indicators of possible impairment during the financial year include movements in oil prices, extended periods of idle time and/or inability to contract specific assets or groups of assets.

For the purposes of assessing impairment, each rig is treated as a separate CGU. Management assessed the recoverable amounts of the rigs based on their value in use calculated using the following key assumptions:

- Forecast charter rates consider actual charter rates close to the reporting date, the geopolitical and economic conditions present at the locations of the rigs and customer offers received. The forecast charter rates are generally expected to increase 3.0% (2017: 3.0%) per annum across all the Group's rigs. This is to take account of inflation and analysts forecast the inflation rates in the Group's operating countries to be in the range of 3.5% to 9.5% per annum. For all the jack-up rigs, the forecast charter rates are specifically expected to increase to approximately 40% and 60% of market rates prior to 2015, by 2021 and 2024 respectively which translates to an additional increase in charter rates of between 4.25% to 9.00% per annum over the useful life of the rigs.

- Utilisation rates of 85 – 90% (2017: 85 – 90%) were used in the cash flow computation, upon deployment of rigs, ranging from beginning of FY19 (2017: beginning of FY18) to twelve months (2017: twelve months) from the reporting date. Utilisation rates are defined here as the percentage of time the rig generates its daily charter rate;

- Pre-tax discount rates of 9.24 – 17.40% (2017: 9.89 – 17.15%) were estimated based on weighted average cost of capital for similar assets and adjusted for country risk and asset-specific risk premiums; and

- Projection periods from 3 to 25 years (2017: 4 to 26 years) that reflect the remaining economic useful lives of the rigs.

An impairment loss of $1,793,000 was recognised in the current year (2017: $Nil). At 31 December 2018, accumulated impairment losses were $66,177,000 (2017: $64,852,000). The remaining movement in the balance was due to the fluctuations in foreign exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

17 PLANT AND EQUIPMENT (CONTINUED)

Sources of estimation uncertainty

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly based on the factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets in order to determine the amount of depreciation expense to be recorded during any reporting period. Changes in the expected level of use of the assets and the technological changes could impact the economic useful lives and the residual values of the assets, therefore future depreciation charges could be revised. Any changes in the economic useful lives could impact the depreciation charges and consequently affect the Group's results.

Impairment

In estimating the recoverable amounts of the rigs using value in use, management assumed certain prospective charter contracts and rates. The assumed charter rates, as well as the utilisation rate, timing and duration of deployment of the rigs, however, continue to be subject to estimation uncertainties that may result in material adjustments on the rigs' recoverable amounts in future periods.

The recoverable amounts of the rigs are sensitive to changes in the prospective charter rates, the utilisation rate and the timing and duration of deployment of the rigs. Assuming all other assumptions remain constant, (i) a 5% decrease in forecast charter rates would have increased the impairment loss by approximately $15,756,000; (ii) a 5% decrease in utilisation rates would have increased the impairment loss by approximately $7,961,000; and (iii) a delay in deployment of the rigs by three months would have increased the impairment loss by approximately $3,640,000.

NOTES TO THE FINANCIAL STATEMENTS

18 INTANGIBLE ASSETS AND GOODWILL

	Goodwill $'000	Computer software $'000	Other intangible assets $'000	Total $'000
Group				
Cost				
At 1 January 2017	7,044	1,372	2,347	10,763
Translation differences	(479)	(69)	(178)	(726)
At 31 December 2017	6,565	1,303	2,169	10,037
Translation differences	119	16	44	179
At 31 December 2018	**6,684**	**1,319**	**2,213**	**10,216**
Accumulated amortisation and impairment losses				
At 1 January 2017	7,044	1,052	2,347	10,443
Amortisation charge during the year	–	187	–	187
Impairment	(479)	(53)	(178)	(710)
At 31 December 2017	6,565	1,186	2,169	9,920
Amortisation charge during the year	–	116	–	116
Translation differences	119	16	44	179
At 31 December 2018	**6,684**	**1,318**	**2,213**	**10,215**
Carrying amounts				
At 1 January 2017	–	320	–	320
At 31 December 2017	–	117	–	117
At 31 December 2018	**–**	**1**	**–**	**1**

Other intangible assets

The amortisation charge of other intangible assets is recognised in profit or loss under "Other operating expenses".

The carrying amount of the intangible assets is amortised on a straight-line basis over the remaining useful life of each intangible asset. Management reviews and revises the estimation of the remaining useful life of intangible assets at the end of each financial year. Any changes in the useful life of intangible assets would impact the amortisation charges and consequently affect the Group's results.

NOTES TO THE FINANCIAL STATEMENTS

19 TRADE AND OTHER PAYABLES AND AMOUNTS DUE TO JOINT VENTURES

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Current						
Trade payables:						
– Third parties	**5,771**	8,483	7,113	**–**	–	–
– Joint ventures	**–**	1	1	**–**	–	–
– Related parties	**86**	13	–	**–**	–	–
	5,857	8,497	7,114	**–**	–	–
Non-trade payables:						
– Joint ventures	**–**	77	43	**–**	64	32
– Related parties	**–**	3	176	**–**	–	–
	–	80	219	**–**	64	32
Accrued operating expenses	**11,609**	13,270	8,719	**780**	774	806
Accrued interest expenses	**5,407**	1,199	3,160	**1,205**	426	2,564
Other payables	**967**	1,558	5,087	**282**	70	60
	17,983	16,107	17,185	**2,267**	1,334	3,462
	23,840	24,604	24,299	**2,267**	1,334	3,462
Non-current						
Other payables	**561**	555	540	**–**	–	–

The amounts due to related parties and the non-trade amounts due to joint ventures are unsecured, interest-free and are repayable on demand.

Trade and other payables denominated in currencies other than the Company's functional currency relate mainly to those denominated in the United States dollar.

The Group's and the Company's exposures to liquidity risk, foreign currency risk and interest rate risk are disclosed in Note 27.

NOTES TO THE FINANCIAL STATEMENTS

20 AMOUNTS DUE TO SUBSIDIARIES

	Company		
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Current non-trade payables	**1,589**	19,213	20,529
Non-current non-trade payables	**18,180**	–	–
	19,769	19,213	20,529

The amounts due to subsidiaries, which are mainly denominated in United States dollars, are unsecured, interest-bearing and repayable on demand, except for an amount of $18,180,000, which was repayable based on the repayment schedule of a loan held by a subsidiary with a financial institution (see Note 21). As the loan was refinanced, the amount have been reclassified as non-current, according to the repayment schedule of the refinancing arrangement. An amount of $18,373,000 (2017: $17,887,000) at 31 December 2018 bearing variable interest at COF + 0.5% (2017: COF + 1%) and an amount of $1,396,000 (2017: $1,326,000) at 31 December 2018 bearing fixed interest of 4.75% (2017: fixed interest of 4.75%) per annum.

The Company's exposures to liquidity risk, foreign currency risk and interest rate risk are disclosed in Note 27.

21 FINANCIAL LIABILITIES

	Group			Company		
	2018	**2017**	**1 Jan 2017**	**2018**	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Current						
Secured bank loans	**5,786**	9,236	10,682	**–**	–	–
Convertible bonds	**–**	–	61,560	**–**	–	61,560
Unsecured bank loans	**5,728**	–	–	**–**	–	–
Short-term borrowings from a shareholder	**–**	–	13,302	**–**	–	13,302
Short-term borrowings from a related party	**135**	100	–	**–**	–	–
	11,649	9,336	85,544	**–**	–	74,862
Non-current						
Secured bank loans	**326,128**	318,213	343,124	**–**	–	–
Secured bonds	**38,221**	65,514	–	**38,221**	65,514	–
Unsecured bank loans	**4,272**	15,000	–	**–**	5,000	–
	368,621	398,727	343,124	**38,221**	70,514	–
Total financial liabilities	**380,270**	408,063	428,668	**38,221**	70,514	74,862

At 31 December 2018, the Group's rigs and other related assets with total carrying amount of $313,826,000 are pledged as securities to secure a bank overdraft facility and bank loans (see Note 17).

In the previous financial year, the Group's rigs and other related assets with total carrying amount of $10,992,000 were pledged as securities to secure a bank overdraft facility; and $300,703,000 were pledged as securities to secure bank loans (see Note 17).

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL LIABILITIES (CONTINUED)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate	Year of maturity	2018 Face value $'000	2018 Carrying amount $'000	2017 Face value $'000	2017 Carrying amount $'000	1 Jan 2017 Face value $'000	1 Jan 2017 Carrying amount $'000
Group								
Convertible bonds	–	–	**–**	**–**	–	–	62,790	61,560
Secured bonds	1.15% – 3.00%	2020	**42,536**	**38,221**	78,483	65,514	–	–
Bank loans (secured)	(COF + 1-3%) 6.25%	2022 – 2023	**325,893**	**331,914**	324,900	327,449	354,734	353,806
Bank loans (unsecured)	4.75%	2020	**10,000**	**10,000**	15,000	15,000	–	–
Short-term borrowings from a shareholder	–	–	**–**	**–**	–	–	13,302	13,302
Short-term borrowings from a related party	0% – 2%	Repayable on demand	**135**	**135**	100	100	–	–
			378,564	**380,270**	418,483	408,063	430,826	428,668
Company								
Convertible bonds	–	–	**–**	**–**	–	–	62,790	61,560
Secured bonds	1.15% – 3.00%	2020	**42,536**	**38,221**	78,483	65,514	–	–
Bank loans (unsecured)	5%	2019	**–**	**–**	5,000	5,000	–	–
Short-term borrowings from a shareholder	–	–	**–**	**–**	–	–	13,302	13,302
			42,536	**38,221**	83,483	70,514	76,092	74,862

The interest rates for the above bank borrowings are repriced at one month (2017: one month).

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL LIABILITIES (CONTINUED)

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

		Cash outflows			
	Carrying amount $'000	**Contractual cash flows $'000**	**Within 1 year $'000**	**After 1 year but within 5 years $'000**	**After 5 years $'000**
Group					
2018					
Non-derivative financial liabilities					
Fixed interest rate loans	**10,025**	**10,659**	**6,105**	**4,554**	**–**
Variable interest rate loans	**336,843**	**383,806**	**10,804**	**373,002**	**–**
Secured bonds	**38,674**	**44,720**	**1,185**	**43,535**	**–**
Short-term borrowings from a related party	**135**	**136**	**136**	**–**	**–**
Trade and other payables*	**19,014**	**19,014**	**18,453**	**561**	**–**
	404,691	**458,335**	**36,683**	**421,652**	**–**
2017					
Non-derivative financial liabilities					
Fixed interest rate loans	15,027	16,524	752	15,668	104
Variable interest rate loans	328,573	375,314	16,444	200,983	157,887
Secured bonds	65,562	82,511	836	81,675	–
Short-term borrowings from a related party	100	101	101	–	–
Trade and other payables*	26,729	26,729	26,174	555	–
	435,991	501,179	44,307	298,881	157,991
1 Jan 2017					
Non-derivative financial liabilities					
Variable interest rate loans	354,435	413,196	17,739	171,288	224,169
Convertible bonds	64,016	69,071	69,071	–	–
Short-term borrowings from a shareholder	13,377	13,377	13,377	–	–
Trade and other payables*	23,390	23,390	22,852	538	–
Bank overdraft	3,434	3,434	3,434	–	–
	458,652	522,468	126,473	171,826	224,169

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL LIABILITIES (CONTINUED)

		Cash outflows			
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000
Company					
2018					
Non-derivative financial liabilities					
Secured bonds	**38,674**	**44,720**	**1,185**	**43,535**	**–**
Trade and other payables*	**1,062**	**2,267**	**2,267**	**–**	**–**
Amounts due to subsidiaries	**20,521**	**19,769**	**1,589**	**18,180**	**–**
	60,257	**66,756**	**5,041**	**61,715**	**–**
2017					
Non-derivative financial liabilities					
Fixed interest rate loans	5,003	5,356	253	5,103	–
Secured bonds	65,562	82,511	836	81,675	–
Trade and other payables*	908	1,334	1,334	–	–
Amounts due to subsidiaries	19,588	19,213	19,213	–	–
	91,061	108,414	21,636	86,778	–
1 Jan 2017					
Non-derivative financial liabilities					
Convertible bonds	64,016	69,071	69,071	–	–
Short-term borrowings from a shareholder	13,377	13,377	13,377	–	–
Trade and other payables*	898	898	898	–	–
Amounts due to subsidiaries	20,562	20,562	20,562	–	–
	98,853	103,908	103,908	–	–

* The accrued interest payable included under "Other payables" in Note 19 is reclassified to the individual interest-bearing borrowings for the purpose of this liquidity table.

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL LIABILITIES (CONTINUED)

The maturity analysis shows the undiscounted cash flows of the Group's and the Company's financial liabilities on the basis of their earliest possible contractual maturity.

Maturity of financial liabilities are payable as follows:

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Payable:						
– Within 1 year	**35,508**	36,709	114,988	**3,856**	20,547	98,853
– After 1 year but within 5 years	**369,183**	252,187	141,322	**56,401**	70,514	–
– After 5 years	**–**	147,095	202,342	**–**	–	–
Total	**404,691**	435,991	458,652	**60,257**	91,061	98,853

The Group's and the Company's exposure to interest rate risk and foreign currency risk and sensitivity analysis for financial liabilities are disclosed in Note 27.

Refinancing of bank loans

KS Drilling and its subsidiaries (KS Drilling)

KS Drilling Pte Ltd and KS Rig Invest Three Ltd (a subsidiary of KS Drilling Pte Ltd) have secured bank loans from a financial institution, with carrying value of US$233,251,000 (equivalent to $318,225,000) (2017: US$231,068,000 (equivalent to $308,938,000)) at 31 December 2018.

As at 31 December 2018, under the terms of the facility agreements, there were portions of the loans which were repayable within the next year. However, as the Group had the unconditional right at 31 December 2018 to refinance the loans, portions of these loans have been reclassified as non-current, according to the repayment schedule of the refinancing arrangement.

The refinancing of the loans was completed on 18 January 2019. Under the new loan refinancing, the loans to KS Drilling Pte Ltd and KS Rig Invest Three Ltd are combined as one loan facility owed by KS Drilling Pte Ltd.

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL LIABILITIES (CONTINUED)

Convertible bonds

	Group and Company	
	2018	**2017**
	$'000	**$'000**
At 1 January	–	61,560
Accretion expense of redemption premium payable on convertible bonds at maturity	–	2,631
Redemption of 2013 Convertible bonds and 2015 Convertible bonds	–	(64,191)
At 31 December	–	–

2013 Convertible bonds

In 2013, the Company issued 6% convertible bonds with a principal amount of $45,000,000 originally due in 2016 (the "2013 Convertible bonds").

The amount classified as equity of $8,288,000 in relation to the 2013 Convertible bonds issue is net of attributable transaction costs of $864,000. The deferred tax recognised directly in equity in respect of the 2013 Convertible bonds amounted to $382,000.

2015 Convertible bonds

On 19 November 2015, the Company issued 6% convertible bonds with a principal amount of $7,500,000 originally due in 2016 (the "2015 Convertible bonds").

In 2015, the amount classified as equity of $113,000 in relation to the 2015 Convertible bonds issue is net of attributable transaction costs of $31,000. The deferred tax recognised in equity in respect of the 2015 Convertible bonds amounted to $24,000.

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL LIABILITIES (CONTINUED)

Bonds restructuring

On 8 December 2017, the Group completed a bonds redemption, loan settlement, bonds issue and warrants issue in a simultaneous transaction (the "Transaction") with the holders of the 2013 Convertible bonds and 2015 Convertible bonds (collectively the "Lenders"). As part of the Transaction:

- The Lenders agreed to waive the payment of the accrued interest and redemption premium of $17,100,000 under the terms of the convertible bonds.
- Existing convertible bonds were redeemed at their aggregate principal amount of $52.5 million.
- In addition, borrowings with an aggregate principal amount of $13.0 million included under current financial liabilities were settled.
- An aggregate $65.5 million bonds ("2017 Secured bonds") and an aggregate 65.5 million bonus warrants were issued.
- No proceeds were paid or received in relation to this Transaction.

The waiver of $17,100,000 was recognised as a gain on redemption of convertible bonds in finance income.

Secured bonds

	Group and Company	
	2018	**2017**
	$'000	**$'000**
At 1 January	**65,514**	–
Issue of new secured bonds	**–**	65,500
Fair value of warrants issued recognised as a discount on bonds payable	**–**	(322)
Amortisation of discount	**–**	7
Accretion expense of redemption premium payable on secured bonds at maturity	**4,817**	329
Partial redemption of secured bonds	**(30,000)**	–
Waiver for accrued secured bonds interest	**(2,110)**	–
At 31 December	**38,221**	65,514

The 2017 Secured bonds are repayable on 8 December 2020. The face value of the 2017 Secured bonds, which includes the redemption premium payable at maturity, is $42,537,000.

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL LIABILITIES (CONTINUED)

Secured bonds (Continued)

The initial terms of the issuance are as follows:

(a) The 2017 Secured bonds were issued at a price of 100% along with 65,500,000 bonus warrants, each with the right to subscribe 1 share at the price of $0.045 per share.

(b) The subscription right may be exercised at the option of the warrant holder, at any time until the date falling seven day/s prior to the maturity date, on or about 8 December 2020, subject to customary closed periods.

(c) Unless previously redeemed or purchased and cancelled, the 2017 Secured bonds will be redeemed by the Company at 119.82% of their principal amount together with unpaid accrued interest thereon on the maturity date on 8 December 2020. Secured bondholders have right to extend the maturity to 8 December 2021 subject to redemption by the Company at 125.90% of their principal amount together with unpaid accrued interest thereon.

(d) The 2017 Secured bonds bear coupons at the rate from 1.15% – 3.00% per annum, payable on a semi-annual basis, with an initial coupon payment date on 8 June 2018. In case of extension of maturity, Secured bonds will bear coupons at the rate of 4.00% per annum.

(e) The yield-to-maturity was approximately 8.38% per annum, calculated on a semi-annual basis.

(f) The 2017 Secured bonds are secured by a share charge in respect of a portion of the shares in KS Drilling Pte Ltd and a negative pledge.

On 7 December 2018, the Company and the bondholders entered into a supplemental agreement, the third supplemental agreement, to amend and supplement the initial terms. Following the entry into the third supplemental agreements, the first interest payment date was extended to 8 December 2020, the maturity date. The interest payable on the maturity date shall comprise the interest payable in arrears on 8 December 2018, 8 June 2019, 8 December 2019, 8 June 2020 and the maturity date itself.

On 7 December 2018, the Company entered into a termination deed with existing warrant holders to terminate all of the 65,500,000 warrants and on 11 December 2018, the Company completed the purchase and cancellation of an aggregate of $30,000,000 in principal amount of the 2017 Secured bonds from a bondholder. The bondholder agreed to waive the payment of the accrued interest and redemption premium of $2,447,000 that was due under the terms of the 2017 Secured bonds.

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL LIABILITIES (CONTINUED)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities					Equity	
	Bank overdrafts $'000	Other loans and borrowings $'000	Short term borrowings from a shareholder /related party $'000	Convertible bonds $'000	Secured bonds $'000	Equity reserve $'000	Total $'000
At 1 January 2017	3,434	353,806	13,302	61,560	–	17,685	449,787
Changes from financing cash flows							
Proceeds of bank loans	–	15,000	–	–	–	–	15,000
Repayment of bank loans	–	(2,971)	–	–	–	–	(2,971)
Loan from related parties	–	–	494	–	–	–	494
Repayment of loan from related parties	–	–	(394)	–	–	–	(394)
Payment of transaction costs	–	(55)	–	–	–	–	(55)
Total changes from financing cash flows	–	11,974	100	–	–	–	12,074
The effect of changes in foreign exchange rates	–	(23,331)	(302)	–	–	–	(23,633)
Other changes							
Redemption of Convertible bonds	–	–	(13,000)	(52,500)	–	–	(65,500)
Issue of Secured bonds	–	–	–	–	65,178	322	65,500
Change in bank overdraft	(3,434)	–	–	–	–	–	(3,434)
Finance income	–	–	–	(11,691)	–	–	(11,691)
Finance costs	–	–	–	2,631	336	–	2,967
	(3,434)	–	(13,000)	(61,560)	65,514	322	(12,158)
At 31 December 2017	–	342,449	100	–	65,514	18,007	426,070

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL LIABILITIES (CONTINUED)

Reconciliation of movements of liabilities to cash flows arising from financing activities (Continued)

	Liabilities					Equity	
	Bank overdrafts $'000	Other loans and borrowings $'000	Short term borrowings from a shareholder /related party $'000	Convertible bonds $'000	Secured bonds $'000	Equity reserve $'000	Total $'000
At 1 January 2018	**–**	**342,449**	**100**	**–**	**65,514**	**18,007**	**426,070**
Changes from financing cash flows							
Repayment of bank loans	**–**	**(10,613)**	**–**	**–**	**–**	**–**	**(10,613)**
Loan from related parties	**–**	**–**	**2,380**	**–**	**–**	**–**	**2,380**
Repayment of loan from related parties	**–**	**–**	**(2,380)**	**–**	**–**	**–**	**(2,380)**
Repayment of secured bonds, excluding interest	**–**	**–**	**–**	**–**	**(30,000)**	**–**	**(30,000)**
Payment of transaction costs	**–**	**(48)**	**–**	**–**	**–**	**–**	**(48)**
Total changes from financing cash flows	**–**	**(10,661)**	**–**	**–**	**(30,000)**	**–**	**(40,661)**
The effect of changes in foreign exchange rates	**–**	**6,705**	**1**	**–**	**–**	**–**	**6,706**
Other changes							
Change in bank overdraft	**3,520**	**–**	**–**	**–**	**–**	**–**	**3,520**
Finance income	**–**	**–**	**–**	**–**	**(2,110)**	**–**	**(2,110)**
Finance costs	**–**	**3,421**	**–**	**–**	**4,817**	**–**	**8,238**
Others	**–**	**–**	**34**	**–**	**–**	**–**	**34**
	3,520	**3,421**	**34**	**–**	**2,707**	**–**	**9,682**
At 31 December 2018	**3,520**	**341,914**	**135**	**–**	**38,221**	**18,007**	**401,797**

NOTES TO THE FINANCIAL STATEMENTS

22 DEFERRED TAX

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

	At 1 January 2017 $'000	Recognised in profit or loss (Note 7) $'000	Exchange differences $'000	At 31 December 2017 $'000	Recognised in profit or loss (Note 7) $'000	Recognised in equity $'000	Acquisition of subsidiary $'000	Exchange differences $'000	At 31 December 2018 $'000
Group									
Deferred tax assets									
Tax losses	32	–	–	32	–	–	–	–	**32**
Plant and equipment	1,110	–	(93)	1,017	(580)	–	–	28	**465**
Employee benefits	83	–	–	83	–	(25)	–	–	**58**
	1,225	–	(93)	1,132	(580)	(25)	–	28	**555**
Deferred tax liabilities									
Intangible assets	12	(12)	–	–	–	–	–	–	**–**
Secured bonds	–	55	–	55	(25)	–	–	–	**30**
Plant and equipment	–	–	–	–	–	–	1,003	20	**1,023**
	12	43	–	55	(25)	–	1,003	20	**1,053**

Deferred tax liabilities of the Company are attributable to the following:

	Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Deferred tax liabilities			
Secured bonds	**30**	55	–

Deferred tax assets have not been recognised in respect of the following items:

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Tax losses	**124,740**	107,101	67,396	**121**	121	1,383

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The deductible temporary differences do not expire under current tax legislations. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which certain subsidiaries of the Group can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS

23 SHARE CAPITAL

	Company		
	2018 No. of shares	**2017 No. of shares**	**1 Jan 2017 No. of shares**
Fully paid ordinary shares, with no par value:			
At 31 December	**515,601,215**	515,601,215	515,601,215

Capital management

The Board of Directors manages capital to ensure entities in the Group will be able to continue as a going concern to safeguard returns for shareholders.

The Board of Directors reviews the capital structure on a regular basis. Capital consists of total shareholders' equity (including non-controlling interests), bank loans and bonds. The Group is required to maintain gearing below certain thresholds in order to comply with covenants in loan agreements with banks and financial institutions and bond subscription agreements.

Based on the reviews, the Group aims to balance its overall capital structure through the issue of new shares and new debt or the redemption of existing debt.

The Group monitors capital using a net debt to equity gearing ratio. As at 31 December 2018, this ratio is 319.33 (2017: 7.64).

24 RESERVES

Equity reserve

The equity reserve relates to the fair value of warrants issued by the Company in 2009 and lapsed in 2011 amounting to $16,429,000, the equity component of 2010 Convertible bonds, 2013 Convertible bonds and 2015 Convertible bonds based on the value of the embedded option to convert the liability component of the convertible bonds into equity of the Company as at the date of issue of the convertible bonds, amounting to $8,401,000, the fair value of warrants issued by the Company in 2017 amounting to $322,000. In 2015, the Company issued 2,669,000 treasury shares and the loss on issue of shares were recorded in equity reserve.

NOTES TO THE FINANCIAL STATEMENTS

24 RESERVES (CONTINUED)

Equity reserve (Continued)

The equity reserve comprises the following:

	2018 $'000	2017 $'000	1 Jan 2017 $'000
Fair value of warrants issued in 2009	**16,429**	16,429	16,429
Fair value of share options embedded in 2010 Convertible bonds	**6,493**	6,493	6,493
Fair value of share options embedded in 2013 Convertible bonds	**1,795**	1,795	1,795
Fair value of share options embedded in 2015 Convertible bonds	**113**	113	113
Loss on issue of treasury shares in 2015	**(7,145)**	(7,145)	(7,145)
Fair value of warrants issued in 2017	**322**	322	–
	18,007	18,007	17,685

Treasury shares

Treasury shares comprise the cost of the Company's shares held by the Group.

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Company, as well as from the translation of foreign currency loans which form part of the Group's net investment in foreign operations.

Other reserve

Other reserve comprises the gain on dilution of interests in subsidiaries without loss of control which occurred in previous years.

Dividends

No dividend has been declared or proposed by the Company in respect of the financial years ended 31 December 2018 and 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

25 EMPLOYEE COMPENSATION BENEFITS

Under the terms of the KS Energy Employee Share Option Scheme (the "Scheme") and KS Energy Performance Share Plan (the "Plan"), subject to the absolute discretion of the Remuneration Committee (the "Committee"), options/shares may be granted, to the Group's employees, executive directors and non-executive directors provided that certain criteria are met. Subject to the absolute discretion of the Committee, Controlling Shareholders and their Associates who meet certain criteria are eligible to participate in the Scheme/Plan, provided that the participation of each Controlling Shareholder or his Associate and each grant of an option/a share to any of them may only be effected with the specific prior approval of Shareholders in general meeting by a separate resolution.

The aggregate number of ordinary shares over which options/shares may be granted on any date under the Scheme/Plan, when added to the number of ordinary shares issued and/or issuable in respect of:

- all options granted under the Scheme;
- all contingent award of ordinary shares granted pursuant to the rules of the Plan; and
- all ordinary shares in the capital of the Company, options or awards granted under any other share option or share scheme of the Company then in force;

shall not exceed 15% of the total number of issued ordinary shares, excluding treasury shares, in the capital of the Company on the day preceding the relevant date of grant.

Furthermore, the aggregate number of ordinary shares over which options/shares may be granted under the Scheme/Plan to Controlling Shareholders and their Associates shall not exceed 25% of the ordinary shares available under the Scheme/Plan, and the number of ordinary shares over which options/shares may be granted under the Scheme/Plan to each Controlling Shareholder or his Associate shall not exceed 10% of the ordinary shares available under the Scheme.

The Scheme/Plan shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten years commencing on the date on which the Scheme/Plan is adopted by shareholders of the Company in general meeting, provided that the Scheme/Plan may continue beyond the aforesaid period of time with the approval of shareholders of the Company in general meeting and of any relevant authority which may then be required.

The subscription price of the options shall be fixed by the Committee at its absolute discretion at:

- the Market Price, determined by reference to the price equal to the average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX for five consecutive market days immediately preceding the offer date of that option, rounded up to the nearest whole cent in the event of fractional prices; or
- at a discount to the Market Price, the quantum of such discount to be determined by the Committee at its absolute discretion, provided that the maximum discount shall not exceed 20% of the Market Price and is approved by shareholders of the Company in general meeting in a separate resolution.

NOTES TO THE FINANCIAL STATEMENTS

25 EMPLOYEE COMPENSATION BENEFITS (CONTINUED)

Options granted with the Exercise Price set at the Market Price may be exercised at any time after the first anniversary of the date of grant, provided that the option shall be exercised before the tenth anniversary of the date of grant or such earlier date as may be determined by the Committee, failing which the unexercised option shall immediately be null and void.

Options granted with the Exercise Price set at a discount to the Market Price may be exercised at any time after the second anniversary of the date of grant, provided that the option shall be exercised before the tenth anniversary of the date of grant or such earlier date as may be determined by the Committee, failing which the unexercised option shall immediately be null and void.

No options have been granted since the commencement of the Scheme. 2,669,000 treasury shares have been issued due to vesting of shares pursuant to the KS Energy Performance Share plan in 2015.

26 RELATED PARTIES

Key management personnel compensation

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The amounts stated below for key management compensation are for all the directors and other key management personnel.

Key management personnel compensation comprised:

	Group		
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Short-term employee benefits	**3,269**	3,210	3,237
Post-employment benefits	**64**	60	60
	3,333	3,270	3,297

Comprise amounts paid or payable to:

	Group		
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Directors of the Company	**1,067**	951	1,070
Other key management personnel	**2,266**	2,319	2,227
	3,333	3,270	3,297

The related parties referred throughout the financial statements are entities in which directors of the Company or a close family member of a director, that have control or significant influence.

NOTES TO THE FINANCIAL STATEMENTS

26 RELATED PARTIES (CONTINUED)

Other related party transactions

	Group		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Transactions with other companies* in which directors of the Company have control or significant influence, including transactions with close family member of a director			
Purchase of goods	**(405)**	(6)	(182)
Professional fees	**(18)**	(26)	(97)
Operating lease expense	**–**	–	(1)
Interest expense	**(40)**	(2)	(75)
Office expense	**(5)**	(5)	–
Acquisition of plant and equipment	**–**	(259)	–
Advanced payments to suppliers	**–**	(87)	–

* Excludes transactions with joint ventures which has been provided below

	Group		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Transactions with former joint ventures*			
Purchase of goods	**–**	–	(47)
Interest income	**5,024**	6,144	5,925
Operating lease expense	**(198)**	(348)	(414)
Office expense	**–**	(1)	(3)

* The Group ceased the application of equity method accounting of the joint venture from 1 January 2018, pursuant to the option agreement as referred in Note 31.

There are no transactions with companies in which other key management personnel have control or significant influence.

27 FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing those risks.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Management Committee is assisted in its oversight role by Internal Auditors. The Internal Auditors undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

Credit risk

Credit risk is the risk of financial loss resulting from the failure of a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. In the previous financial year, credit risk included risk of financial loss arose from amounts due from joint ventures.

The carrying amount of financial assets in the statement of financial position represents the Group's and the Company's respective maximum exposure to credit risk, before taking into account any collateral held. The Group and the Company do not hold any collateral in respect of its financial assets.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Impairment loss on:		
– trade receivables	**–**	720
– non-trade receivables	**34**	–
– loan to a joint venture	**–**	12,352
	34	13,072

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables, contract assets, amounts due from joint ventures and loan to joint venture

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk. Details of concentration of revenue are included in Note 4.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Investments and transactions involving derivative financial instruments are allowed only with counterparties who have sound credit ratings.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one month for customers.

More than 62% (2017: 20%) of the Group's customers have been transacting with the Group for over four years, and some of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Group and existence of previous financial difficulties.

At 31 December 2018, the Group has concentration of credit risk in three (2017: three) major trade debtors representing approximately 80% (2017: 64%) of total trade receivables. There was no separate concentration of credit risk in amounts due from joint ventures as the current and non-current balances in Note 12 represented the entire amounts due from the individual joint venture. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Group and the Company does not require collateral in respect of loans to subsidiaries, trade receivables and contract assets, amounts due from joint ventures and loan to joint venture.

The allowance account in respect of loans to subsidiaries, trade receivables and contract assets, amounts due from joint venture and loan to joint venture is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risk

The exposure to credit risk for trade receivables and contract assets at the reporting date by business segments was as follows:

	Group		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Drilling	**2,019**	13,050	8,761
Engineering	**1,002**	1,208	1,944
	3,021	14,258	10,705

The Group's top three most significant customers account for $2,387,000 (2017: $7,356,000) of the trade receivables carrying amount at 31 December 2018. The Group's customers are internationally dispersed. Other than this, the Group also has significant concentration of credit risk in a joint venture. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables and contract assets.

A summary of the Group's exposure to credit risk for trade receivables and contract asset is as follows:

	Group			
	2018		2017	1 Jan 2017
	Not credit-impaired $'000	Credit-impaired $'000	$'000	$'000
Trade receivables:				
– Four or more years' trading history with the Group*	**1,867**	**–**	2,891	4,894
– Less than four years' trading history with the Group*	**1,162**	**–**	11,367	6,264
– Higher risk	**–**	**295**	4,651	5,005
Total gross carrying amount	**3,029**	**295**	18,909	16,163
Loss allowance	**(8)**	**(295)**	(4,651)	(5,458)
	3,021	**–**	14,258	10,705

* Excluding "higher risk".

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Comparative information under FRS 39

The ageing of loans and receivables (excluding cash and cash equivalents) that were not impaired as at 31 December is:

	Group		Company	
	2017	1 January 2017	2017	1 January 2017
	$'000	$'000	$'000	$'000
Group				
Not past due	13,555	10,089	221	222
Past due 0 – 30 days	101	–	–	–
Past due 31 – 120 days	1,620	–	–	–
Past due more than 120 days	942	2,115	–	–
	16,218	12,204	221	222

The Group's impaired trade receivables at 31 December 2017 had a gross carrying amount of $4,651,000 (1 January 2017: $5,458,000). At 31 December 2017, the individual impairment losses of the Group related to several customers that had indicated that they were not expecting to be able to pay their outstanding balances, mainly due to economic circumstances.

Expected credit loss assessment for customers as at 31 December 2018

The Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets from customers.

The allowance matrix is based on actual credit loss experience over the past four years. The ECL computed is purely derived from historical data which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for customers as at 31 December 2018:

	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit-impaired
	%	$'000	$'000	
Group				
Not past due	**0.22**	**1,862**	**(1)**	**No**
Past due 0 – 30 days	**0.32**	**–**	**–**	**No**
Past due 31 – 120 days	**1.48**	**109**	**(1)**	**No**
Past due more than 120 days	**2.76**	**1,058**	**(6)**	**No**
– Lower risk		**3,029**	**(8)**	
– Higher risk	**100.00**	**295**	**(295)**	**Yes**
		3,324	**(303)**	

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Movements in the allowance for impairment in respect of trade receivables and contract assets, other receivables and loan to joint venture

The movements in allowance for impairment in respect of trade receivables and contract assets, other receivables and loan to joint venture during the year are set out below. Comparative amounts in 2017 represent the allowance account for impairment losses under FRS 39.

	Group		Company	
	Individual impairments $'000	Collective impairments $'000	Individual impairments $'000	Collective impairments $'000
At 1 January 2017	(55,861)	–	(21,547)	–
Impairment loss recognised	(12,187)	–	(64)	–
Write-back of allowance for impairment loss	20,546	–	357	–
Allowance written off	2,470	–	–	–
Others	–	–	(166)	–
Translation differences	3,624	–	1,441	–
At 31 December 2017	(41,408)	–	(19,979)	–

	Lifetime ECL	
	Group $'000	Company $'000
At 1 January 2018 under FRS 39	**(41,408)**	**(19,979)**
Adjustment on initial application of SFRS(I) 9	**(27)**	**–**
Balance at 1 January 2018 under SFRS(I) 9	**(41,435)**	**(19,979)**
Impairment loss recognised on non-trade receivables	**(34)**	**(147)**
Write-back of allowance for impairment loss	**26**	**84**
Allowance written off	**4,452**	**–**
Acquisition of a subsidiary	**36,757**	**–**
Translation differences	**(103)**	**(397)**
At 31 December 2018 per SFRS(I) 9	**(337)**	**(20,439)**

Loans to subsidiaries, non-trade receivables, amounts due from subsidiaries and cash and cash equivalents

The Group and the Company uses a similar approach for assessment of ECLs for loans to subsidiaries, non-trade receivables, amounts due from subsidiaries and cash and cash equivalents to those used for trade receivables and contract assets. Impairment on these balances has been measured on a lifetime expected loss basis which reflects the credit risk of the exposures. Cash and fixed deposits are placed with banks and approved financial institutions. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on these balances is negligible.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The management of liquidity and funding is primarily carried out by the Group entities. The Group requires its operating entities to maintain adequate liquidity positions and to manage its liquidity profiles of their assets, liabilities and commitments with the objective of ensuring that their cash flows are balanced appropriately and that all their anticipated obligations can be met when due. The Group adapts its liquidity and funding risk management framework in response to changes in the mix of business that it undertakes, and to changes in the nature of the markets in which it operates. The Group has continuously monitored the impact of recent market events on the Group's liquidity position and has changed behavioural assumptions where justified. The liquidity and funding risk management framework will continue to evolve as the Group assimilates knowledge from recent market events.

Refer to Note 21 for the expected contractual undiscounted cash outflows of financial liabilities of the Group and the Company at the reporting date.

The directors are of the opinion that the Group and the Company are able to meet their obligations for the next financial year as and when they fall due having regard to the following:

(i) The directors have carried out a review of the cash flow forecasts of the Group and the Company for the next twelve months ending 31 December 2019 prepared by management. Based on such forecasts, the directors have concluded that adequate liquidity exists to finance the requirements of the Group and the Company for the next financial year. In reviewing the cash flow forecasts, the directors have considered the cash requirements of the Group and the Company as well as other key factors, including the ability of the Group to generate sufficient cash flows to satisfy the Group's and the Company's future working capital needs, which may impact the operations of the Group and the Company during the next financial year. The directors are of the opinion that the assumptions which are included in the cash flow forecasts are reasonable; and

(ii) The Group and Company have adequate financial arrangements and continually monitor funding facilities to ensure adequate funds are available to meet the funding needs of the Group and the Company.

Refer to Note 2.1 for management's assessment on the appropriateness of the continuing use of the going concern assumption in the preparation of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to its interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, was as follows:

	Group Nominal amount			Company Nominal amount		
	2018	**2017**	**1 Jan 2017**	**2018**	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Fixed rate instruments						
Financial assets	**4,351**	33,943	33,488	**10**	39	54
Financial liabilities	**(52,671)**	(93,583)	(62,790)	**(42,536)**	(83,483)	(62,790)
	(48,320)	(59,640)	(29,302)	**(42,526)**	(83,444)	(62,736)
Variable rate instruments						
Financial assets	**11,254**	6,077	1,143	**1,079**	549	290
Financial liabilities	**(325,894)**	(324,900)	(351,300)	**–**	–	–
	(314,640)	(318,823)	(350,157)	**1,079**	549	290

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting dates would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Interest rate risk (Continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the financial year would have increased/(decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018 and 2017.

	Group		Company	
	Profit before tax		Profit before tax	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
31 December 2018				
Variable rate instruments	**(3,146)**	**3,146**	**11**	**(11)**
31 December 2017				
Variable rate instruments	(3,188)	3,188	5	(5)
1 January 2017				
Variable rate instruments	(3,502)	3,502	3	(3)

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings, including inter-company sales, purchases and inter-company balances, that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily the United States dollar and the Euro.

In respect of other monetary assets and liabilities held in currencies other than the functional currencies of respective entities, the Group ensures that the net exposure is kept to an acceptable level by buying currencies at spot rates, where necessary, to address short term imbalances.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk (Continued)

The summary of quantitative data about the Group and Company's exposure to currency risks as provided to the management of the Group based on its risk management policy is as follows:

	Singapore dollar $'000	US dollar $'000	Euro $'000	Others $'000	Total $'000
Group					
31 December 2018					
Cash and cash equivalents	**1,241**	**11,032**	**4**	**3,329**	**15,606**
Trade and other receivables and contract assets	**139**	**3,368**	**1**	**131**	**3,639**
Trade and other payables and contract liabilities	**(2,610)**	**(18,034)**	**(57)**	**(3,720)**	**(24,421)**
Financial liabilities	**(48,321)**	**(331,949)**	**–**	**–**	**(380,270)**
Net financial assets/(liabilities)	**(49,551)**	**(335,583)**	**(52)**	**(260)**	**(385,446)**
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	**39,315**	**335,748**	**–**	**207**	**375,270**
	(10,236)	**165**	**(52)**	**(53)**	**(10,176)**

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk (Continued)

	Singapore dollar $'000	US dollar $'000	Euro $'000	Others $'000	Total $'000
Group					
31 December 2017					
Cash and cash equivalents	743	5,892	4	1,816	8,455
Trade and other receivables and contract assets	282	50,119	1	1,573	51,975
Trade and other payables and contract liabilities	(2,366)	(16,459)	(128)	(8,975)	(27,928)
Financial liabilities	(80,615)	(327,448)	–	–	(408,063)
Net financial assets/(liabilities)	(81,956)	(287,896)	(123)	(5,586)	(375,561)
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	71,592	287,855	–	202	359,649
	(10,364)	(41)	(123)	(5,384)	(15,912)
1 January 2017					
Cash and cash equivalents	654	5,358	9	2,733	8,754
Trade and other receivables and contract assets	431	44,588	9	2,854	47,882
Trade and other payables and contract liabilities	(5,971)	(13,892)	(163)	(6,524)	(26,550)
Financial liabilities	(70,159)	(361,943)	–	–	(432,102)
Net financial assets/(liabilities)	(75,045)	(325,889)	(145)	(937)	(402,016)
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	74,732	322,973	–	356	398,061
	(313)	(2,916)	(145)	(581)	(3,955)

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk (Continued)

	Singapore dollar $'000	US dollar $'000	Euro $'000	Others $'000	Total $'000
Company					
31 December 2018					
Cash and cash equivalents	**1,064**	**15**	**–**	**–**	**1,079**
Trade and other receivables	**82**	**–**	**–**	**–**	**82**
Inter-company balances	**177**	**(19,775)**	**–**	**–**	**(19,598)**
Trade and other payables	**(1,498)**	**(769)**	**–**	**–**	**(2,267)**
Financial liabilities	**(38,221)**	**–**	**–**	**–**	**(38,221)**
Net financial assets/(liabilities)	**(38,396)**	**(20,529)**	**–**	**–**	**(58,925)**
Less: Net financial (assets)/liabilities denominated in the Company's functional currency	**38,396**	**–**	**–**	**–**	**38,396**
	–	**(20,529)**	**–**	**–**	**(20,529)**
31 December 2017					
Cash and cash equivalents	445	104	–	–	549
Trade and other receivables	48	–	–	–	48
Inter-company balances	218	(19,210)	–	–	(18,992)
Trade and other payables	(888)	(446)	–	–	(1,334)
Financial liabilities	(70,514)	–	–	–	(70,514)
Net financial assets/(liabilities)	(70,691)	(19,552)	–	–	(90,243)
Less: Net financial (assets)/liabilities denominated in the Company's functional currency	70,691	–	–	–	70,691
	–	(19,552)	–	–	(19,552)
1 January 2017					
Cash and cash equivalents	195	92	3	–	290
Trade and other receivables	53	–	–	–	53
Inter-company balances	259	(20,566)	–	–	(20,307)
Trade and other payables	(3,381)	(81)	–	–	(3,462)
Financial liabilities	(70,160)	(4,702)	–	–	(74,862)
Net financial assets/(liabilities)	(73,034)	(25,257)	3	–	(98,288)
Less: Net financial (assets)/liabilities denominated in the Company's functional currency	73,034	–	–	–	73,034
	–	(25,257)	3	–	(25,254)

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

A 10% strengthening of the Singapore dollar, as indicated below, against the foreign currencies at reporting date would have increased/(decreased) the profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact on forecasted sales and purchases.

The analysis is performed on the same basis as 2017 and 1 January 2017, as indicated below:

	Group Profit before tax			Company Profit before tax		
	2018	**2017**	**1 Jan 2017**	**2018**	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
US dollar	**(17)**	4	292	**2,053**	1,955	2,526
Euro	**5**	12	15	**–**	–	–
Others	**5**	538	58	**–**	–	–

A weakening of the Singapore dollar against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Determination of fair values

Fair values

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2018 and 2017.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Company at the reporting date.

Bonds

The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible bonds, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Determination of fair values (Continued)

Interest-bearing bank loans

The carrying value of interest-bearing loans that reprice at every six months interval is assumed to approximate their fair values. The carrying values of the term loans also approximate their fair values as they are subject to floating interest rates which in turn approximate the current market interest rate for similar loans at reporting date.

Loan to a joint venture

The carrying amount of loan to a joint venture approximates its fair value since the prevailing market interest rate continues to approximate the effective interest rate.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine the fair values.

Fair value of all financial assets and financial liabilities is measured based on unobservable market data (Level 3 inputs).

28 CONTINGENT LIABILITIES

Company

Financial guarantees

The Company issues financial guarantees on behalf of its subsidiaries. There are no terms and conditions attached to the financial guarantee contracts that currently would have a material effect on the amount, timing and certainty of the Company's future cash flows. Estimates of the Company's obligations arising from financial guarantee contracts may be affected by future events, which cannot be predicted with certainty. The assumptions made may vary from actual experience so that the actual liability may vary considerably from the best estimates.

Financial guarantees given to banks to secure banking facilities provided:

	2018 $'000	2017 $'000	1 Jan 2017 $'000
Subsidiaries	**228,501**	227,259	245,837

NOTES TO THE FINANCIAL STATEMENTS

28 CONTINGENT LIABILITIES

Company (Continued)

Financial guarantees (Continued)

As at 31 December 2018, $161,988,714 (2017: $157,564,000) of the banking facilities was utilised. The Company does not consider it probable that a claim will be made against the Company under the guarantee.

The periods in which the financial guarantees will expire are as follows:

	2018 $'000	2017 $'000	1 Jan 2017 $'000
Within 1 year	**–**	3,230	8,837
After 1 year but within 5 years	**228,501**	5,000	–
After 5 years	**–**	219,029	237,000
	228,501	227,259	245,837

29 COMMITMENTS

Capital commitments

As at 31 December, the capital commitments of the Group and Company to acquire plant and equipment (refer to Note 17) are as follows:

	Group	
	2018 $'000	2017 $'000
Rig 1	**230,840**	226,220
Rig 2	**258,180**	253,014
	489,020	479,234

	Group	
	2018 $'000	2017 $'000
Within 1 year	**489,020**	253,014
After 1 year but within 5 years	**–**	226,220
	489,020	479,234

NOTES TO THE FINANCIAL STATEMENTS

29 COMMITMENTS (CONTINUED)

Capital commitments (Continued)

The Company had previously convened extraordinary general meetings on (i) 5 October 2011 in relation to the ratification of two contracts entered into between KS Drilling and COSCO Nantong Shipyard Co., Ltd. for the construction and delivery of two (2) jack-up drilling rigs. One of the jack-up drilling rigs has not been delivered ("Rig 1"); and (ii) on 21 October 2014 in relation to the ratification of a contract entered into between a wholly-owned subsidiary of KS Drilling and Shanghai Zhenhua Heavy Industry Co., Ltd., for the construction and delivery of one (1) new build jack-up drilling rig based on the Friede & Goldman JU-2000E design ("Rig 2"), with an option granted to KS Drilling for the construction and delivery of a second rig of the same design.

The delivery dates pursuant to the contracts were originally 7 February 2014 for Rig 1 and 23 September 2016 for Rig 2. Several revisions were negotiated subsequently and subject to the terms and conditions of the contracts, the contractual delivery date of Rig 2 is 31 December 2018 and Rig 1 is due for delivery on 31 December 2019. The Group continues to engage in discussions with the shipyards, which are expected to be concluded during the year 2019.

Operating lease commitments

Where the Group and Company are the lessees:

The Group and Company lease office premises and medical equipment. The leases are negotiated for an average term of 1 to 3 years at prevailing market terms, with no renewal or purchase options.

At the reporting dates, the Group and Company are committed to future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Within 1 year	**213**	185	**7**	7
After 1 year but within 5 years	**99**	28	**16**	28
	312	213	**23**	35

NOTES TO THE FINANCIAL STATEMENTS

30 OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- **Drilling:** Includes provision of drilling and rig management services to the oil and gas industry.

- **Engineering:** Includes engineering design and project management services, as well as other oil and gas related services.

- **Distribution:** Includes the sale and distribution of steel pipes and plates, hydraulic products and valves, wire ropes and slings, oilfield equipment and consumables, to the oil & gas, offshore & marine, petrochemical and other related industries. The results from this reportable segment is accounted for using the equity method. Distribution segment ceased to exist effective 10 December 2018 pursuant to the divestment of KS Distribution Pte Ltd ("KSD") (see Note 31 for details).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

30 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments

Business segments	Drilling		Engineering		Distribution*		Others		Inter-segment Adjustments		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
External revenues	**50,617**	46,568	**832**	576	**–**	–	**–**	–	**–**	–	**51,449**	47,144
Inter-segment revenues	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total revenue	**50,617**	46,568	**832**	576	**–**	–	**–**	–	**–**	–	**51,449**	47,144
Finance income	**143**	6,188	**1**	4	**–**	–	**2,454**	17,108	**(7)**	(8)	**2,591**	23,292
Finance costs	**(12,381)**	(11,773)	**(9)**	(10)	**–**	–	**(6,533)**	(6,996)	**7**	8	**(18,916)**	(18,771)
Reportable segment loss before income tax	**(55,785)**	(57,908)	**620**	(761)	**–**	–	**2,144**	17,050	**4,790**	–	**(48,231)**	(41,619)
Share of results of joint ventures	**–**	30,474	**–**	–	**(9,226)**	(14,038)	**–**	–	**–**	–	**(9,226)**	16,436
Consolidated loss before tax	**(55,785)**	(27,434)	**620**	(761)	**(9,226)**	(14,038)	**2,144**	17,050	**4,790**	–	**(57,457)**	(25,183)
Income tax	**(1,070)**	(498)	**–**	11	**–**	–	**4,588**	1,111	**–**	–	**3,518**	624
Other material non-cash items:												
Depreciation of plant and equipment	**29,637**	27,279	**24**	31	**–**	–	**97**	221	**–**	–	**29,758**	27,531
Amortisation of intangible assets	**108**	175	**8**	12	**–**	–	**–**	–	**–**	–	**116**	187
Impairment loss/(Write-back) for receivables	**8**	12,352	**–**	–	**–**	–	**–**	(165)	**–**	–	**8**	12,187
Impairment loss on rigs	**1,793**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,793**	–
Foreign exchange loss/(gain) (net)	**1,374**	351	**–**	–	**–**	–	**398**	(1,781)	**–**	–	**1,772**	(1,430)
Loss on disposal of plant and equipment	**2,021**	3,054	**–**	–	**–**	–	**–**	–	**–**	–	**2,021**	3,054
Adjustment for over provision of tax in respect of prior years	**(377)**	(387)	**–**	(12)	**–**	–	**(4,570)**	(1,165)	**–**	–	**(4,947)**	(1,564)
Write-back of impairment loss on investment in joint venture**	**–**	–	**–**	–	**–**	–	**(9,904)**	(10,004)	**–**	–	**(9,904)**	(10,004)

* The results from Distribution segment (from January 2018 to November 2018) are accounted for using the equity method since it is a joint venture. Refer to Note 14 for financial information on the previously held joint venture, KS Distribution Pte Ltd.

** This amount relates to the Group's impairment of investment in joint venture, which has been disposed off on 10 December 2018.

30 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments (Continued)

Business segments	Drilling		Engineering		Distribution*		Others		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Assets and liabilities										
Reportable segment assets	**410,238**	454,004	**1,619**	1,768	**–**	–	**1,202**	749	**413,059**	456,521
Investment in joint ventures	**–**	–	**–**	–	**–**	38,746	**–**	–	**–**	38,746
Deferred tax assets	**555**	1,132	**–**	–	**–**	–	**–**	–	**555**	1,132
Total assets	**410,793**	455,136	**1,619**	1,768	**–**	38,746	**1,202**	749	**413,614**	496,399
Reportable segment liabilities	**366,093**	361,393	**1,418**	2,171	**–**	–	**40,700**	72,427	**408,211**	435,991
Provision for tax	**3,195**	3,459	**2**	2	**–**	–	**–**	4,570	**3,197**	8,031
Deferred tax liabilities	**1,023**	–	**–**	–	**–**	–	**30**	55	**1,053**	55
Total liabilities	**370,311**	364,852	**1,420**	2,173	**–**	–	**40,730**	77,052	**412,461**	444,077
Other segment information										
Capital expenditure	**920**	2,398	**–**	7	**–**	–	**4**	2	**924**	2,407

* The results from Distribution segment (from January 2018 to November 2018) are accounted for using the equity method since it is a joint venture. Refer to Note 14 for financial information on the previously held joint venture, KS Distribution Pte Ltd.

NOTES TO THE FINANCIAL STATEMENTS

30 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments (Continued)

Geographical segments

	Revenue		Other non-current assets		Capital expenditure	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Singapore	**739**	–	**42**	39,011	**12**	9
The People's Republic of China	**–**	–	**64,212**	62,634	**314**	759
Kurdistan	**–**	19	**–**	19,575	**–**	–
Egypt	**4,472**	9,340	**19,238**	24,066	**430**	–
Pakistan	**339**	1,450	**9,116**	10,755	**–**	–
Vietnam	**16,523**	11,983	**205,362**	209,144	**161**	–
Indonesia	**29,297**	23,845	**91,752**	88,924	**7**	1,639
Malaysia	**71**	192	**–**	–	**–**	–
Other countries	**8**	315	**–**	–	**–**	–
	51,449	47,144	**389,722**	454,109	**924**	2,407

Major customers

During the financial year, the Group had five (2017: five) customers in drilling and engineering segment that individually contributed 5% or more of the Group's revenue. Revenue from these customer accounts amounted to $49,764,000 (2017: $40,158,000).

31 ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND JOINT VENTURES

(a) Deemed disposal of a joint venture during the financial year ended 31 December 2018

On 1 January 2018, the Group entered into an option agreement with a shareholder of a joint venture, PT KS Drilling Indonesia ("PT KSDRI"), giving the Group an option to purchase 20,000 shares of PT KSDRI, representing 2% of total voting rights, at US$20,000.

Pursuant to the option agreement, which confers onto the Group potential voting rights of 51% of PT KSDRI, the Group has determined it has control over PT KSDRI from 1 January 2018.

The Group ceased the application of equity method accounting in PT KSDRI as of that date.

NOTES TO THE FINANCIAL STATEMENTS

31 ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

(b) Acquisition of subsidiary during the financial year ended 31 December 2018

Subsequent to entering the option agreement, PT KSDRI, which holds PT Java Star Rig, became a subsidiary of the Group.

The fair value of the identifiable assets and liabilities acquired and the effects on cash flows arising from the acquisition were as follows:

	Note	At date of acquisition $'000
Plant and equipment		32,291
Cash and cash equivalents		9,041
Other current assets		322
Payables		(75,364)
Total identifiable net liabilities		(33,710)
Non-controlling interests		(67)
Accumulated impairment losses on a joint venture previously held		33,777
Total deemed purchase consideration		–
Less: Carrying value of interest in a joint venture previously held	14	–
Purchase consideration		–
Cash and cash equivalents of a subsidiary deemed acquired		9,041
Net cash inflow of the Group on deemed acquisition		9,041

PT KSDRI contributed a net loss after tax of $11,202,000 for the period from 1 January 2018 to 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

(c) Disposal of a joint venture together with a subsidiary during the financial year ended 31 December 2018

On 10 December 2018, the Group completed a series of transactions comprising an internal reorganisation, a bond restructuring and a disposal. Pursuant to the internal reorganisation, the Company transferred all the Company's 55.35% shareholding interest held in KS Distribution Pte Ltd ("KSD") to a wholly-owned subsidiary KS Resources Pte Ltd ("KSR") for a consideration of $37,857,000. KSR issued an aggregate of $35,000,000 fixed rate unsecured bonds ("KSR Bonds") due 2021, the proceeds of which was applied as the consideration of the transfer of KSD. The balance consideration of $2,857,000 was settled in cash. The Company then disposed of 100% of the existing issued share capital of KSR, together with the 55.35% interest in KSD, for an aggregate cash consideration of $1,643,000. The company received a combined cash consideration of $4,424,000, net of transaction costs and liabilities assumed.

The Group ceased the application of equity method accounting in KSD and consolidation of KSR as of that date. Prior to the disposal, the Group wrote back an impairment loss on investment in joint venture of $9,904,000. The Group did not recognise any gain or loss on the disposal of KSD and KSR during the financial year.

The details of the disposal were as follows:

	At date of disposal $'000
Carrying amount of joint venture	39,424
Current liabilities (KSR Bonds)	(35,000)
Net assets	4,424
Net proceeds from disposal	(4,424)
Gain/(Loss) on disposal	–

KSR did not contribute to the Group's results for the period from 1 January 2018 to 10 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

32 SUBSEQUENT EVENTS

(a) The Company entered into bond purchase agreements on 9 November 2018 to purchase and cancel 2017 Secured bonds with an aggregate face value of $31 million, subject to the approval from shareholders at an Extraordinary General Meeting ("EGM"). At the EGM to be held in April 2019, the Company shall seek approval to issue 794,871,795 new shares at an issue price of 3.9 cents per share as consideration for the purchase of the 2017 Secured bonds with the face value of $31 million.

The negative shareholder's fund of $10,296,000 as at 31 December 2018 will increase to positive $20,704,000 on a proforma basis if the proposed transactions are approved by shareholders.

(b) As at 31 December 2018, the Group has two fixed interest rate loans: Loan I with carrying amount of $5,000,000 and Loan II with carrying amount of $5,000,000. On 22 January 2019, the repayment terms of these fixed interest rate loans have been varied as follows:

- The first date of principal repayment of Loan I has been extended from February 2019 to March 2020.

- The first date of principal repayment of Loan II has been extended from February 2019 to February 2020.

(c) In January 2019, KS Rig Invest One Pte. Ltd. and KS Rig Invest Two Pte. Ltd., both dormant subsidiaries of the Group, submitted their application for a voluntary strike off. The striking off of the abovementioned dormant companies of the Group is not expected to have any material impact on the net tangible assets or earnings per share of the Group for the financial year ending 31 December 2019.

33 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual periods beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in note 2.2, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

NOTES TO THE FINANCIAL STATEMENTS

33 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

In addition to the adoption of the new framework, the Group also concurrently applied SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date. The SFRS(I)s that are applicable to the Group are:

- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016; and

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016.

The application of the above standards and interpretations do not have a material effect on the financial statements.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017. There were no material adjustments to the Group's statement of comprehensive income and statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

33 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity

Consolidated statement of financial position

	31 December 2017				1 January 2018	
	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000	SFRS(I) 9 $'000	SFRS(I) framework $'000
Current assets						
Cash and cash equivalents	8,455	–	–	8,455	–	8,455
Amounts due from joint ventures	8,306	–	–	8,306	–	8,306
Trade receivables	11,481	–	(4,375)	7,106	(27)	7,079
Contract work in progress	9	–	(9)	–	–	–
Contract assets	–	–	7,152	7,152	–	7,152
Inventories	222	–	–	222	–	222
Other assets	13,148	–	(2,768)	10,380	–	10,380
Asset held for sale	669	–	–	669	–	669
	42,290	–	–	42,290	(27)	42,263
Non-current assets						
Joint ventures	38,746	–	–	38,746	–	38,746
Amounts due from joint ventures	27,451	–	–	27,451	–	27,451
Plant and equipment	386,046	–	–	386,046	–	386,046
Intangible assets and goodwill	117	–	–	117	–	117
Other assets	617	–	–	617	–	617
Deferred tax assets	1,132	–	–	1,132	–	1,132
	454,109	–	–	454,109	–	454,109
Total assets	496,399	–	–	496,399	(27)	496,372
Current liabilities						
Trade and other payables	27,295	–	(2,769)	24,526	–	24,526
Contract liabilities	–	–	2,769	2,769	–	2,769
Amounts due to joint ventures	78	–	–	78	–	78
Provision for current tax	8,031	–	–	8,031	–	8,031
Financial liabilities	9,336	–	–	9,336	–	9,336
	44,740	–	–	44,740	–	44,740

NOTES TO THE FINANCIAL STATEMENTS

33 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity (Continued)

Consolidated statement of financial position (Continued)

	31 December 2017				1 January 2018	
	FRS framework $'000	**SFRS(I) 1 $'000**	**SFRS(I) 15 $'000**	**SFRS(I) framework $'000**	**SFRS(I) 9 $'000**	**SFRS(I) framework $'000**
Non-current liabilities						
Trade and other payables	555	–	–	555	–	555
Financial liabilities	398,727	–	–	398,727	–	398,727
Deferred tax liabilities	55	–	–	55	–	55
	399,337	–	–	399,337	–	399,337
Total liabilities	444,077	–	–	444,077	–	444,077
Net assets	52,322	–	–	52,322	(27)	52,295
Equity attributable to owners of the Company						
Share capital	359,973	–	–	359,973	–	359,973
Equity reserve	18,007	–	–	18,007	–	18,007
Treasury shares	(26,365)	–	–	(26,365)	–	(26,365)
Foreign currency translation reserve	(17,521)	9,045	–	(8,476)	–	(8,476)
Other reserve	(3,750)	–	–	(3,750)	–	(3,750)
Accumulated losses	(299,817)	(9,045)	–	(308,862)	(27)	(308,889)
	30,527	–	–	30,527	(27)	30,500
Non-controlling interests	21,795	–	–	21,795	–	21,795
Total equity	52,322	–	–	52,322	(27)	52,295

NOTES TO THE FINANCIAL STATEMENTS

33 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity (Continued)

Consolidated statement of financial position (Continued)

	1 January 2017			
	SFRS framework $'000	**SFRS(I) 1 $'000**	**SFRS(I) 15 $'000**	**SFRS(I) framework $'000**
Current assets				
Cash and cash equivalents	8,754	–	–	8,754
Amounts due from joint ventures	1	–	–	1
Trade receivables	8,289	–	(5,205)	3,084
Contract work in progress	20	–	(20)	–
Contract assets	–	–	7,621	7,621
Inventories	240	–	–	240
Other assets	16,763	–	(2,396)	14,367
Asset held for sale	2,604	–	–	2,604
	36,671	–	–	36,671
Non-current assets				
Joint ventures	42,780	–	–	42,780
Amounts due from joint ventures	35,677	–	–	35,677
Plant and equipment	448,446	–	–	448,446
Intangible assets and goodwill	320	–	–	320
Other assets	968	–	–	968
Deferred tax assets	1,225	–	–	1,225
	529,416	–	–	529,416
Total assets	566,087	–	–	566,087
Current liabilities				
Bank overdraft	3,434	–	–	3,434
Trade and other payables	25,966	–	(1,711)	24,255
Contract liabilities	–	–	1,711	1,711
Amounts due to joint ventures	44	–	–	44
Provision for current tax	9,880	–	–	9,880
Financial liabilities	85,544	–	–	85,544
	124,868	–	–	124,868

NOTES TO THE FINANCIAL STATEMENTS

33 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity (Continued)

Consolidated statement of financial position (Continued)

	1 January 2017			
	SFRS framework $'000	**SFRS(I) 1 $'000**	**SFRS(I) 15 $'000**	**SFRS(I) framework $'000**
Non-current liabilities				
Trade and other payables	540	–	–	540
Financial liabilities	343,124	–	–	343,124
Deferred tax liabilities	12	–	–	12
Provision for loss from joint venture	10,496	–	–	10,496
	354,172	–	–	354,172
Total liabilities	479,040	–	–	479,040
Net assets	87,047	–	–	87,047
Equity attributable to owners of the Company				
Share capital	359,973	–	–	359,973
Equity reserve	17,685	–	–	17,685
Treasury shares	(26,365)	–	–	(26,365)
Foreign currency translation reserve	(9,045)	9,045	–	–
Other reserve	(3,750)	–	–	(3,750)
Accumulated losses	(281,522)	(9,045)	–	(290,567)
	56,976	–	–	56,976
Non-controlling interests	30,071	–	–	30,071
Total equity	87,047	–	–	87,047

NOTES TO THE FINANCIAL STATEMENTS

33 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliation

SFRS (I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

Foreign currency translation reserve ("FCTR")

The Group considers that restating FCTR to comply with current SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassified the cumulative FCTR of $9,045,000 as at 1 January 2017 determined in accordance with FRS to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

By electing this optional exemption, the cumulative FCTR decreased by $9,045,000 and retained earnings increased by the same amount as at 31 December 2017.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, and the information presented for 2017 has been restated.

On adopting SFRS(I) 15, the Group has also changed the presentation of the following amounts:

(a) 'Accrued revenue' classified as 'Trade receivables', 'Contract work in progress' and 'Other receivables' classified as 'Other assets', of $4,375,000, $9,000 and $2,768,000 respectively, as at 31 December 2017 were reclassified to 'Contract assets'. The corresponding amounts as at 1 January 2017 were $5,205,000, $20,000 and $2,396,000 respectively.

(b) 'Accrued operating expenses' classified as 'Trade and other payables' of $2,769,000 as at 31 December 2017 and $1,711,000 as at 1 January 2017 were reclassified to 'Contract liabilities'.

NOTES TO THE FINANCIAL STATEMENTS

33 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliation (Continued)

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below:

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
  - The designation of an equity investment that is not held-for-trading as at FVOCI; and
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at FVTPL.
- If a debt investment has low credit risk at 1 January 2018, the Group had assumed that the credit risk on the asset has not increased significantly since its initial recognition.
- New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 at 31 December 2017 met the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 and therefore were regarded as continuing hedging relationships.

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

NOTES TO THE FINANCIAL STATEMENTS

33 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

(i) Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

				1 January 2018	
Group	**Note**	**Original classification under FRS 39**	**New classification under SFRS(I) 9**	**Original carrying amount under FRS 39 $'000**	**New carrying amount under SFRS(I) 9 $'000**
Financial assets					
Trade and other receivables	(a)	Loans and receivables	Amortised cost	51,939	51,939
Cash and cash equivalents		Loans and receivables	Amortised cost	8,455	8,455
Total financial assets				60,394	60,394

Company	**Note**	**Original classification under FRS 39**	**New classification under SFRS(I) 9**	**Original carrying amount under FRS 39 $'000**	**New carrying amount under SFRS(I) 9 $'000**
Financial assets					
Trade and other receivables	(a)	Loans and receivables	Amortised cost	48	48
Cash and cash equivalents		Loans and receivables	Amortised cost	549	549
Total financial assets				597	597

a) Trade and other receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. An increase of $27,000 and $Nil in the allowance for impairment was recognised in opening retained earnings of the Group and of the Company at 1 January 2018 respectively on transition to SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

33 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

(ii) Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost.

As a result of the adoption of SFRS(I) 9, the Group presented impairment loss related to trade receivables, separately in the statement of profit or loss. As a result, the Group reclassified impairment loss amounting to $720,000, recognised under FRS 39, from 'other expenses' to 'impairment loss on trade receivables' in the consolidated statement profit or loss for the year ended 31 December 2017.

Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under FRS 39, and not presented separately in the statement of profit or loss due to materiality considerations.

The application of SFRS(I) 9 impairment requirements at 1 January 2018 results in additional allowances for impairment as follows:

	Group $'000
Loss allowance at 31 December 2017 under FRS 39	41,408
Additional impairment recognised at 1 January 2018 on trade receivables as at 31 December 2017	27
Loss allowance at 1 January 2018 under SFRS(I) 9	41,435

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Additional information about how the Group and the Company measure the allowance for impairment is described in Note 27.

NOTES TO THE FINANCIAL STATEMENTS

34 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and earlier application is permitted; however the Group has not early adopted the new or amended standards and interpretation in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Group is currently performing a detailed analysis to assess the impact upon adoption of SFRS(I) 16 on its financial statements.

SHAREHOLDERS' **INFORMATION**

AS AT 21 MARCH 2019

Class of shares	:	Ordinary shares
Issued and fully paid-up capital	:	S$361,629,700.55
Number of Shares issued	:	515,601,215 (excluding Treasury Shares)
Number of Treasury Shares (Percentage)	:	8,639,000 (1.68%)
Voting rights (excluding Treasury Shares)	:	One vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 21 MARCH 2019

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDING
1 – 99	165	2.56	5,809	0.00
100 – 1,000	2,006	31.19	1,276,084	0.25
1,001 – 10,000	3,013	46.84	12,635,413	2.45
10,001 – 1,000,000	1,234	19.19	51,577,022	10.00
1,000,001 – and above	14	0.22	450,106,887	87.30
TOTAL	**6,432**	**100.00**	**515,601,215**	**100.00**

Note: The percentage is calculated based on 515,601,215 Shares (excluding 8,639,000 shares held as Treasury Shares) as at 21 March 2019.

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%(1)	Deemed Interest	%(1)
Pacific One Energy Limited	308,281,662(2)	59.79	–	–
Dubai Transport Company LLC	50,751,948(3)	9.84		
Rija Holdings Limited	–	–	308,281,662(2)	59.79
Kris Wiluan	–	–	308,281,662(2)	59.79
Richard James Wiluan	–	–	308,281,662(2)	59.79
AMSAF Investment LLC	–	–	50,751,948(3)	9.84
Doba Investment Ltd	–	–	50,751,948(3)	9.84
Ahmad Abdulrahim Baker	–	–	50,751,948(3)	9.84
UBS Trustee (Bahamas) Limited	–	–	20,580,000(4)	3.99
UBS AG	–	–	26,626,250(4)	5.16
UBD Group AG	–	–	26,626,250(4)	5.16

Notes:

(1) The percentage of shareholding is calculated based on 515,601,215 issued shares (excluding 8,639,000 Treasury Shares) as at 21 March 2019.

(2) Rija Holdings Limited ("**Rija**"), which is the holding company of Pacific One Energy Limited ("**Pac One**"), is controlled by Mr Kris Wiluan and Mr Richard James Wiluan. By virtue of Section 4 of the Securities and Futures Act, Rija, Mr Kris Wiluan and Mr Richard James Wiluan are deemed interested in the 308,281,662 shares held by Pac One.

(3) Dubai Transport Company LLC ("**DTC**") is controlled by AMSAF investment LLC ("**AMSAF**"), Doba Investment Ltd ("**DOBA**") and Mr Ahmad Abdulrahim Baker. By virtue of Section 4 of the Securities and Futures Act, AMSAF, DOBA and Mr. Ahmad Abdulrahim Baker are deemed interested in the 50,751,948 Shares of the Company held by DTC.

(4) Deemed interests arising by virtue of (a) UBS Trustees (Bahamas) Limited ("**UBSTBL**"), UBS AG and UBS Group AG having an interest, or (b) Section 7(4) or 7(4A) of the Companies Act in shares over which subsidiaries/affiliates of UBSTBL, UBS AG and UBS Group AG have an interest, by reason of the ability to exercise voting discretion and to acquire/dispose of shares.

SHAREHOLDERS' INFORMATION

AS AT 21 MARCH 2019

LIST OF TWENTY (20) LARGEST SHAREHOLDERS AS AT 21 MARCH 2019

(As Recorded in the Depository Register as at 21 March 2019)

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHARES
1	PACIFIC ONE ENERGY LIMITED	308,281,662	59.79
2	DUBAI TRANSPORT COMPANY LLC	50,751,948	9.84
3	CITIBANK NOMINEES SINGAPORE PTE LTD	46,341,597	8.99
4	RAFFLES NOMINEES (PTE) LIMITED	18,672,650	3.62
5	DBS NOMINEES PTE LTD	9,128,503	1.77
6	LIM GEOK SENG	2,416,000	0.47
7	SUM CHEE WOH	2,317,800	0.45
8	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,119,522	0.41
9	PHILLIP SECURITIES PTE LTD	2,037,980	0.40
10	SUNFIELD PTE LTD	2,018,500	0.39
11	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,861,725	0.36
12	SAMUEL PAUL OLIVER CAREW-JONES	1,594,000	0.31
13	NG HWEE KOON	1,505,000	0.29
14	CHUNG BOON HOE	1,060,000	0.21
15	TAN KAY TOH OR YU HEA RYEONG	957,500	0.19
16	OCBC NOMINEES SINGAPORE PTE LTD	885,081	0.17
17	KAM TEOW CHONG	786,642	0.15
18	CHU CHOY HAR	631,000	0.12
19	HSBC (SINGAPORE) NOMINEES PTE LTD	601,281	0.12
20	PHUA KIM HIANG	585,000	0.11
	TOTAL	**454,553,391**	**88.16**

Note: The percentage of shareholding is calculated based on 515,601,215 Shares (excluding 8,639,000 shares held as Treasury Shares) as at 21 March 2019.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Company as at 21 March 2019, approximately 22.94% of the ordinary shares of the Company are held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

KS ENERGY LIMITED
(Company Registration No. 198300104G)
(Incorporated in the Republic of Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of KS Energy Limited (the "**Company**") will be held at 19 Jurong Port Road, Singapore 619093 on Friday, 26 April 2019 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to the Constitution of the Company:

   Mr Kris Wiluan **(Resolution 2)**
   Mr Samuel Paul Oliver Carew-Jones **(Resolution 3)**
   Mr Chew Choon Soo **(Resolution 4)**
   [See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$225,000 for the year ended 31 December 2018 (FY2017: S$271,333). **(Resolution 5)**

4. To re-appoint KPMG LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Share Issue Mandate**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (i) issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF **ANNUAL GENERAL MEETING**

(notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (i) new shares arising from the conversion or exercise of any convertible securities;

   (ii) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

   (iii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.

[See Explanatory Note (ii)] **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

7. **Authority to allot and issue shares under the KS Energy Employee Share Option Scheme and KS Energy Performance Share Plan**

That pursuant to Section 161 of the Companies Act, Cap. 50, authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the KS Energy Employee Share Option Scheme ("**KSE ESOS**") and/or such number of fully paid shares in the Company as may be required to be issued pursuant to the vesting of awards under the KS Energy Performance Share Plan ("**KSE PSP**"), provided always that the aggregate number of shares to be issued pursuant to the options to be granted under the KSE ESOS and the vesting of awards granted or to be granted under KSE PSP shall not exceed fifteen percent (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

[See Explanatory Note (iii)] **(Resolution 8)**

8. **Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions with PT DWI Sumber Arca Waja Group**

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:

(a) approval be given for the renewal of the mandate for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the categories of interested person transactions ("**IPT**") set out in the Appendix to the Notice of Annual General Meeting dated 11 April 2019 (the "**Appendix**") with any party who is of the class or classes of interested persons described in the Appendix, provided that such transactions are carried out in accordance with the review procedures of the Company for IPT set out in the Appendix (the "**DSAW IPT Mandate**");

(b) the DSAW IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier;

(c) the Audit and Risk Management Committee ("**ARMC**") of the Company and/or any member of the ARMC be and is hereby authorised to take such action as it and/or he deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST which may be prescribed by the SGX-ST from time to time; and

(d) authority be given to the Directors and/or any of them to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider necessary, desirable, expedient or in the interest of the Company to give effect to the DSAW IPT Mandate as they and/or he may think fit.

[See Explanatory Note (iv)] **(Resolution 9)**

NOTICE OF **ANNUAL GENERAL MEETING**

9. **Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions with PT KS Drilling Indonesia and/or its subsidiaries**

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:

(a) approval be given for the renewal of the mandate for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the categories of IPT set out in the Appendix with any party who is of the class or classes of interested persons described in the Appendix, provided that such transactions are carried out in accordance with the review procedures of the Company for IPT set out in the Appendix (the "**JVC IPT Mandate**");

(b) the JVC IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier;

(c) the ARMC of the Company and/or any member of the ARMC be and is hereby authorised to take such action as it and/or he deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST which may be prescribed by the SGX-ST from time to time; and

(d) authority be given to the Directors and/or any of them to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider necessary, desirable, expedient or in the interest of the Company to give effect to the JVC IPT Mandate as they and/or he may think fit.

[See Explanatory Note (v)] **(Resolution 10)**

By Order of the Board

Lai Kuan Loong, Victor
Secretary
Singapore, 11 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Resolutions to be passed:

(i) Mr Chew Choon Soo will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee and the Nominating Committee, and will be considered independent.

(ii) The Ordinary Resolution 7 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors of the Company, to allot and issue shares in the Company pursuant to the exercise of options outstanding under the KSE ESOS and/or vesting of awards granted pursuant to the KSE PSP, provided that the aggregate number of shares issued pursuant to the KSE ESOS and the KSE PSP does not exceed fifteen percent (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

(iv) The Ordinary Resolution 9 proposed in item 8 above, if passed, will authorise the IPT pursuant to the DSAW IPT Mandate as described in the Appendix and recurring in the year and will empower the Directors and/or any of them to do all acts necessary to give effect to the DSAW IPT Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

(v) The Ordinary Resolution 10 proposed in item 9 above, if passed, will authorise the IPT pursuant to the JVC IPT Mandate as described in the Appendix and recurring in the year and will empower the Directors and/or any of them to do all acts necessary to give effect to the JVC IPT Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "**Meeting**").

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.

3. If the appointer is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 19 Jurong Port Road, Singapore 619093 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, Listing Rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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KS ENERGY LIMITED

(Company Registration No. 198300104G)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____ NRIC/Passport No.: _____

of _____

being a member/members of KS Energy Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 19 Jurong Port Road, Singapore 619093 on Friday, 26 April 2019 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

If you wish to exercise all your votes "For" or "Against", tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.

No.	Resolutions relating to:	For	Against
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2018		
2	Re-election of Mr Kris Wiluan as a Director		
3	Re-election of Mr Samuel Paul Oliver Carew-Jones as a Director		
4	Re-election of Mr Chew Choon Soo as a Director		
5	Approval of Directors' fees amounting to S$225,000 for year ended 31 December 2018		
6	Re-appointment of KPMG LLP as Auditors		
7	Share Issue Mandate		
8	Authority to allot and issue shares under the KS Energy Employee Share Option Scheme and KS Energy Performance Share Plan		
9	Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions with PT DWI Sumber Arca Waja Group		
10	Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions with PT KS Drilling Indonesia and/or its subsidiaries		

*Delete where inapplicable

Dated this _____ day of _____ 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

_____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 19 Jurong Port Road, Singapore 619093 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

9. An investor who buys shares using Central Provident Fund monies ("CPF Investor") and/or Supplementary Retirement Scheme monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2019.

AFFIX POSTAGE STAMP

The Company Secretary
KS ENERGY LIMITED
19 JURONG PORT ROAD
SINGAPORE 619093

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