

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2022

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/01/2022 RM'000	Preceding year corresponding quarter 31/01/2021 RM'000	Twelve months to 31/01/2022 RM'000	Twelve months to 31/01/2021 RM'000
Revenue	453,142	1,443,544	4,126,771	5,347,822
Other operating income	32,450	16,202	48,711	148,057
Operating expenses	(1,456,664)	(1,372,500)	(6,392,253)	(4,677,542)
Operating (loss)/profit	(971,072)	87,246	(2,216,771)	818,337
Depreciation and amortisation	(129,530)	(137,952)	(522,343)	(543,195)
Finance income	2,481	2,509	20,655	35,660
Finance costs	(123,027)	(109,523)	(521,871)	(492,364)
Gain on disposal of property, plant and equipment	851	-	6,953	-
Net foreign exchange loss	(25,952)	(37,650)	(42,524)	(8,990)
Share of profit from associates and joint ventures	25,777	15,094	84,220	158,827
Loss before taxation and impairments	(1,220,472)	(180,276)	(3,191,681)	(31,725)
Provision for impairment on goodwill on consolidation	(3,289,934)	-	(3,289,934)	-
Provision for impairment on property, plant and equipment	(2,103,787)	-	(2,315,787)	-
Loss before taxation	(6,614,193)	(180,276)	(8,797,402)	(31,725)
Taxation	(3,420)	(35,037)	(102,485)	(128,527)
Loss after taxation	(6,617,613)	(215,313)	(8,899,887)	(160,252)
Attributable to:				
Owners of the Parent	(6,612,586)	(216,026)	(8,895,893)	(160,870)
Non-controlling interests	(5,027)	713	(3,994)	618
	(6,617,613)	(215,313)	(8,899,887)	(160,252)
Loss per share (sen)				
- Basic/Diluted	(41.40)	(1.35)	(55.70)	(1.01)

The condensed consolidated statement of profit or loss should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2022

THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/01/2022 RM'000	Preceding year corresponding quarter 31/01/2021 RM'000	Twelve months to 31/01/2022 RM'000	Twelve months to 31/01/2021 RM'000
Loss after taxation	(6,617,613)	(215,313)	(8,899,887)	(160,252)
Other comprehensive income:				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation differences	(8,405)	(135,125)	51,650	(86,668)
Net changes in cash flow hedge	-	(640)	(3,917)	17,443
Share of other comprehensive income/(loss) of associates and joint ventures:				
- Foreign currency translation differences	42,197	(37,764)	136,774	(7,465)
- Net changes in cash flow hedge	(5,470)	2,552	13,855	(15,823)
<i>Items that has been reclassified to profit or loss in current year:</i>				
Cumulative changes in cash flow hedge	-	4,108	18,952	16,432
Total comprehensive loss	<u>(6,589,291)</u>	<u>(382,182)</u>	<u>(8,682,573)</u>	<u>(236,333)</u>
Attributable to:				
Owners of the Parent	(6,593,911)	(383,344)	(8,690,638)	(235,366)
Non-controlling interests	4,620	1,162	8,065	(967)
Total comprehensive loss	<u>(6,589,291)</u>	<u>(382,182)</u>	<u>(8,682,573)</u>	<u>(236,333)</u>

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2022

THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED As at end of current financial year 31/01/2022 RM'000	AUDITED As at end of preceding financial year 31/01/2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	6,732,532	9,218,612
Intangible assets	1,705,376	4,927,743
Investment in associates	2,139,882	2,103,820
Investment in joint ventures	2,191,702	2,005,591
Deferred tax assets	102,683	120,336
Derivative assets	-	55,083
Trade and other receivables	36,718	44,126
	<u>12,908,893</u>	<u>18,475,311</u>
Current assets		
Inventories	428,854	423,251
Trade and other receivables	1,325,498	1,434,328
Contract assets	747,006	1,752,716
Tax recoverable	107,877	90,537
Cash and cash equivalents	717,751	488,966
	<u>3,326,986</u>	<u>4,189,798</u>
TOTAL ASSETS	16,235,879	22,665,109
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	10,872,078	10,872,078
Islamic redeemable convertible preference shares ("RCPS-i")	982,713	982,713
Shares held under trust	(11,587)	(11,587)
Warrants reserve	109,110	109,110
Other reserves	1,823,926	1,618,671
Accumulated losses	(13,521,308)	(4,625,415)
	<u>254,932</u>	<u>8,945,570</u>
Non-controlling interests	(755)	(8,820)
Total equity	254,177	8,936,750

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2022

THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D.)

	UNAUDITED As at end of current financial year 31/01/2022 RM'000	AUDITED As at end of preceding financial year 31/01/2021 RM'000
Non-current liabilities		
Borrowings	-	7,068,725
Derivative liabilities	24,644	-
Trade and other payables	13,957	37,790
Contract liabilities	10,584	30,243
Lease liabilities	8,745	9,631
Deferred tax liabilities	85,115	102,747
	<u>143,045</u>	<u>7,249,136</u>
Current liabilities		
Borrowings	10,658,021	3,263,457
Trade and other payables	3,705,288	2,669,045
Contract liabilities	797,089	239,572
Lease liabilities	7,976	11,123
Provision	574,119	152,251
Provision for tax	96,164	143,775
	<u>15,838,657</u>	<u>6,479,223</u>
TOTAL LIABILITIES	<u>15,981,702</u>	<u>13,728,359</u>
TOTAL EQUITY AND LIABILITIES	<u>16,235,879</u>	<u>22,665,109</u>
Net assets per share (RM)	<u>0.02</u>	<u>0.56</u>

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2022

THE FIGURES HAVE NOT BEEN AUDITED

IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Parent						Non-controlling interests	Total equity	
	Non-distributable			Distributable					
	Share capital	RCPS-i	Shares held under trust	Warrants reserve	Other reserves	Accumulated losses			Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Twelve months to 31 January 2022 (Unaudited)									
At 1 February 2021	10,872,078	982,713	(11,587)	109,110	1,618,671	(4,625,415)	8,945,570	(8,820)	8,936,750
Total comprehensive income/(loss)	-	-	-	-	205,255	(8,895,893)	(8,690,638)	8,065	(8,682,573)
At 31 January 2022	10,872,078	982,713	(11,587)	109,110	1,823,926	(13,521,308)	254,932	(755)	254,177
Twelve months to 31 January 2021 (Audited)									
At 1 February 2020	10,872,078	982,713	(11,587)	109,110	1,703,428	(4,473,221)	9,182,521	(7,853)	9,174,668
Total comprehensive loss	-	-	-	-	(76,081)	(160,870)	(236,951)	(967)	(237,918)
	10,872,078	982,713	(11,587)	109,110	1,627,347	(4,634,091)	8,945,570	(8,820)	8,936,750
Transactions with owners:									
Lapsed of certain ESOS, representing total transaction with owners	-	-	-	-	(8,676)	8,676	-	-	-
At 31 January 2021	10,872,078	982,713	(11,587)	109,110	1,618,671	(4,625,415)	8,945,570	(8,820)	8,936,750

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2022

THE FIGURES HAVE NOT BEEN AUDITED

V. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED Twelve months to 31/01/2022 RM'000	AUDITED Twelve months to 31/01/2021 RM'000
Cash flows from operating activities		
Loss before taxation	(8,797,402)	(31,725)
Adjustments	7,068,889	671,862
Operating (loss)/profit before working capital changes	(1,728,513)	640,137
Changes in working capital	2,322,568	(493,543)
Cash generated from operations	594,055	146,594
Net taxes (paid)/refunded	(101,380)	18,189
Net cash generated from operating activities	492,675	164,783
Cash flows from investing activities		
Purchase of property, plant and equipment	(154,447)	(164,151)
Proceeds from disposal of property, plant and equipment	13,350	2,006
Proceeds from disposal of associates	6,397	-
Repayment of advances from a joint venture	44,467	23,532
Dividend received from a joint venture	16,119	6,364
Net additional income from previous disposal of 50% equity stake in a subsidiary	-	50,055
Other items	5,930	11,839
Net cash used in investing activities	(68,184)	(70,355)
Cash flows from financing activities		
Finance costs paid	(425,316)	(422,414)
Net drawdown of revolving credit and trade financing	235,965	71,479
Net repayment of lease liabilities	(9,802)	(14,682)
Payment for settlement of derivative assets	-	(2,550)
Net cash used in financing activities	(199,153)	(368,167)
Net increase/(decrease) in cash and cash equivalents	225,338	(273,739)
Effect of exchange rate translation	3,447	(9,669)
Cash and cash equivalents at beginning of year	488,966	772,374
Cash and cash equivalents at end of year	717,751	488,966

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the year ended 31 January 2022 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"). These condensed consolidated interim financial statements also comply with International Accounting Standards ("IAS") 34: Interim Financial Reporting issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements for the financial year ended 31 January 2022 should be read in conjunction with the audited financial statements for the financial year ended 31 January 2021.

These unaudited preliminary condensed consolidated financial statements were prepared on a going concern basis on the premise of the Group's ability to implement the following plans:

- (a) securing interim working capital facilities and funding to finance its business plan in the next 12 months;
- (b) achieving positive progress in negotiating the proposed schemes of arrangement with its Creditors pursuant to Section 366 of the Companies Act 2016 to settle the Creditors' claims; and
- (c) improving project profitability through better project management and renegotiating certain contracts with counter-parties.

The accounting policies and methods of computation adopted by Sapura Energy Berhad ("the Company") and its subsidiaries ("the Group") in these condensed consolidated interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 January 2021 except for the following:

On 1 February 2021, the Group has adopted the following revised MFRSs and Amendments to MFRS that have been issued by the Malaysian Accounting Standards Board ("MASB").

Effective for annual periods beginning on or after 1 January 2021:

Interest Rate Benchmark Reform—Phase 2

Amendments to MFRS 4: Insurance Contracts

Amendments to MFRS 7: Financial Instruments - Disclosures

Amendments to MFRS 9: Financial Instruments

Amendments to MFRS 16: Leases

Amendments to MFRS 139: Financial Instruments: Recognition and Measurement

The adoption of the above standards and interpretations did not have a significant impact on the financial statements in the period of application.

2. Seasonality and cyclicity of operations

The Group's operations are not materially affected by any seasonal or cyclical factors except for severe weather conditions in the various regions that the Group operates.

3. Unusual items due to their nature, size and incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows for the current financial year, other than as disclosed in these condensed consolidated interim financial statements.

4. Changes in estimates

There were no changes in estimates that have a material effect in the current financial year, other than as disclosed in these condensed consolidated statement of profit or loss.

5. Debt and equity securities

There were no other issuance and repayment of debt securities, share buy-back, share cancellations, shares held under trust and resale of shares held under trust during the quarter ended 31 January 2022.

6. Subsequent events

On 10 March 2022, the Company announced that the High Court of Malaya at Kuala Lumpur has granted the Company and 22 of its wholly-owned Subsidiaries (collectively, the "Applicants") Orders under Sections 366 and 368 of the Companies Act 2016 (the "Act").

The Order under Section 366 of the Act will enable each Applicant to summon meetings with its creditors, to consider and approve a proposed scheme of arrangement and compromise as part of the debt restructuring plan of the Group.

The Applicants were also granted a Restraining Order pursuant to Section 368 of the Act to restrain and stay legal proceedings against them. The Restraining Order is intended to help each Applicant to engage with creditors without being disrupted by the threat of litigation. The Restraining Order is effective for a period of three months from the date it was granted and may be extended for a period of not more than nine months. The Group's Financers under the MCF 2021 (as defined in Note 12(b)(ii)), are excluded from this Restraining Order on the basis that separate contractual standstill arrangements have been entered into with a significant majority of the Financers under the MCF 2021.

The proposed schemes of arrangement, if approved by the creditors and sanctioned by the Court, will enable the Applicants to carry out their proposed debt restructuring and provide a framework for payment to their respective creditors.

Other than disclosed above and in Note 12(b)(ii) and 14(d), there is no material event subsequent to 31 January 2022 which has not been reflected in these condensed consolidated interim financial statements.

7. Changes in the composition of the Group

There was no significant change in the composition of the Group during the current financial year.

8. Contingent liabilities

- (a) The Group has provided corporate guarantees given to financial institutions for credit facilities and performance bonds granted to joint ventures and associates amounting to RM606.3 million (31 January 2021: RM722.2 million).
- (b) On 31 January 2019, an associate company of the Group, SapuraOMV Upstream Sdn. Bhd. ("SapuraOMV") entered into a USD350.0 million financing facility agreement with OMV Exploration & Production GmbH ("OMV E&P"). As security for this, Sapura Upstream Assets Sdn. Bhd. (a subsidiary of the Group) has pledged shares of SapuraOMV with a value of USD175.0 million in favour of OMV E&P.

8. Contingent liabilities (cont'd.)

- (c) On 1 October 2020 and 18 November 2020, the Inland Revenue Board of Malaysia ("IRB") has raised assessments to Sapura TMC Sdn. Bhd. ("Sapura TMC"), for the years of assessment 2014 to 2019 in respect of the tax incentive for Treasury Management Centre, deemed interest income on non-interest bearing intercompany balances and the tax treatment of interest income earned from year of assessment 2019 onwards. On 28 October 2020 and 3 December 2020, Sapura TMC has lodged the Notices of Appeal ("Forms Q") against the assessments raised for the years of assessments 2014 to 2019 outlining the relevant grounds of appeal. Based on valid justifications and merits to appeal against the assessments, Sapura TMC is currently in formal discussion with the Dispute Resolution Department to resolve the matter at the earliest.
- (d) On 17 November 2019, PETRONAS approved a 2-year extension to the Exploration Period for SB331 and SB332 Production Sharing Contracts to Sapura Energy Ventures Sdn. Bhd. ("SEV") subject to the fulfilment of certain minimum work commitments. On 29 December 2021, PETRONAS approved a further extension for 3 years allowing SEV to complete its commitments by 19 November 2024. SEV is currently reviewing the terms and conditions stipulated in the extension.
- (e) Other than as described above and Note 14(b) and (c), there were no other changes in contingent liabilities in the current financial year.

9. Capital commitments

Capital expenditure for property, plant and equipment approved and not provided for in these condensed consolidated interim financial statements as at 31 January 2022 is as follows:

Approved and contracted for:	31/01/2022
	RM'000
Group	<u>281,664</u>

10. Taxation

Taxation comprises of the following:

	Individual Quarter		Cumulative Quarter	
	Three months to 31/01/2022	Three months to 31/01/2021	Twelve months to 31/01/2022	Twelve months to 31/01/2021
	RM'000	RM'000	RM'000	RM'000
Current taxation:				
Malaysian taxation	1,205	31,850	25,049	45,621
Foreign taxation	24,293	21,641	72,188	48,785
Deferred taxation	(22,078)	(18,454)	5,248	34,121
	<u>3,420</u>	<u>35,037</u>	<u>102,485</u>	<u>128,527</u>

Domestic income tax is calculated at the Malaysian statutory corporate tax rate of 24% of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

11. Status of corporate proposals announced

There were no corporate proposals announced and not completed as at the date of this announcement.

12. Borrowings

(a) Included in the Group's borrowings are as follows:

	Short term borrowings		Long term borrowings		Total borrowings	
	USD	RM	USD	RM	USD	RM
	denomination	denomination	denomination	denomination	denomination	denomination
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at						
31 January 2022						
Unsecured						
Revolving credits	-	357,263	-	-	-	357,263
Trade financing	-	89,436	-	-	-	89,436
Term loans	2,164,428	832,607	-	-	2,164,428	832,607
Sukuk Programme	834,084	6,380,203	-	-	834,084	6,380,203
	<u>2,998,512</u>	<u>7,659,509</u>	<u>-</u>	<u>-</u>	<u>2,998,512</u>	<u>7,659,509</u>
Total		<u>10,658,021</u>		<u>-</u>		<u>10,658,021</u>
As at						
31 January 2021						
Unsecured						
Revolving credits	721,888	1,040,968	-	-	721,888	1,040,968
Trade financing	-	93,251	-	-	-	93,251
Term loans	86,780	-	2,666,435	-	2,753,215	-
Islamic Facility	635,063	522,580	-	-	635,063	522,580
Sukuk Programme	-	162,927	1,113,078	3,289,212	1,113,078	3,452,139
	<u>1,443,731</u>	<u>1,819,726</u>	<u>3,779,513</u>	<u>3,289,212</u>	<u>5,223,244</u>	<u>5,108,938</u>
Total		<u>3,263,457</u>		<u>7,068,725</u>		<u>10,332,182</u>

(b) Other information relating to borrowings:

- (i) On 26 February 2021, the Company through its wholly-owned subsidiary, Sapura TMC, had signed an agreement for its additional working capital facilities of up to RM700 million with Maybank Islamic Berhad ("Maybank Islamic Facility").

With the acceptance of the Maybank Islamic Facility, the total facilities available for working capital purposes is now approximately RM1.2 billion being the combined value with the existing Multi-Option line under Trade Financing of up to USD135 million secured from CIMB Bank Berhad in November 2019, through its wholly-owned subsidiary, Sapura Fabrication Sdn. Bhd..

12. Borrowings (cont'd.)

- (b) Other information relating to borrowings (cont'd.):
- (ii) On 29 March 2021, Sapura TMC had executed multi-currency financing facilities agreements (collectively, the “MCF 2021”) consisting of:
- (a) the Conventional Facilities Agreement 2021; and
- (b) the Sukuk Murabahah Issuance 2021 under the Multi-Currency Sukuk Programme (as described in the Company’s announcement dated 8 September 2015)

with a consortium of Malaysian banks for the Sukuk Murabahah Issuance 2021 and Malaysian, regional and international banks for the Conventional Facilities Agreement 2021.

The relevant participating banks have made available and Sapura TMC has drawn down the USD term loan facility of approximately USD602.1 million and the RM term loan facility of RM906.0 million under the Conventional Facilities Agreement 2021. In addition, Sapura TMC has also made further issuance of Sukuk Murabahah amounting to RM6,380.2 million and USD124.5 million in nominal value under the Multi-Currency Sukuk Programme.

The proceeds from the MCF 2021 have been utilised towards full settlement of all amounts payable and outstanding by Sapura TMC under a 2014 conventional facility, a 2015 Islamic facility, a 2017 conventional facility and the existing outstanding Sukuk Murabahah under the Multi-Currency Sukuk Programme.

The MCF 2021 has a tenure of 7 years and is guaranteed by the Company and material subsidiaries within the Group. The security package and restrictions for the MCF 2021, comprise, among others, a negative pledge over all assets of the Group (save for certain permitted security), debenture over Sapura TMC and assignments and charges over certain bank accounts.

As required under MFRS 101: Presentation of Financial Statements, in the event of a breach of loan covenant on or before the end of reporting date, an entity is required to classify a liability as current as it no longer has the unconditional right to defer its settlement for at least twelve months after that date.

As at 31 January 2022, the Group breached certain financial covenants pursuant to the MCF 2021. As a result the borrowings have been classified as current liabilities.

In March 2022, the Group requested the Financiers under the MCF 2021 to waive any event of default which may arise as a result of:

- (a) failure by the Group to comply with certain financial covenants under the MCF 2021;
- (b) Restraining Order in relation any member of the Group and the filing of any documents in connection with that Restraining Order; and
- (c) failure by the Group to pay certain amounts due and payable under the MCF 2021 during the 90-day period commencing from 7 March 2022.

A significant majority of the Financiers under the MCF 2021 have consented to these requests and agreed not to take any Enforcement Action (as defined in the MCF 2021) in relation to any default which may arise as a result of the foregoing events. Accordingly, no Enforcement Action (including any acceleration of the amounts due under the MCF 2021) may occur as a result of the occurrence of the foregoing events.

12. Borrowings (cont'd.)

(b) Other information relating to borrowings (cont'd.):

(iii) On 22 June 2021, the Company through its wholly-owned subsidiary, Sapura TMC had;

- (a) made a lodgement to the Securities Commission Malaysia ("SC") for the purpose of effecting the upsized and revised terms of the existing Multi-Currency Sukuk Programme, from up to RM7.0 billion in nominal value to up to RM10.0 billion in nominal value, established by Sapura TMC ("Sukuk Upsize") under the SC's new Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework; and
- (b) duly executed the transaction documents for the Multi-Currency Sukuk Programme to reflect the Sukuk Upsize.

Upon lodgement with SC on 22 June 2021, the Multi-Currency Sukuk Programme has been upsized to up to RM10.0 billion in nominal value (or the equivalent of USD, converted at a notional exchange rate of USD1.00=MYR4.15, and will continue to be guaranteed by the Company and the identified material subsidiaries within the Group. The existing security package for the Multi-Currency Sukuk Programme which comprise a debenture over Sapura TMC and assignments and charges over certain bank accounts, shall remain unchanged.

The Sukuk Upsize is part of the Group's long-term capital management programme whereby the upsizing the limit of the Multi-Currency Sukuk Programme to up to RM10.0 billion in nominal value would provide additional headroom for lenders to participate in the Multi-Currency Sukuk Programme as an alternative funding platform for the Group moving forward.

13. Derivative financial instruments

The Group has entered into Islamic Cross-Currency Swap ("ICRCS") contracts with various banks to hedge part of the Group's borrowings.

Details of the derivative outstanding at the reporting date are as follows:

	As at 31 January 2022		As at 31 January 2021	
	Notional Value RM'000	Liabilities Fair Value RM'000	Notional Value RM'000	Assets Fair Value RM'000
5 years Islamic Cross-Currency Swap	2,528,606	(24,644)	2,528,606	55,083

The cumulative amount in the cash flow hedge has been reclassified to profit or loss due to discontinuance of hedge accounting, upon completion of the refinancing on 31 March 2021. The ICRCS contracts remain in effect as at 31 January 2022.

On 7 March 2022, the 5 years ICRCS matured and in accordance to the ICRCS contracts, the 5 years ICRCS was settled. The financial impact of this settlement will be recognised in the financial year ending 31 January 2023.

14. Material litigation

(a) Sarku Engineering Services Sdn. Bhd.

On 20 February 2006, Sarku Engineering Services Sdn. Bhd. ("SESSB"), a wholly owned subsidiary of the Company entered into a contract with Oil and Natural Gas Corporation Limited ("ONGC") for the performance of works by SESSB to revamp 26 well platforms located in Mumbai High South field offshore site ("Contract").

On 21 September 2012, SESSB commenced arbitration proceedings by filing a statement of claim against ONGC in relation to disputes pursuant to the Contract for a sum of Indian Rupee ("INR") 1,063,759,201 and USD123,819,632 (including interest, costs, losses and damages).

On 17 December 2012, ONGC has filed their reply to the Statement of Claim. No counter claims have been filed by ONGC. Documents and witness statements have been filed.

Examination in chief took place in January 2014 whereby revised list of documents were exchanged and recorded.

The cross examination of ONGC's witness were on 22 to 24 December 2014 and 5 to 6 January 2015.

In January 2018 and February 2018 sittings, SESSB have concluded its arguments on each of the claims filed before the tribunal. On 5 February 2018, submissions were made by SESSB's external counsel and thereafter arguments were closed.

ONGC counsel commenced their arguments in defence on 6 February 2018 and continued on the 2 to 4 May 2018. They concluded their arguments in the said sittings and handed over written note of their arguments.

Proceedings continued on the 21, 22 and 23 November 2018 with submissions from SESSB's counsel. The tribunal heard ONGC's counsel present its submissions on 12 and 13 February 2019. Final written submission has been submitted to arbitrators on 15 April 2019. ONGC presented its submissions on 31 July 2019. SESSB was awarded the sum of USD3,009,789 by the arbitral tribunal, comprised of work done of USD1,983,521 (subject to 4.368% withholding tax to be deducted by ONGC) and interest of USD1,026,267 (subject to income tax of 43.68%). SESSB has instructed its solicitors to file an appeal against the award dated 30 November 2019.

SESSB has been advised by its solicitors, that SESSB has reasonably strong grounds to appeal against the arbitral tribunal's decision. The following are reasons provided by its solicitors as grounds of appeal against the arbitral tribunal's award.

- (i) The arbitral tribunal had failed to consider the record and detailed written and oral submissions on behalf of SESSB in arriving at its findings while rejecting most of SESSB's claims and that they had made an error in rejecting the claims; and
- (ii) There were instances of procedural irregularities in the arbitration in favour of ONGC which may lead to a successful challenge of the award in the courts.

ONGC has since filed an application to the tribunal disputing the computation of the award and seeking a correction of the amounts awarded in respect of the interest portion of the award.

14. Material litigation (cont'd.)

(a) Sarku Engineering Services Sdn. Bhd. (cont'd.)

The application of ONGC for correction of the errors in the award was allowed by the tribunal on 29 August 2020. The total amount payable by ONGC as per the Final Award is USD413,037 ("Final Award"). The tribunal initially awarded SESSB a sum of USD3,009,789 ("First Award"). The difference between the First Award and the Final award is in the sum of USD2,596,752. Parties will have 90 days from the date of the Final Award to file an appeal to the courts.

SESSB's solicitor has accordingly advised that the Tribunal's decision will not affect SESSB's position in respect of its challenge to the Final Award and as such, SESSB has instructed the counsel in charge for this matter to file an appeal against the Final Award dated 29 August 2020. The Appeal was duly filed on 8 December 2020. The matter is now pending admission stage where it is to be listed for hearing upon filing of the Petition.

For the sums awarded to SESSB under the Final Award which are not being appealed against, a Letter of Demand was issued to ONGC on 7 May 2021 to demand for the sum of INR19,693,815 and USD146,904.

In relation to SESSB's letter of demand dated 7 May 2021, ONGC responded on 12 May 2021, acknowledging SESSB's demand and requested for information on SESSB's Withholding Tax Order and GST registration details. A response has been issued by SESSB to ONGC on 16 November 2021 appending the documents requested by ONGC i.e. the Withholding Tax Order and Invoices for the sums demand. ONGC then responded on 16 December 2021 by requesting for further information relating to SESSB's GST Registration and SESSB's account to which SESSB has reverted with the requested information. ONGC's latest response on 17 January 2022 is also seeking for further information in relation to the tax component of the awarded sum under the Final Award. SESSB is liaising internally to address ONGC's latest request and prepare an appropriate response.

As of 17 March 2022, with regards to the appeal in the Mumbai High Court filed by SESSB on 8 December 2020 against the Final Award, the matter has yet to be listed for hearing.

(b) Sapura Fabrication Sdn. Bhd.

On 18 March 2011, Sapura Fabrication Sdn. Bhd. ("SFSB"), a wholly-owned subsidiary of the Company entered into a contract with Petrofac (Malaysia) Limited ("PML") to provide works for the engineering, procurement and construction of well head platforms for the Cendor Phase 2 Development Project and the Cendor field is located in Block PM 304 in the Malaysian sector of the South China Sea ("Contract").

On 26 March 2018, SFSB received a commencement request from PML to formally initiate a claim by way of arbitration proceedings at the Asian International Arbitration Centre for damages amounting to a sum of USD9,558,003 and RM16,785,227 vide its Re-amended Point of Claims in relation to disputes arising from the Contract. PML has alleged breach of riser height requirements and preservation obligations by SFSB. The claim by PML was made separately in two currencies as the claim is based on the rates and currencies prescribed in the Contract.

14. Material litigation (cont'd.)

(b) Sapura Fabrication Sdn. Bhd. (cont'd.)

On 26 April 2018, SFSB responded to PML's claim and made a counter claim for a total amount of RM13,521,495.

The arbitrators have been appointed and parties had attended the first arbitration meeting on 21 July 2018. PML has filed their Points of Claim on 21 September 2018 and SFSB has filed its Defence and Counterclaim on 3 December 2018. Subsequently, PML submitted their Points of Reply and Defence to Counterclaim on 4 February 2019. PML has requested to amend their Point of Claim and the same was filed on 8 March 2019. SFSB's rejoinder is due on 18 March 2019 and the same was filed on the said date. The deadline for parties to exchange bundle of documents was on 5 April 2019 and any request for discovery/disclosure has been filed on 9 May 2019. The documents ordered to be produced by SFSB was produced on 12 September 2019. On the other hand, the documents ordered to be produced by PML were partially tendered on 23 September 2019. Witness Statements have been filed on 15 November 2019 and the rebuttal witness statements are to be filed by 15 December 2019.

The hearing proceeded on 26, 27 and 28 April 2021 as scheduled with 2 of PML's witnesses giving their evidences. The hearing will continue on the following dates:

- (i) 26, 27, 28 & 31 April 2021;
- (ii) 3, 4, 5, 6, 7 & 10 May 2021;
- (iii) 20 September 2021 to 24 September 2021;
- (iv) 27 September 2021 to 1 October 2021; and
- (v) 4 October 2021 to 6 October 2021.

During the case management fixed on 6 April 2021, the tribunal has vacated May 2021 dates as two of the PML's witnesses are unable to attend the upcoming April 2021 and May 2021 tranche of hearing dates due to their work arrangement.

The hearing proceeded on the following dates as scheduled:

- (i) 20 September 2021 to 24 September 2021;
- (ii) 27 September 2021 to 1 October 2021;
- (iii) 4, 6, 7 and 8 October 2021; and
- (iv) 13 November 2021.

The hearing dates scheduled in January and February 2022 were vacated and the Tribunal has fixed the following dates for continued hearing:

- (i) 25 April 2022 to 29 April 2022;
- (ii) 17 May 2022 to 20 May 2022;
- (iii) 8 August 2022 to 12 August 2022; and
- (iv) 15 August 2022 to 19 August 2022.

Further hearing dates are scheduled as set out below:

- (i) 24 January 2022 to 28 January 2022;
- (ii) 7 February 2022 to 11 February 2022; and
- (iii) 17 May 2022 to 20 May 2022.

14. Material litigation (cont'd.)

(c) Sapura Energy do Brasil Ltda.

On 5 January 2020, Sapura Energy Berhad's subsidiary, Sapura Energy do Brasil Ltda. ("SE Brasil"), commenced arbitration proceedings against Centrais Elétricas de Sergipe S.A. ("CELSE") of Brazil. The arbitration is to resolve disputes arising out of an Engineering, Procurement, Construction and Installation Contract ("Contract") dated 20 November 2017.

SE Brasil had completed the works under the Contract in November 2019.

Due to unresolved disputes such as non-payment of milestone payments and non-payment of variation orders, SE Brasil commenced the arbitration proceedings against CELSE, which is conducted at the International Court of Arbitration in Sao Paulo, Brazil, under the International Chamber of Commerce (ICC) Arbitration Rules. The arbitration tribunal comprises of 3 arbitrators. Chairman for the arbitration proceeding has been appointed.

- (a) SE Brasil filed their Statement of Claims for the sum of USD84,606,035 on 29th March 2021.
- (b) Celse filed Respondent's Statement of Claims for the sum of USD89,799,186.10 on 29th March 2021.
- (c) SE Brasil filed Claimant's and Additional Party's Statement of Defense against Respondent's Statement of Claim on 28th May 2021.
- (d) Celse filed Respondent's Statement of Defense against Claimant's Statement of Claim on 28th May 2021.
- (e) SE Brasil filed Claimant's Reply on 28th June 2021.
- (f) Celse filed Respondent's Reply on 28th June 2021.
- (g) SE Brasil filed Claimant's and Additional Party's Rejoinder on 28th July 2021.
- (h) Celse filed Respondent's Rejoinder on 28th July 2021.

Issues to be determined by the Arbitral Tribunal, witness statements and request for additional evidence was submitted on 27th September 2021.

- (a) On 30 September 2021, Sapura requested for leave to file expert rebuttal.
- (b) On 10 November 2021, leave for Sapura to file expert rebuttal was granted.
- (c) Sapura filed rebuttal to Technomar report on 10 December 2021.

The arbitral tribunal is now fully constituted following the ICC's confirmation of CELSE's third nominee. Evidentiary hearing was conducted on 26 January 2022. Parties are now awaiting further instruction from the Arbitral Tribunal on the next steps of the proceedings and on the additional evidence requested by parties.

CELSE's counter claim against SE Brasil amounted to USD89,799,186 are in respect of delay penalties, damages and/or expenses due to failure to perform the contract, breach of warranty provision and claim for warranty extension items which CELSE had or will have to perform correction given SE Brasil's inaction.

14. Material litigation (cont'd.)

(d) Winding up petitions

The following are the list and status of the Winding Petitions served to the Group and its subsidiaries. On 10 March 2022, in view of the Restraining Order obtained by the Group, the case management and hearing of the Petitions will be vacated as the winding up proceedings will be stayed for three months.

No.	Case No.	Plaintiff/ Petitioner	Defendant/ Respondent	Amount Claim	Status
					i) Winding up petition date ii) Case management and hearing dates
1	(BA-28NCC-634-12/2021)	Sun Hardware Enterprise Sdn Bhd	Sapura Fabrication Sdn. Bhd.	RM70,597.63	i) 15 December 2021 ii) 17 January 2022 and 10 March 2022 - Notice of discontinuance has been filed on 4 March 2022 and the winding up petition has been withdrawn.
2	(BA-28NCC-638-12/2021)	Hycotech Sdn Bhd	Sapura Offshore Sdn. Bhd.	RM5,394,065.00	i) 17 December 2021 ii) 17 February 2022 and 9 March 2022 - Court has scheduled 22 April 2022 for the hearing of the Order 14A and Striking Out Application, and for the hearing of the Petition itself.
3	(WA-28NCC-920-12/2021)	Perdana Nautika Sdn Bhd	Sapura Offshore Sdn. Bhd.	RM6,743,512.88	i) 20 December 2021 ii) 22 February 2022 and 27 April 2022
4	(WA-28NCC-921-12/2021)	Perdana Nautika Sdn Bhd	Sapura Pinewell Sdn. Bhd.	RM3,631,110.78	i) 20 December 2021 ii) 23 February 2022 and 26 April 2022
5	(BA-28NCC-639-12/2021)	Hycotech Sdn Bhd	Sapura Pinewell Sdn. Bhd.	RM820,931.30	i) 20 December 2021 ii) 28 February 2022 and 9 March 2022 - Petitioner informed the Court during the hearing on 9 March 2022 the Petitioner wishes to withdraw the petition. - However, another creditor has appeared as a supporting creditor during the hearing on 9 March 2022, and the Court directed the creditor to file its formal application to be substituted as the petitioner within 14 days.
6	(BA-28NCC-27-01/2022)	Fast Global Link Services	Sapura Subsea Services Sdn. Bhd.	RM1,148,984.89	i) 13 January 2022 ii) 14 February 2022 and 12 April 2022
7	(BA-28NCC-31-01/2022)	Mectra Synergy (M) Sdn Bhd	Sapura Subsea Services Sdn. Bhd.	RM110,483.51	i) 17 January 2022 ii) 17 February 2022 and 20 April 2022
8	(BA-28NCC-68-01/2022)	Equatorial Marine Fuel Management	Sapura Offshore Sdn. Bhd.	USD226,760.41 and SGD15,664.80	i) 25 January 2022 ii) 28 February 2022 and 25 April 2022

14. Material litigation (cont'd.)

(d) Winding up petitions (cont'd.)

No.	Case No.	Plaintiff/ Petitioner	Defendant/ Respondent	Amount Claim	Status
					i) Winding up petition date ii) Case management and hearing dates
9	(BA-28NCC-72-01/2022)	DTEC Engineering and Construction Sdn Bhd	Sapura Project Services Sdn. Bhd.	RM15,000,000.00	i) 27 January 2022 ii) 28 February 2022 and 25 April 2022
10	(BA-28NCC-83-02/2022)	Dura International Sdn Bhd	Sapura Fabrication Sdn. Bhd.	RM6,964,486.20	i) 7 February 2022 ii) 10 March 2022 and 18 May 2022
11	(BA-28NCC-87-02/2022)	Astro Offshore Pte Ltd	Sapura Fabrication Sdn. Bhd.	USD191,306.36 and USD16,772.06	i) 7 February 2022 ii) 14 March 2022 and 19 May 2022
12	(BA-28NCC-92-02/2022)	Public Crane Heavy Equipment Sdn Bhd	Sapura Fabrication Sdn. Bhd.	RM6,268,484.72	i) 9 February 2022. ii) 14 March 2022 and 19 May 2022
13	(WA-28NCC-111-02/2022)	MMA Offshore Malaysia Sdn Bhd	Sapura Pinewell Sdn. Bhd.	RM2,194,930.39	i) 14 February 2022 ii) 15 March 2022 and 8 June 2022
14	(BA-28NCC-119-02/2022)	Icon Offshore Group Sdn Bhd	Sapura Offshore Sdn. Bhd.	RM4,020,085.47	i) 25 February 2022 ii) 17 March 2022 and 24 May 2022

15. Review of Group Performance

15.1 Current quarter vs. corresponding quarter of the preceding year

	Individual Quarter Three months to		Changes %
	31/01/2022 RM'000	31/01/2021 RM'000	
Revenue	453,142	1,443,544	(68.6)
Operating (loss)/profit	(971,072)	87,246	(>100.0)
Loss before taxation and impairment	(1,220,472)	(180,276)	(>100.0)
Loss before taxation	(6,614,193)	(180,276)	(>100.0)
Loss after taxation	(6,617,613)	(215,313)	(>100.0)
Loss attributable to owners of the Parent	(6,612,586)	(216,026)	(>100.0)

The Group's revenue of RM453.1 million was RM990.4 million lower than RM1,443.5 million in the corresponding quarter of the preceding year ("Q4 FY2021"), primarily due to lower percentage of completion recognised in the current quarter resulting from recognition of foreseeable losses and higher project costs in the Engineering and Construction ("E&C") business segment.

The Group recorded a loss before taxation of RM6,614.2 million in the current quarter, compared to a loss before taxation of RM180.3 million in Q4 FY2021.

In the current quarter, the Group has made provision for impairment on goodwill on consolidation of RM3,289.9 million (Q4 FY2021: Nil) and provision for impairment on property, plant and equipment of RM2,103.8 million (Q4 FY2021: Nil).

The Group recorded a loss before taxation and impairment of RM1,220.5 million, which was higher by RM1,040.2 million compared to a loss before taxation and impairment of RM180.3 million in Q4 FY2021, mainly due to provision for foreseeable losses and higher project costs recognised during the quarter.

15.2 Current year vs. corresponding preceding year

	Cumulative Quarter Twelve months to		Changes %
	31/01/2022 RM'000	31/01/2021 RM'000	
Revenue	4,126,771	5,347,822	(22.8)
Operating (loss)/profit	(2,216,771)	818,337	(>100.0)
Loss before taxation and impairment	(3,191,681)	(31,725)	(>100.0)
Loss before taxation	(8,797,402)	(31,725)	(>100.0)
Loss after taxation	(8,899,887)	(160,252)	(>100.0)
Loss attributable to owners of the Parent	(8,895,893)	(160,870)	(>100.0)

The Group's revenue of RM4,126.8 million was 22.8% lower than the corresponding year of RM5,347.8 million, primarily due to the lower percentage of completion recognised in the current year resulting from recognition of foreseeable losses and higher project costs in the E&C business segment.

15. Review of Group Performance (cont'd.)

15.2 Current year vs. corresponding preceding year (cont'd.)

In the current year, the Group recorded a loss before taxation of RM8,797.4 million, compared to a loss before taxation of RM31.7 million in the corresponding year.

In the current year, the Group has made provision for impairment on goodwill on consolidation of RM3,289.9 million (FY2021: Nil) and provision for impairment on property, plant and equipment of RM2,315.8 million (FY2021: Nil).

In the current year, the Group recorded a loss before taxation and impairment of RM3,191.7 million which was lower by RM3,160.0 million compared to a loss before taxation and impairment of RM31.7 million in the corresponding year primarily due to provision for foreseeable losses, higher project costs and lower share of profit from associates and joint ventures.

15.3 Current quarter vs. immediate preceding quarter

	Individual Quarter		Changes %
	31/01/2022 RM'000	31/10/2021 RM'000	
Revenue	453,142	1,455,920	(68.9)
Operating loss	(971,072)	(215,137)	(>100.0)
Loss before taxation and impairment	(1,220,472)	(649,169)	(88.0)
Loss before taxation	(6,614,193)	(649,169)	(>100.0)
Loss after taxation	(6,617,613)	(668,104)	(>100.0)
Loss attributable to owners of the Parent	<u>(6,612,586)</u>	<u>(669,342)</u>	<u>(>100.0)</u>

The Group's revenue of RM453.1 million was 68.9% lower than the immediate preceding quarter ("Q3 FY2022") of RM1,455.9 million, primarily due to the lower percentage of completion recognised in the current quarter resulting from recognition of foreseeable losses and higher project costs in E&C business segment.

In the current quarter, the Group recorded a loss before taxation of RM6,614.2 million which was RM5,965.0 million higher than a loss before taxation of RM649.2 million in Q3 FY2022.

The Group has made provision for impairment on goodwill on consolidation of RM3,289.9 million (Q3 FY2022: Nil) and provision for impairment on property, plant and equipment of RM2,103.8 million (Q3 FY2022: RM212.0 million) in the current quarter.

In the current quarter, the Group recorded a loss before taxation and impairment of RM1,220.5 million which was lower by RM571.3 million compared to a loss before taxation and impairment of RM649.2 million in Q3 FY2022 primarily due to provision for foreseeable losses, higher project costs and lower share of profit from associates and joint ventures.

16. Segment information

The Group previously organised its business activities into four major segments as follows:

- (i) Engineering and Construction ("E&C")
- (ii) Drilling;
- (iii) Exploration and Production ("E&P"); and
- (iv) Corporate

Effective from Financial Year 2022, the Group organised its businesses as follows:

- (i) Engineering and Construction ("E&C")
- (ii) Operations and Maintenance ("O&M")
- (iii) Drilling;
- (iv) Exploration and Production ("E&P"); and
- (v) Corporate

Following change in composition of operating segments, corresponding reclassifications have been made to the prior year's results for fair comparison of operational performance.

	Three months to 31/01/2022	
	Revenue RM'000	Loss before tax RM'000
E&C	142,395	(2,592,352)
O&M	98,244	(76,660)
Drilling	263,669	(3,788,055)
E&P	-	(19,866)
	<u>504,308</u>	<u>(6,476,933)</u>
Corporate expenses and eliminations	(51,166)	(137,260)
Group revenue / loss before taxation	<u>453,142</u>	<u>(6,614,193)</u>

16.1 Current quarter vs. corresponding quarter of the preceding year

	Revenue			(Loss)/profit before taxation		
	Three months to		Changes %	Three months to		Changes %
	31/01/2022	31/01/2021		31/01/2022	31/01/2021	
	RM'000	RM'000		RM'000	RM'000	
Business Segments:						
E&C	142,395	1,163,264	(87.8)	(2,592,352)	29,342	(>100.0)
O&M	98,244	184,930	(46.9)	(76,660)	(39,335)	(94.9)
Drilling	263,669	166,973	57.9	(3,788,055)	(61,130)	(>100.0)
E&P	-	-	-	(19,866)	(12,460)	(59.4)
	<u>504,308</u>	<u>1,515,167</u>		<u>(6,476,933)</u>	<u>(83,583)</u>	
Corporate expenses and eliminations	(51,166)	(71,623)	28.6	(137,260)	(96,693)	(42.0)
Group revenue/ loss before taxation	<u>453,142</u>	<u>1,443,544</u>	(68.6)	<u>(6,614,193)</u>	<u>(180,276)</u>	(>100.0)

16. Segment information (cont'd.)

16.1 Current quarter vs. corresponding quarter of the preceding year (cont'd.)

Business Segments:

Engineering and Construction

The segment recorded revenue of RM142.4 million, which was 87.8% lower than the revenue of RM1,163.3 million in Q4 FY2021, primarily due to the lower percentage of completion recognised in the current quarter resulting from recognition of foreseeable losses and higher project costs.

The segment recorded a loss before taxation of RM2,592.4 million which was lower by RM2,621.7 million compared to a profit before tax of RM29.3 million in Q4 FY2021.

The segment has made provision for impairment on goodwill on consolidation of RM1,621.5 million (Q4 FY2021: Nil) and provision for impairment on property, plant and equipment of RM72.5 million (Q4 FY2021: Nil) in the current quarter.

In the current quarter, the segment recorded a loss before taxation and impairment of RM898.4 million, which was lower by RM927.7 million compared to a profit before taxation and impairment of RM29.3 million in Q4 FY2021, mainly contributed by provision for foreseeable losses and higher project costs.

Operations and Maintenance

The segment recorded revenue of RM98.2 million, which was 46.9% lower than the revenue of RM184.9 million in Q4 FY2021, primarily due to lower percentage of completion resulting from higher project costs in the current quarter.

The segment recorded a loss before taxation of RM76.7 million which was higher by RM37.3 million compared to a loss before taxation of RM39.3 million in Q4 FY2021.

The segment has made provision for impairment on property, plant and equipment of RM1.0 million (Q4 FY2021: Nil) in the current quarter.

In the current quarter, the segment recorded a loss before taxation and impairment of RM75.7 million, which was higher by RM36.4 million compared to a loss before taxation and impairment of RM39.3 million in Q4 FY2021, mainly contributed by higher project costs.

16. Segment information (cont'd.)

16.1 Current quarter vs. corresponding quarter of the preceding year (cont'd.)

Business Segments (cont'd.):

Drilling

The segment's revenue for the current quarter of RM263.7 million was higher by RM96.7 million compared to the revenue of RM167.0 million in Q4 FY2021 mainly due to an increase in rig activities, commencement of integrated drilling services.

The segment recorded a loss before taxation of RM3,788.1 million, which was lower by RM3,727.0 million compared to RM61.1 million loss in Q4 FY2021.

In the current quarter, the segment has made provision for impairment on goodwill on consolidation of RM1,668.4 million (Q4 FY2021: Nil) and provision for impairment on property, plant and equipment of RM2,030.4 million (Q4 FY2021: Nil).

The segment recorded a loss before taxation and impairment of RM89.2 million, which was higher by RM28.1 million compared to RM61.1 million loss in Q4 FY2021 mainly due to additional cost recognised in current quarter.

Exploration and Production

The segment recorded a loss before taxation of RM19.9 million, which was higher by 59.4% compared to a loss before taxation of RM12.4 million in Q4 FY2021 mainly due to higher share of loss, net of tax, contributed by certain wells been written off and impaired, offset with higher gas production during the current quarter.

16.2 Current year vs. corresponding preceding year

	Revenue		Changes %	(Loss)/profit before taxation		
	Twelve months to			Twelve months to		
	31/01/2022	31/01/2021		31/01/2022	31/01/2021	Changes
	RM'000	RM'000		RM'000	RM'000	%
Business Segments:						
E&C	2,844,946	3,940,041	(27.8)	(4,188,316)	396,659	(>100.0)
O&M	406,105	806,456	(49.6)	(261,646)	91,239	(>100.0)
Drilling	1,033,374	728,443	41.9	(3,793,887)	(181,345)	(>100.0)
E&P	-	-	-	(38,970)	(39,408)	1.1
	<u>4,284,425</u>	<u>5,474,940</u>		<u>(8,282,819)</u>	<u>267,145</u>	
Corporate expenses and eliminations	<u>(157,654)</u>	<u>(127,118)</u>	(24.0)	<u>(514,583)</u>	<u>(298,870)</u>	(72.2)
Group revenue/ loss before taxation	<u>4,126,771</u>	<u>5,347,822</u>	(22.8)	<u>(8,797,402)</u>	<u>(31,725)</u>	(>100.0)

16. Segment information (cont'd.)

16.2 Current year vs. corresponding preceding year (cont'd.)

Business Segments:

Engineering and Construction

The segment recorded revenue of RM2,844.9 million, which was 27.8% lower than the revenue of RM3,940.0 million in the corresponding year, primarily due to the lower percentage of completion recognised in the current year resulting from recognition of foreseeable losses and higher project costs.

The segment recorded a loss before taxation of RM4,188.3 million which was lower by RM4,585.0 million compared to a profit before tax of RM396.7 million in the corresponding year.

The segment has made provision for impairment on goodwill on consolidation of RM1,621.5 million (FY2021: Nil) and provision for impairment on property, plant and equipment of RM284.5 million (FY2021: Nil) in the current year.

In the current year, the segment recorded a loss before taxation and impairment of RM2,282.4 million, which was lower by RM2,679.1 million compared to a profit before taxation and impairment of RM396.7 million in FY2021, mainly due to provision for foreseeable losses and higher project costs.

Operations and Maintenance

The segment recorded revenue of RM406.1 million, which was 49.6% lower than the revenue of RM806.5 million in corresponding year, mainly due lower percentage of completion resulting from higher project costs in the current year.

The segment recorded a loss before taxation of RM261.6 million which was lower by RM352.8 million compared to a profit before taxation of RM91.2 million in FY2021.

The segment has made provision for impairment on property, plant and equipment of RM1.0 million (FY2021: Nil) in the current year.

The segment recorded a loss before taxation and impairment of RM260.7 million compared to a profit before taxation and impairment of RM91.2 million in corresponding year mainly due to higher project costs in the current year.

16. Segment information (cont'd.)

16.2 Current year vs. corresponding preceding year (cont'd.)

Business Segments (cont'd.):

Drilling

The segment's revenue for the current year of RM1,033.4 million was higher by 41.9% compared to the revenue of RM728.4 million in corresponding year mainly due to increase in rig activities, commencement of integrated drilling services and higher effective day rates achieved in the current year.

The segment recorded a loss before taxation of RM3,793.9 million, which was lower by RM3,612.6 million compared to RM181.3 million loss in FY2021.

In the current year, the segment has made provision for impairment on goodwill on consolidation of RM1,668.4 million (Q4 FY2021: Nil) and provision for impairment on property, plant and equipment of RM2,030.4 million (Q4 FY2021: Nil).

The segment recorded a loss before taxation and impairment of RM95.1 million, which was lower by RM86.2 million compared to RM181.3 million loss in FY2021 mainly due to due to improved margins from operating rigs and lower interest expense during the year.

Exploration and Production

The segment recorded a loss before taxation of RM39.0 million, which was lower by 1.1% compared to a loss before taxation of RM39.4 million in corresponding year mainly due to lower share of loss, net of tax, contributed by higher gas production following SK408 GoLaBa being fully on stream in 2021 with the effect of the higher average realised oil price achieved offset by a certain wells been written off and impaired during the current year.

17. Additional disclosure information

17.1 Foreign exchange exposure and hedging policy

Foreign currency (a currency which is other than the functional currency of the Group entities) risk is the risk that the fair value or future cash flows of the Group's financial instrument will fluctuate because of the changes in foreign exchange rates.

The Group has transactional currency exposures arising mainly from revenue or costs and advances that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily RM and US Dollar ("USD"). The foreign currencies in which these transactions are denominated are mainly USD and RM.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the assets or investment is located or by borrowing in the currencies that match the future revenue stream to be generated from its investments. Where possible, the strategy is to match the payments for foreign currency payables against receivables denominated in the same foreign currency.

The Group has entered into ICRCs contracts with various banks to hedge part of the Group's borrowings. Further details on derivative financial instruments are disclosed in Note 13.

17. Additional disclosure information (cont'd.)

17.2 Trade and other receivables and contract assets

	As at 31/01/2022	As at 31/01/2021
	RM'000	RM'000
Non-current		
Trade receivables	13,790	24,844
Other receivables	22,928	19,282
Total non-current trade and other receivables	<u>36,718</u>	<u>44,126</u>
Current		
Trade receivables	610,111	716,207
Less: Provision for expected credit loss	(65,140)	(39,175)
	<u>544,971</u>	<u>677,032</u>
Other receivables	819,217	795,986
Less: Provision for expected credit loss	(38,690)	(38,690)
	<u>780,527</u>	<u>757,296</u>
Total current trade and other receivables	<u>1,325,498</u>	<u>1,434,328</u>
Contract assets	796,825	1,752,716
Less: Provision for expected credit loss	(49,819)	-
	<u>747,006</u>	<u>1,752,716</u>
Total trade and other receivables and contract assets	<u>2,109,222</u>	<u>3,231,170</u>

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 90 days (as at 31 January 2021: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. Overdue balances are reviewed regularly by the management. Trade receivables are recognised at original invoice amounts which represent their fair values on initial recognition.

18. (a) Commentary on prospects

FY22 has been a challenging year for the Group. The unprecedented liquidity crunch confronting the Group was a consequence of challenging project performance and unsustainable debt servicing cost. While the market recovery in the latter part of the year has brought improved performance from our Drilling segment, our Engineering & Construction (“E&C”) and Operation & Maintenance (“O&M”) businesses continued to face execution challenges mainly due to disruption from COVID-19 and lack of access to adequate working capital facilities. Our situation was further compounded by some operational underperformance in certain projects.

As part of Reset, as previously announced, the Group reviewed its business direction and examined the performance of all existing contracts, which has led to the Group recognising a hefty financial loss, including significant impairment charges, in Q4 FY22. The Group has commenced negotiation with our clients on some of our underperforming contracts to seek amicable solutions in order to recover or limit the losses. The results of these efforts will be made known in future quarterly announcement.

A key step in our Reset program is the successful application for a proposed scheme of arrangement and a restraining order from the High Court on 10 March 2022. This will allow the Group to address the unsustainable debt and the amounts owed to trade creditors. The Group is also seeking new sources of funding to finance our business plan as we restructure our business and streamline our operations.

Businesses and assets that are not core to our future business direction will be divested to reduce our debt. We will be selective in our bids to focus in our preferred regions, namely Asia Pacific and the Atlantic, and shifting the balance of our projects portfolio towards transportation and installation. We are improving our project execution with greater discipline, underpinned by stronger contract and cost management to protect profitability. Our enhanced Enterprise Risk Management Framework, with appropriate risk appetites across our value chain, will be a key enabler to sustained performance.

We expect Drilling segment to perform well under the current market conditions with average of 9 rigs expected to be in operation. This business will continue to generate improved and stable operational cash flows in FY23.

The Group continues to work together with our business partners to execute projects on our order book, currently stood at RM6.6 billion.

With the support from our stakeholders, the Board aims to overcome the financial and operational challenges in FY23. Sapura Energy is determined to continue playing a contributory role in the energy sector amidst the current global uncertainties, by bringing its people and assets to unlock values together with, and for, our business partners.

(b) Revenue or profit estimate, forecast, projection or internal targets

The Company has not provided any revenue or profit estimate, forecast, projection or internal targets in any previous announcement or public document.

19. Dividend

The Board of Directors does not recommend any payment of dividend for the current quarter under review.

20. Loss per share

	Individual Quarter		Cumulative Quarter	
	Three months to		Twelve months to	
Basic/Diluted	31/01/2022	31/01/2021	31/01/2022	31/01/2021
Loss attributable to owners of the Parent (RM'000)	(6,612,586)	(216,026)	(8,895,893)	(160,870)
Weighted average number of ordinary shares in issue excluding shares held under trust ('000):				
- Basic/Diluted *	15,971,804	15,971,804	15,971,804	15,971,804
Loss per shares (sen)				
- Basic/Diluted *	(41.40)	(1.35)	(55.70)	(1.01)

* Rights issue of RCPS-i and warrants of 2,396,862,035 units and 998,692,020 units respectively, as well as 691,938,153 and 586,388,264 options under the ESOS granted have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

By Order of the Board

Nik Azli Abu Zahar
Group General Counsel

Seri Kembangan, Selangor Darul Ehsan
18 March 2022