GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

FOURTH QUARTERLY REPORT
FINANCIAL YEAR 2020

HIGHLIGHTS

- **Group chalks up net profit of RM2.35 million for the year amidst challenging times**
- **First full year profit since FY2012**
- **Net cash inflow of RM10.91 million backed by net cash operating inflow of RM26.99 million**
- **Cash/fixed deposit position of RM56 million and gearing of 0.09 times**
- **Net assets increased to RM238.57 million**

Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2020

	Current quarter 30.6.2020 RM'000	Preceding year corresponding quarter 30.6.2019 RM'000	Current year 30.6.2020 RM'000	Preceding year 30.6.2019 RM'000
Revenue	19,977	48,525	164,447	217,298
Cost of sales	(15,841)	(40,629)	(129,454)	(172,819)
Gross profit	4,136	7,896	34,993	44,479
Other operating expenses	(12,908)	(56,757)	(37,651)	(86,457)
Other operating income	6,874	710	6,415	1,559
Results from operating activities	(1,898)	(48,151)	3,757	(40,419)
Finance income	276	254	1,371	963
Finance costs	(293)	(468)	(1,300)	(1,546)
(Loss)/Profit before tax	(1,915)	(48,365)	3,828	(41,002)
Tax expense	(2,569)	(820)	(4,933)	(2,900)
Loss for the period	(4,484)	(49,185)	(1,105)	(43,902)
Other comprehensive income, net of tax	3,233	2,639	3,422	4,781
Total comprehensive (expense)/income for the period	(1,251)	(46,546)	2,317	(39,121)
(Loss)/Profit attributable to:				
Owners of the Company	(1,355)	(26,178)	2,348	(19,365)
Non-controlling interests	(3,129)	(23,007)	(3,453)	(24,537)
Loss for the period	(4,484)	(49,185)	(1,105)	(43,902)
Total comprehensive income/(expense) attributable to:				
Owners of the Company	2,915	(24,298)	5,252	(15,981)
Non-controlling interests	(4,166)	(22,248)	(2,935)	(23,140)
Total comprehensive (expense)/income for the period	(1,251)	(46,546)	2,317	(39,121)
Basic (loss)/earnings per ordinary share (sen)	(0.504)	(9.728)	0.873	(7.197)
Diluted earnings per ordinary share (sen)	N/A	N/A	N/A	N/A

(The condensed unaudited consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the Annual Report for the year ended 30 June 2019)

Condensed unaudited consolidated statement of financial position as at 30 June 2020

	As at 30.6.2020 RM'000	Audited 30.6.2019 RM'000
Non-current assets		
Property, plant and equipment	108,792	110,324
Exploration and evaluation assets	103,598	99,339
Other investment	53	-
Investment property	13,605	-
Intangible assets	27,445	27,706
Deferred tax assets	165	769
Total non-current assets	253,658	238,138
Current assets		
Biological assets	241	172
Receivables, deposits and prepayments	20,439	38,213
Inventories	24,034	28,368
Contract assets	5,374	7,631
Other investments	164	185
Current tax assets	1,834	1,373
Fixed deposits with maturity more than 3 months but less than 12 months	3,000	6,000
Cash and cash equivalents	53,004	40,750
Total current assets	108,090	122,692
TOTAL ASSETS	361,748	360,830
Equity attributable to owners of the Company		
Share capital	643,647	643,647
Business combination deficit	(157,064)	(157,064)
Reserves	(248,013)	(253,266)
	238,570	233,317
Non-controlling interests	36,759	39,694
Total equity	275,329	273,011
Long term and deferred liabilities		
Borrowings	4,923	6,562
Deferred income	1,329	-
Deferred tax liabilities	6,765	5,206
Total long term and deferred liabilities	13,017	11,768
Current liabilities		
Payables and accruals	30,554	35,080
Tax liabilities	323	361
Deferred income	160	-
Provisions	26,398	25,660
Borrowings	15,967	14,950
Total current liabilities	73,402	76,051
Total liabilities	86,419	87,819
TOTAL EQUITY AND LIABILITIES	361,748	360,830
Net assets per share attributable to owners of the Company (RM)	0.887	0.867

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Report for the year ended 30 June 2019)

Condensed unaudited consolidated statement of changes in equity for the financial year ended 30 June 2020

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Foreign currency translation reserve	Fair value adjustment reserve	Business combination deficit	Accumulated losses	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2019	643,647	-	-	(553)	(44,479)	(157,064)	(208,233)	233,318	39,694	273,012
Total comprehensive income/(expense) for the year	-	-	-	2,904	-	-	2,348	5,252	(2,935)	2,317
At 30 June 2020	643,647	-	-	2,351	(44,479)	(157,064)	(205,885)	238,570	36,759	275,329

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Foreign currency translation reserve	Fair value adjustment reserve	Business combination deficit	Accumulated losses	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2018										
- As previously stated	538,174	105,473	6,041	(3,938)	(44,479)	(157,064)	(197,827)	246,380	62,834	309,214
- Effects of adoption of MFRS 15	-	-	-	-	-	-	2,918	2,918	-	2,918
- As restated	538,174	105,473	6,041	(3,938)	(44,479)	(157,064)	(194,909)	249,298	62,834	312,132
Transfer in accordance with Section 618 (2) of the Companies Act 2016	105,473	(105,473)	(6,041)	-	-	-	6,041	-	-	-
Total comprehensive income/(expense) for the year	-	-	-	3,385	-	-	(19,365)	(15,980)	(23,140)	(39,120)
At 30 June 2019	643,647	-	-	(553)	(44,479)	(157,064)	(208,233)	233,317	39,694	273,011

(The condensed unaudited consolidated statement of changes in equity should be read in conjunction with the Annual Report for the year ended 30 June 2019)

Condensed unaudited consolidated statement of cash flows for the financial year ended 30 June 2020

	Current year 30.6.2020 RM'000	Preceding year 30.6.2019 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	3,828	(41,002)
Adjustments for:		
Allowance for inventories obsolescence no longer required	(107)	-
Amortisation of customer relationships	395	395
Amortisation of development costs	3	28
Amortisation of government grant	(106)	-
Changes in fair value of other investments	32	45
Depreciation	11,607	9,963
Dividend income	(2)	-
Fair value (gain)/loss on biological assets	(69)	107
Fair value gain on investment property	(3,194)	-
Finance costs	1,300	1,546
Finance income	(1,371)	(963)
Gain on disposal of property, plant and equipment	(188)	(147)
Goodwill written off	-	252
Loss on disposal of other investment	-	20
Impairment loss on exploration assets	-	20,778
Impairment loss on receivables, deposits, and prepayments	3,286	1,000
Inventories written-down to net realisable value	-	749
Inventories written off	-	712
Property, plant and equipment written off	3	2
Provision for production sharing contract penalties	-	25,413
Provision for warranties (net)	(479)	(638)
Reversal of inventories written down	-	(1,555)
Unrealised foreign exchange loss/(gain)	14	(12)
Operating profit before working capital changes	14,952	16,693
Changes in working capital:		
Inventories	4,643	(2,566)
Contract assets	2,257	2,506
Receivables, deposits and prepayments	14,530	(3,170)
Payables and accruals	(6,019)	5,440
Cash generated from operations	30,363	18,903
Warranties paid	(126)	(475)
Taxation paid (net)	(3,251)	(2,371)
Net cash generated from operating activities	26,986	16,057

Condensed unaudited consolidated statement of cash flows for the financial year ended 30 June 2020 (continued)

	Current year 30.6.2020 RM'000	Preceding year 30.6.2019 RM'000
Cash flows from investing activities		
Development costs paid	(135)	-
Dividend received	2	-
Exploration and evaluation expenditure incurred	(794)	(10,304)
Interest received	1,371	963
Decrease/(Increase) in tenure of fixed deposits	3,000	(6,000)
Proceeds from disposal of other investment	-	3,500
Proceeds from disposal of property, plant and equipment	341	180
Purchase of property, plant and equipment	(5,204)	(16,741)
Purchase of investment property	(10,411)	-
Net cash used in investing activities	(11,830)	(28,402)
Cash flows from financing activities		
Receipt of government grant	1,595	-
Interest paid	(1,300)	(1,546)
Repayment of bank borrowings – net	(4,538)	(3,158)
Net cash used in financing activities	(4,243)	(4,704)
Net increase/(decrease) in cash and cash equivalents	10,913	(17,049)
Effect of foreign exchange fluctuation on cash and cash equivalents	2,159	1,364
Cash and cash equivalents at beginning of year	39,704	55,389
Cash and cash equivalents at end of year	52,776	39,704

	Current year 30.6.2020 RM'000	Preceding year 30.6.2019 RM'000
Cash and bank balances	26,365	18,092
Short term placement	9,739	12,921
Deposits with licensed banks	16,900	9,737
	53,004	40,750
Less:		
Bank overdraft	(228)	(1,046)
	52,776	39,704

(The condensed unaudited consolidated statement of cash flows should be read in conjunction with the Annual Report for the year ended 30 June 2019)

NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

This interim financial report of Globaltec Formation Berhad ("GFB" or the "Company") and its subsidiaries ("Group") is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134, *Interim Financial Reporting* and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("Listing Requirements").

A2. Significant Accounting Policies

Save as disclosed below, the significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 30 June 2019.

The Group had during the financial year inter-alia adopted MFRS 16, *Leases* (which was effective for annual periods beginning on or after 1 January 2019). The Group had applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to accumulated losses at 1 July 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented as previously reported under MFRS 117, *Leases* and related interpretations.

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short term leases and leases of low-value items. Lessor accounting remains similar to the previous accounting standard which continues to be classified as finance or operating lease.

At 1 July 2019, the Group has recognised lease liabilities of RM4.3 million with a corresponding right-of-use assets of equivalent amount. There is no impact to the Group's existing finance leases.

The Group has not adopted the following standards that have been issued by the Malaysian Accounting Standards Board but are not yet effective for the Group.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures –Interest Rate Benchmark Reform*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 July 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

- from the annual period beginning on 1 July 2022 for the amendment that is effective for annual periods beginning on or after 1 January 2022.

The Group does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2023 as it is not applicable to the Group.

The initial application of the abovementioned accounting standards and amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Group.

A3. Qualified audit report

The preceding annual audited financial statements of the Group were reported on without any qualification.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial year.

A5. Seasonal and cyclical factors

There were no material seasonal or cyclical factors affecting the income and performance of the Group.

A6. Changes in estimates

There were no changes in the estimates of amounts which give a material effect for the financial year ended 30 June 2020.

A7. Dividends

The Board does not recommend any dividend for the financial year ended 30 June 2020

A8. Material events subsequent to the year end

Save as disclosed in Note B5, there were no material events subsequent to the financial year end.

A9. Changes in composition of the Group

There were no changes in the Group structure for the financial year and up to the date of this report.

A10. Capital commitments

Contracted but not provided for capital commitments as at 30 June 2020 were as follows:

	RM'000
In respect of:	
- Property, plant and equipment	18

A11. Contingent liabilities/assets

As at 30 June 2020, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM35.4 million for credit facilities granted to subsidiaries. Out of the total banking facilities secured by corporate guarantees by the Company, a total of RM15.9 million was outstanding at the year end.

A12. Debt and equity securities

There were no issuances, cancellations, share splits, repurchases and repayments of the Company's debt or equity securities for the financial year ended 30 June 2020.

A13. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial year ended 30 June 2020 is as follows:

	Integrated manufacturing services RM'000	Energy RM'000	Resources RM'000	Investment holding RM'000	Consolidation adjustments RM'000	Consolidated RM'000
Segment revenue						
Revenue from external customers	159,096	-	5,351	-	-	164,447
Inter-segment revenue	-	-	-	1,589	(1,589)	-
Total revenue	159,096	-	5,351	1,589		164,447
Segment profit/(loss)	10,743	(7,400)	(1,482)	1,443	524	3,828
Segment assets	163,397	108,272	48,140	102,546	(87,919)	334,436
Customer relationships						5,131
Goodwill on consolidation						22,181
Consolidated total assets						361,748

OTHER NOTES PURSUANT TO BURSA MALAYSIA'S MAIN MARKET LISTING REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A

B1. Review of performance

The Integrated Manufacturing Services ("IMS") segment comprises the following divisions:

i) precision machining, stamping and tooling ("PMST"); and
ii) automotive components design and manufacturing ("Automotive").

The Resources segment is principally involved in the harvesting and selling of fresh fruit bunches of oil palm ("FFB") whereas the Energy segment is principally involved in the exploration and production of oil and gas but has not commenced commercial production yet.

The Group's revenue for the current year decreased from RM217.3 million in prior year to RM164.4 million. This was due to a decrease of RM52.4 million and RM0.5 million, registered by the IMS and Resources segment respectively. All the divisions within IMS segment registered a decline in their revenue due to lower demand, which was attributable to the global COVID-19 pandemic and the Movement Control Order ("MCO") imposed by the Government of Malaysia. The decline in the Resources segment's revenue due to decrease in FFB production offset partially by an improvement in FFB prices.

The Group has registered a turnaround from a net loss of RM19.4 million in the prior year to a net profit of RM2.3 million for the current year.

During the financial year/quarter, the Energy segment incurred an impairment loss on receivable of RM1.7 million (Group's effective share), the Investment Holding segment accounted for a fair value gain (net of deferred tax) of RM2.9 million on its investment property and an additional provision of deferred tax expense of RM1.7 million (Resources segment). In the prior year, included in the Group's net loss for the prior year/prior year corresponding quarter was the Group's effective share of the impairment loss on exploration assets and provision of PSC penalties totalling RM23.8 million (Energy segment).

Comparing the preceding year corresponding quarter with current quarter, the Group's revenue decreased from RM48.5 million to RM20.0 million. This was due to a decline in revenue of all the IMS divisions totalling RM28.8 million. The decrease is attributable mainly to lower demand, which was due to the global COVID-19 pandemic and the MCO. The Resources segment however, registered an increase in revenue of RM0.3 million due to an increase in FFB prices and FFB production.

On a normalised basis, despite the decline in revenue, the Group for the current quarter registered a decrease in its net loss from RM2.3 million in the preceding year corresponding quarter to RM0.8 million. This was achieved due to lower net losses from the Energy and Resources segments partially offset by decreased net profits from the IMS segment. In tandem with the increase in revenue, the Resources segment registered a decrease in its net loss from RM0.7 million in the preceding year corresponding quarter to RM0.1 million for the current quarter. The Energy segment's net loss reduced due to the effort of cost cutting measures. The IMS segment however, recorded a net loss of RM0.3 million vis-à-vis a net profit of RM1.1 million, in line with its lower revenue.

The Group recorded a positive turnaround in its net cash flow by registering a net cash inflow of RM10.9 million for the current financial year versus a net cash outflow of RM17.0 million for the preceeding year. This was achieved, despite the Group acquiring a piece of land as investment property amounting to RM10.4 million during the year, with higher operating cash inflows of RM27.0 million for the current financial year as compared to RM16.1 million for the previous financial year. The cash and cash equivalents/deposit of the Group as at year end stood at RM55.8 million (FY2019: RM45.7 million). Comparing year on year, the Group's net assets per share has increased from RM0.867 to RM0.887 whilst the gearing maintained at 0.09 times. Current ratio of the Group however has decreased from 1.61 times to 1.47 times, due mainly to utilisation of cash to purchase the investment property during the year.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group's revenue decreased from RM42.4 million to RM20.0 million due to a decrease in the revenue from IMS segment of RM22.6 million, experienced by all the IMS divisions. This decline was attributable to lower demand due to global COVID-19 pandemic and the longer MCO period in current quarter compared to the preceding quarter. However, the Resources segment has registered an increase in the revenue of RM0.1 million was due to an increase in the FFB production.

On a normalised basis, in tandem with the decline in revenue, the Group registered an increase in its net loss from RM44,000 in the previous quarter to RM0.8 million for the current quarter. The IMS segment recorded a decline in its net profits from RM2.2 million to a net loss of RM0.3 million quarter on quarter as a result of its lower revenue. However, the Resources segment recorded a lower net loss of RM0.1 million for the current quarter versus a net loss of RM0.7 million in the previous quarter attributable to its higher revenue. The Energy segment too registered lower net losses due to lower administrative expenditure

B3. Prospects

The global Covid-19 pandemic has caused great damaging effects to the global/Malaysian economy. The Group's businesses too are not able to operate at its usual capacity but whilst still having to pay for various fixed costs and overhead. As such, the businesses of Globaltec Group have been affected due to the ongoing pandemic and the MCO. In this regard, the Group has implemented group cost cutting and austerity measures across all the subsidiaries to preserve its cash flow and are doing everything possible to overcome this crisis.

On a positive note, the PMA division's new factory facility of 60,000 square feet at Penang Science Park was completed and ready in the first quarter of the current financial year and the PMA division expects to gradually increase its capacity and revenue over time. In addition, all the business activities of the IMS Segment has been showing gradual signs of recovery and positive return to normal.

The Energy Segment, under NuEnergy Gas Limited ("NuEnergy"), has submitted the first coal bed methane ("CBM") Plan of Development ("POD I") for the Tanjung Enim PSC in Indonesia. The proposed POD I plans for the development of 209 wells in the identified areas of the Tanjung Enim PSC covering about 33km^2 (or 13% of the total Tanjung Enim PSC acreage). The Indonesia Research and Development Center for Oil and Gas Technology ("Lemigas") has confirmed and certified reserves totaling ~164.89 billion standard cubic feet (bscf) of gas. The proposed POD I is currently pending the approval from the Government of Indonesia. The current global Covid-19 pandemic has however slowed the approval process of the proposed POD I as well as other exploration activities of the Energy segment. On a positive note, as mentioned in Note B5, the impending sales proceeds of A$6 million from the disposal of the gold royalty will provide fresh funds for the Energy Segment to progress the exploration development activities.

B4. Financial Forecast and Profit Guarantee

Not applicable.

B5. Corporate proposals

Save as disclosed below, there were no material corporate proposals announced but not completed within 7 days from the date of issue of this report.

NuEnergy and Sheraton Pines Pty Ltd ("Sheraton") (a wholly owned subsidiary of NuEnergy) have on 28 July 2020, entered into a conditional Royalty Purchase and Sale Agreement ("Royalty Agreement") with Metalla Royalty & Streaming Ltd ("Metalla"). The Royalty Agreement entails NuEnergy and Sheraton selling to Metalla, all of their rights, titles and interests in and to the royalty owned by them, on and subject to the terms and conditions of the Royalty Agreement for a total consideration of Australian Dollar (A$) 6 million comprised of A$2 million in cash and A$4 million in the form of shares in Metalla which are listed on the TSX Venture Exchange ("TSXV") in Canada. This proposed disposal is currently pending the approval of the relevant authorities.

B6. Taxation

The tax expense for the current quarter and financial year are as follows:

	Current quarter 30.6.2020 RM'000	Financial year 30.6.2020 RM'000
Income tax expense		
Malaysia -current year	932	707
Overseas – current	344	1,471
	1,276	2,178
Deferred tax expense		
Malaysia - current year	1,293	2,755
Total tax expense	2,569	4,933

The effective tax rate of the Group for the current quarter and current year is higher than the statutory tax rate due mainly to the losses incurred by the Energy segment (which has yet to commence commercial production) and the Resources segment.

B7. Status of memorandum of understandings

i) AutoV Corporation Sdn Bhd ("AutoV"), a subsidiary of the Company has on 28 July 2017 entered into a memorandum of understanding for strategic alliance with Ningbo Auto Components Industry Association ("Ningbo AIA") which records the principal and mutual understanding whereby Ningbo AIA shall assist to develop and secure business collaborations between its members and AutoV group of companies. Discussions are still ongoing as at the date of this report.

ii) NuEnergy had as at end September 2017 executed a Memorandum of Understanding with PT Pertamina Gas ("Pertagas") in September 2017 to explore the gas supply from the Tanjung Enim PSC. NuEnergy is currently in an on-going discussion with Pertagas to finalise the mechanism on gas delivery and subsequently progress to negotiate the commercial terms of gas sale and supply.

B8. Borrowings

The Group's borrowings as at 30 June 2020 were all secured. The borrowings denominated in foreign currency and RM as at 30 June 2020 were as follows:

	RM'000
Foreign Currency:	
- IDR652,970,715@ RM0.03/IDR100	196
RM	20,694
Total Group Borrowings	20,890

Foreign currency:
IDR Indonesian Rupiah

B9. Material litigation

There is no material litigation as at the date of this report.

B10. Earnings per share

Basic earnings/(loss) per share

The basic earnings/(loss) per share of the Group for the current quarter and current year was computed as follows:

	Current quarter	Current year
(Loss)/Profit attributable to owners of the Company (RM'000)	(1,355)	2,348
Weighted average number of ordinary shares ('000)	269,087	269,087
Basic (loss)/earnings per share (sen)	(0.504)	0.873

Diluted earnings per share
Diluted earnings per share for the current quarter and financial year are not applicable as the exercise price of the Company's warrants of RM0.72 is higher than the market price of the Company's shares as at year end.

B11. Exploration and development expenditure/activities

Below is a table showing the exploration assets/expenditure incurred during the year.

	RM'000
Carrying amount	
At 1 July 2019	99,339
Effect of movements in exchange rates	3,465
Additions	794
At 30 June 2020	103,598

The Energy segment continued with its engagement with its partners and with the Government of Indonesia to secure approval of the Tanjung Enim Gross Split PSC and POD I. This included a field visit (at the request of the Ministry of Energy and Mineral Resources ("MEMR")) by the Director General of Oil and Gas and representatives from Lemigas, Geology Department and the MEMR to the Tanjung Enim site from 18 December 2019 to 19 December 2019. The visit was made to all the wells, namely TE-10, TE-11, TE-12, TE-13 and TE-14.

The Energy segment also submitted, in respect of the Muara Enim PSC, a proposal for additional exploration period to continue the exploration activities beyond the 10th Contract Year which ended on 29 November 2019 to the MEMR through the Indonesian Special Task Force for Upstream Oil and Gas Business Activities ("SKK Migas"). The Energy segment has in early February 2020 been granted an additional exploration period by MEMR through SKK Migas to continue the exploration activities beyond the 10th Contract Year from 30 November 2019 to 19 January 2021.

B12. Notes to the statement of profit or loss and other comprehensive income

Other than interest income and finance costs, included in the statement of profit or loss and other comprehensive income are the following credits/(charges):

	Current quarter 30.6.2020 RM'000	**Preceding year corresponding quarter 30.6.2019 RM'000**	**Current year 30.6.2020 RM'000**	**Preceding year 30.6.2019 RM'000**
Allowance for inventories obsolescence no longer required	107	-	107	-
Amortisation of customer relationships	(99)	(99)	(395)	(395)
Amortisation of development costs	(3)	(1)	(3)	(28)
Amortisation of government grant	106	-	106	-
Changes in fair value of other investments	(7)	(22)	(32)	(45)
Dividend income	2	-	2	-
Depreciation	(2,945)	(2,539)	(11,607)	(9,963)
Fair value changes on biological assets	230	106	69	(107)
Fair value gain on investment property	3,194	-	3,194	-
Foreign exchange gain/(loss)	505	174	(446)	(205)
Gain on disposal of property plant and equipment	-	51	188	147
Prepayments written off	-	(1,000)	-	(1,000)
Goodwill written off	-	(252)	-	(252)
Impairment loss on exploration assets	-	(20,778)	-	(20,778)
Impairment loss on receivables	(3,286)	-	(3,286)	-
Inventories written off	-	(712)	-	(712)
Inventories written down to net realisable value	-	(749)	-	(749)
Loss on disposal of other investment	-	-	-	(20)
Property, plant and equipment written off	-	(2)	(3)	(2)
Provision for warranties (net)	595	920	479	638
Provision for PSC penalties	-	(25,413)	-	(25,413)
Reversal of inventories written down	-	1,555	-	1,555
Rental income	3	3	12	12