

OPTIMISTIC ORGANIC SDN. BHD.
(873094 - V)
(Incorporated in Malaysia)

Directors' Report and Audited
Financial Statements
31 March 2014

Ernst & Young
AF : 0039

873094-V

**Optimistic Organic Sdn. Bhd.
(Incorporated in Malaysia)**

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**Optimistic Organic Sdn. Bhd.
(Incorporated in Malaysia)**

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 March 2014.

Principal activities

The principal activities of the Company are manufacturing and trading of petro-chemical products.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

RM

Profit for the year

6,348,745

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The directors do not recommend any payment of dividend in respect of the current financial year.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Parekh Nareshkumar Khimchand

Narayanaswamy Ulaganathan

Nambirajan Narayanan

Subramaniam Neelakantan

(appointed on 10 June 2013)

(appointed on 10 June 2013)

**Optimistic Organic Sdn. Bhd.
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Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Directors' interest

None of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Other statutory information

- (a) Before the statement of profit or loss and other comprehensive income and statement of financial position of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Company; and
 - (ii) the values attributed to the current assets in the financial statements of the Company misleading.

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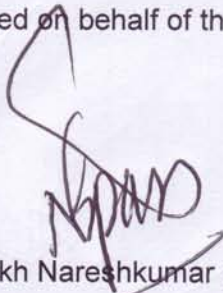
Other statutory information (cont'd.)

- (c) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.
- (d) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

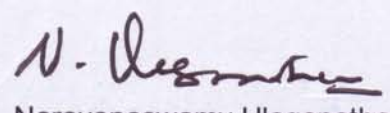
Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2014.



Parekh Nareshkumar Khimchand



Narayanaswamy Ulaganathan

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Optimistic Organic Sdn. Bhd.
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Statement by directors

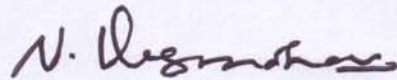
Pursuant to Section 169 (15) of the Companies Act 1965

We, Parekh Nareshkumar Khimchand and Narayanaswamy Ulaganathan, being two of the directors of Optimistic Organic Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 7 to 40 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 March 2014 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2014.



Parekh Nareshkumar Khimchand



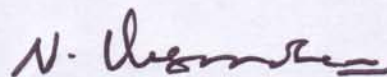
Narayanaswamy Ulaganathan

Statutory declaration

Pursuant to Section 169 (16) of the Companies Act 1965

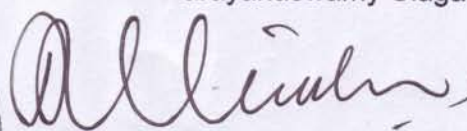
I, Narayanaswamy Ulaganathan, being the director primarily responsible for the financial management of Optimistic Organic Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 7 to 40 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared
by the abovenamed
Narayanaswamy Ulaganathan at
Kuantan in the state of Pahang
Darul Makmur on
25 April 2014



Narayanaswamy Ulaganathan

Before me,



40, 1st Floor, Jalan Mahkota,
25000 Kuantan,
Pahang Darul Makmur

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Independent auditors' report to the member of
Optimistic Organic Sdn. Bhd.
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Optimistic Organic Sdn. Bhd. which comprise the statement of financial position as at 31 March 2014, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 40.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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**Independent auditors' report to the member of
Optimistic Organic Sdn. Bhd. (cont'd.)
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Auditors' responsibility (cont'd.)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

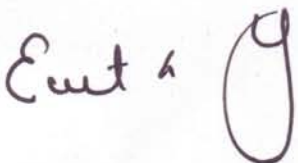
In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2014 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young
AF: 0039
Chartered Accountants



Sandra Segaran a/l Muniandy @ Krishnan
No. 2882/01/15 (J)
Chartered Accountant

Kuantan, Pahang Darul Makmur, Malaysia
25 April 2014

Optimistic Organic Sdn. Bhd.
(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income
For the financial year ended 31 March 2014

	Note	2014 RM	2013 RM
Revenue	4	144,725,851	158,456,810
Cost of sales		<u>(119,534,156)</u>	<u>(130,950,844)</u>
Gross profit		25,191,695	27,505,966
Other income	5	69,312	330,471
Other items of expense			
Selling and marketing expenses		(8,310,780)	(9,534,610)
Administrative expenses		(5,522,213)	(4,335,059)
Finance costs	6	(2,050,564)	(2,539,697)
Other expenses		<u>(1,372,949)</u>	<u>(212,341)</u>
Profit before taxation	7	8,004,501	11,214,730
Income tax expense	10	<u>(1,655,756)</u>	<u>(2,883,925)</u>
Profit net of tax, representing total comprehensive income for the year		<u>6,348,745</u>	<u>8,330,805</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Optimistic Organic Sdn. Bhd.
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Statement of financial position
As at 31 March 2014

	Note	2014 RM	2013 RM
Assets			
Non-current asset			
Property, plant and equipment	11	<u>99,114,652</u>	<u>90,705,542</u>
Current assets			
Inventories	12	5,679,154	3,741,846
Trade and other receivables	13	25,135,120	24,241,348
Prepayments		502,507	233,461
Cash and bank balances	14	<u>1,274,874</u>	<u>2,751,089</u>
		<u>32,591,655</u>	<u>30,967,744</u>
Total assets		<u>131,706,307</u>	<u>121,673,286</u>
Equity and liabilities			
Current liabilities			
Trade and other payables	16	15,797,498	7,706,475
Borrowings	17	<u>11,098,152</u>	<u>6,245,000</u>
		<u>26,895,650</u>	<u>13,951,475</u>
Non current liabilities			
Borrowings	17	53,533,324	64,448,979
Deferred tax liabilities	18	<u>4,001,207</u>	<u>2,345,451</u>
		<u>57,534,531</u>	<u>66,794,430</u>
Total liabilities		<u>84,430,181</u>	<u>80,745,905</u>
Net assets		<u>47,276,126</u>	<u>40,927,381</u>
Equity attributable to owner of the Company			
Share capital	15	10,000,000	10,000,000
Retained earnings		<u>37,276,126</u>	<u>30,927,381</u>
Total equity		<u>47,276,126</u>	<u>40,927,381</u>
Total equity and liabilities		<u>131,706,307</u>	<u>121,673,286</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Optimistic Organic Sdn. Bhd.
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Statement of changes in equity
For the financial year ended 31 March 2014

	Equity, total	<u>Non- distributable</u> Share capital (Note 15)	<u>Distributable</u> Retained earnings
	RM	RM	RM
Opening balance at 1 April 2013	40,927,381	10,000,000	30,927,381
Total comprehensive income	6,348,745	-	6,348,745
Closing balance at 31 March 2014	<u>47,276,126</u>	<u>10,000,000</u>	<u>37,276,126</u>
Opening balance at 1 April 2012	32,596,576	10,000,000	22,596,576
Total comprehensive income	8,330,805	-	8,330,805
Closing balance at 31 March 2013	<u>40,927,381</u>	<u>10,000,000</u>	<u>30,927,381</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Optimistic Organic Sdn. Bhd.
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Statement of cash flows
For the financial year ended 31 March 2014

	Note	2014 RM	2013 RM
Operating activities			
Profit before tax		8,004,501	11,214,730
Adjustments for:			
Interest income	5	(5,267)	(4,244)
Interest expense	6	2,050,564	2,539,697
Depreciation of property, plant and equipment	7	5,705,289	5,673,519
Property, plant and equipment written off	7	-	49,454
Net unrealised foreign exchange loss	7	3,611,868	1,014,481
Total adjustments		<u>11,362,454</u>	<u>9,272,907</u>
Operating cash flows before changes in working capital		19,366,955	20,487,637
<u>Changes in working capital</u>			
(Increase)/decrease in inventories		(1,937,308)	3,963,654
Decrease/(increase) in trade and other receivables		156,247	(7,662,560)
Increase in prepayments		(269,046)	(17,097)
Increase/(decrease) in trade and other payables		8,363,932	(5,543,605)
Cash flows from operating activities		<u>25,680,780</u>	<u>11,228,029</u>
Interest paid		(2,050,564)	(2,539,697)
Interest received		5,267	4,244
Net cash flows from operating activities		<u>23,635,483</u>	<u>8,692,576</u>
Investing activity			
Purchase of property, plant and equipment representing net cash used in investing activity	11	<u>(14,114,399)</u>	<u>(804,126)</u>
Financing activities			
Repayments of borrowings		(71,758,185)	(7,782,347)
Drawdowns of borrowings		61,687,477	-
Net cash flows used in financing activities		<u>(10,070,708)</u>	<u>(7,782,347)</u>

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Statement of cash flows (cont'd.)
For the financial year ended 31 March 2014

	Note	2014 RM	2013 RM
Net (decrease)/increase in cash and cash equivalents		(549,624)	106,103
Effect of exchange rate changes on cash and cash equivalents		(926,591)	(1,279,296)
Cash and cash equivalents at 1 April		<u>2,751,089</u>	<u>3,924,282</u>
Cash and cash equivalents at 31 March	14	<u>1,274,874</u>	<u>2,751,089</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Optimistic Organic Sdn. Bhd.
(Incorporated in Malaysia)

Notes to the financial statements
For the financial year ended 31 March 2014

1. Corporate information

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 8 Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at Lot 3351, Teluk Kalong Industrial Estate, 24007 Kemaman, Terengganu Darul Iman.

The holding and ultimate holding companies of the Company are Cheminvest Pte. Ltd., a company incorporated in Singapore and Thirumalai Chemicals Ltd., a company incorporated in India and listed on Bombay Stock Exchange ("BSE") respectively.

The principal activities of the Company are the manufacturing and trading of petro-chemical products. There have been no significant changes in the nature of the principal activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 1965 in Malaysia.

The financial statements of the Company are prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The financial statements are presented in Ringgit Malaysia ("RM").

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2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 April 2013, the Company adopted the following new and amended MFRS and IC Interpretation mandatory for annual financial periods beginning on or after 1 April 2013.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128 Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7 Financial Instruments: Disclosure - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

Adoption of the above standards and IC Interpretation did not have any significant effect on the financial performance or position of the Company except for those discuss below:

Optimistic Organic Sdn. Bhd.
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2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified (“recycled”) to profit or loss at a future point in time (eg. net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (eg. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Company’s financial position or performance.

MFRS 13: Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materiality impacted the fair value measurement of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

2.3 Standards issued but not yet effective

The standards and IC Interpretation that are issued but not yet effective up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 132 : Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014

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2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

The directors expect that the adoption of the above standards and IC Interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 April 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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2. Summary of significant accounting policies (cont'd.)

2.4 Foreign currency

(a) Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the year.

2.5 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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2. Summary of significant accounting policies (cont'd.)

2.5 Property, plant and equipment (cont'd.)

Leasehold land is depreciated over the period of the lease of 44 years. Work-in-progress included in property, plant and equipment is not depreciated as this asset is not available for use. Depreciation of other property, plant and equipment is computed on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets, at the following annual rates:

Buildings	3%
Plant and machinery	5.88%
Office equipment	15%
Furniture and fittings	10%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate .

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.6 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis. Impairment losses are recognised in profit or loss.

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2. Summary of significant accounting policies (cont'd.)

2.6 Impairment of non-financial assets (cont'd.)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.7 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

The financial assets of the Company's is classified as loans and receivables.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

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2. Summary of significant accounting policies (cont'd.)

2.7 Financial assets (cont'd.)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Company commits to purchase or sell the asset.

2.8 Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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2. Summary of significant accounting policies (cont'd.)

2.8 Impairment of financial assets (cont'd.)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at banks, and deposit with licensed bank.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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2. Summary of significant accounting policies (cont'd.)

2.12 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Company has not designated any financial liabilities as at fair value through profit or loss.

The Company's other financial liabilities include trade and other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit and loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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2. Summary of significant accounting policies (cont'd.)

2.13 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds.

2.14 Employee benefits

Defined contribution plans

The Company participates in the national pension scheme as defined by the law of the country in which it has operation. The Company makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.15 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised using the effective interest rate.

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2. Summary of significant accounting policies (cont'd.)

2.16 Income tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided for using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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2. Summary of significant accounting policies (cont'd.)

2.17 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.18 Fair value measurements

The Company measures its financial instruments, such as derivatives, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 20.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability, or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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2. Summary of significant accounting policies (cont'd.)

2.18 Fair value measurements (cont'd.)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.19 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. Significant accounting judgement and estimate

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

There were no significant judgements made in applying the accounting policies of the Company which may have significant effects of the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be 17 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised.

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4. Revenue

	2014	2013
	RM	RM
Sale of goods	<u>144,725,851</u>	<u>158,456,810</u>

5. Other income

	2014	2013
	RM	RM
Sale of scrap materials	62,665	10,604
Deposit refunded	860	300,000
Interest income	5,267	4,244
Miscellaneous income	520	15,623
	<u>69,312</u>	<u>330,471</u>

6. Finance costs

	2014	2013
	RM	RM
Cost of fund on:		
Shareholders' advances	2,044,330	2,504,291
Others	6,234	35,406
	<u>2,050,564</u>	<u>2,539,697</u>

7. Profit before taxation

The following items have been included in arriving at profit before tax.

	2014	2013
	RM	RM
Auditors' remuneration	50,000	50,000
Employee benefits expense (Note 8)	7,319,717	6,854,155
Depreciation of property, plant and equipment (Note 11)	5,705,289	5,673,519
Property, plant and equipment written off	-	49,454
Net realised foreign exchange gain	(2,238,919)	(802,140)
Net unrealised foreign exchange loss	<u>3,611,868</u>	<u>1,014,481</u>

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8. Employee benefits expense

	2014	2013
	RM	RM
Salaries and wages	5,337,514	5,088,334
Defined contribution plan	415,717	394,053
Social security costs	52,854	50,113
Other benefits	1,513,632	1,321,655
	<u>7,319,717</u>	<u>6,854,155</u>

Included in employee benefits expense of the Company is salary and other emoluments paid to the executive directors of the Company amounting to RM628,048 (2013: RM561,284) as further disclosed in Note 9.

9. Directors' remuneration

	2014	2013
	RM	RM
Executive directors' remuneration (Note 8):		
Salaries and other emoluments	574,272	540,444
Other benefits	53,776	20,840
Total directors' remuneration	<u>628,048</u>	<u>561,284</u>

10. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2014 and 2013 are:

	2014	2013
	RM	RM
Deferred income tax (Note 18):		
- Relating to origination and reversal of temporary differences	1,125,522	2,795,152
- Relating to change in tax rate	(119,821)	-
- Under provision in respect of prior years	650,055	88,773
Income tax expense recognised in profit or loss	<u>1,655,756</u>	<u>2,883,925</u>

The Company was granted pioneer status by the Ministry of International Trade and Industry for a period of 5 years commencing 1 March 2011. In view of this, there is no provision for taxation for the business income earned.

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10. Income tax expense (cont'd.)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 March 2014 and 2013 is as follows:

	2014	2013
	RM	RM
Profit before tax	<u>8,004,501</u>	<u>11,214,730</u>
Tax at Malaysian statutory tax rate of 25% (2013: 25%)	2,001,125	2,803,683
Adjustments:		
Non-deductible expenses	(828,706)	(8,531)
Effect of change in tax rate	(119,821)	-
Deferred tax recognised at different tax rate	(46,897)	-
Under provision of deferred tax in prior year	<u>650,055</u>	<u>88,773</u>
	<u>1,655,756</u>	<u>2,883,925</u>

Domestic current income tax is calculated at the statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year. The domestic statutory tax rates will be reduced to 24% from the current year's rate of 25% effective Year of Assessment 2016. The computation of deferred tax as at 31 March 2014 has reflected this change.

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11. Property, plant and equipment

	Leasehold land RM	Buildings RM	Plant and machinery RM	Office equipment RM	Furniture and fittings RM	Work-in- progress RM	Total RM
Cost:							
At 1 April 2012	5,630,000	3,890,000	91,673,326	21,450	1,300	-	101,216,076
Additions	-	-	788,926	15,200	-	-	804,126
Write off	-	-	(49,454)	-	-	-	(49,454)
At 31 March 2013 and 1 April 2013	5,630,000	3,890,000	92,412,798	36,650	1,300	-	101,970,748
Additions	-	15,000	239,287	22,889	-	13,837,223	14,114,399
At 31 March 2014	5,630,000	3,905,000	92,652,085	59,539	1,300	13,837,223	116,085,147
Accumulated depreciation:							
At 1 April 2012	126,754	129,667	5,334,416	763	87	-	5,591,687
Depreciation charge for the year (Note 7)	126,754	129,667	5,412,135	4,833	130	-	5,673,519
At 31 March 2013 and 1 April 2013	253,508	259,334	10,746,551	5,596	217	-	11,265,206
Depreciation charge for the year (Note 7)	126,754	129,833	5,442,060	6,512	130	-	5,705,289
At 31 March 2014	380,262	389,167	16,188,611	12,108	347	-	16,970,495
Net carrying amount:							
At 31 March 2013	5,376,492	3,630,666	81,666,247	31,054	1,083	-	90,705,542
At 31 March 2014	5,249,738	3,515,833	76,463,474	47,431	953	13,837,223	99,114,652

The Company's leasehold land and buildings are pledged for bank facility (Note 17).

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12. Inventories

	2014	2013
	RM	RM
At cost		
Chemicals	548,852	611,554
Consumables	1,901,130	1,450,795
Packing materials	222,022	253,064
Work-in-progress	1,765,066	900,309
Finished goods	1,242,084	526,124
	<u>5,679,154</u>	<u>3,741,846</u>

During the year, the amount of inventories recognised as an expense in cost of sales of the Company was RM105,067,149 (2013: RM114,952,915).

13. Trade and other receivables

	2014	2013
	RM	RM
Trade receivables		
Third parties	24,479,003	18,608,595
Amount due from ultimate holding company	201,897	312,027
	<u>24,680,900</u>	<u>18,920,622</u>
Other receivables		
Deposits	370,000	5,280,203
Sundry debtors	11,922	22,982
Others	72,298	17,541
	<u>454,220</u>	<u>5,320,726</u>
Total trade and other receivables	25,135,120	24,241,348
Add: Cash and bank balances (Note 14)	1,274,874	2,751,089
Total loans and receivables	<u>26,409,994</u>	<u>26,992,437</u>

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 day (2013: 30 to 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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13. Trade and other receivables (cont'd.)

(a) Trade receivables (cont'd.)

Ageing analysis of trade receivables

The ageing analysis of the Company's trade receivables is as follows:

	2014	2013
	RM	RM
Neither past due nor impaired	22,732,144	18,920,622
1 to 30 days past due not impaired	1,882,615	-
31 to 60 days past due not impaired	-	-
61 to 90 days past due not impaired	-	-
91 to 120 days past due not impaired	66,141	-
	1,948,756	-
	<u>24,680,900</u>	<u>18,920,622</u>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Company.

None of the Company's trade receivables that are neither past due nor impaired and past due but not impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Company has trade receivables amounting to RM1,948,756 (2013: RM Nil) that are past due at the reporting date but not impaired.

All the balances are unsecured in nature. The directors of the Company are in the opinion that all balances are recoverable as these receivables are still active.

(b) Other receivables

In prior year, included in deposits was RM4,910,203 that relates to deposits paid for raw materials and gas for its operations.

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14. Cash and bank balances

	2014	2013
	RM	RM
Cash in hand and at banks	74,874	2,647,784
Deposit with a licensed bank	1,200,000	103,305
Cash and cash equivalents	<u>1,274,874</u>	<u>2,751,089</u>

Deposit with a licensed bank is pledged for bank guarantee facilities.

15. Share capital

	Number of ordinary shares		Amount	
	2014	2013	2014	2013
	of RM1 each		RM	RM
Authorised share capital				
At 1 April/31 March	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid				
At 1 April/31 March	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

16. Trade and other payables

	2014	2013
	RM	RM
		Restated
Current		
Trade payables		
Third parties	8,730,303	2,369,662
Amount due to ultimate holding company	1,795,423	1,618,151
	<u>10,525,726</u>	<u>3,987,813</u>

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16. Trade and other payables (cont'd.)

	2014	2013
	RM	RM
		Restated
Other payables		
Accruals	61,900	62,000
Other payables	5,209,872	3,656,662
	<u>5,271,772</u>	<u>3,718,662</u>
	<u>15,797,498</u>	<u>7,706,475</u>
Total trade and other payables	15,797,498	7,706,475
Add: Borrowings (Note 17)	<u>64,631,476</u>	<u>70,693,979</u>
Total trade and other payables, representing total financial liabilities carried at amortised cost	<u>80,428,974</u>	<u>78,400,454</u>

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 day (2013: 30 to 60 day) terms.

(b) Other payables

Included in other payables is RM2,378,992 (2013: RM1,697,448) which relates to interest payable on shareholders' advances.

17. Borrowings

	Maturity	2014	2013
		RM	RM
Current			
Secured:			
Letter of credit	2014	690,768	-
Bills discounting	2014	10,407,384	-
Unsecured:			
Advances from ultimate holding company		-	6,245,000
		<u>11,098,152</u>	<u>6,245,000</u>
Non-current			
Unsecured:			
Advances from holding company	2015	15,790,925	14,909,937
Advances from ultimate holding company	2015	15,916,199	18,334,950
Advances from a third party	2015 - 2018	21,826,200	31,204,092
		<u>53,533,324</u>	<u>64,448,979</u>
Total advances		<u>64,631,476</u>	<u>70,693,979</u>

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17. Borrowings (cont'd.)

(a) Amount due to holding company (non-current)

The amount is unsecured, bears interest at 6% per annum and is not repayable within the period of twelve months after the end of the financial year.

(b) Amount due to ultimate holding company (non-current)

The amount is unsecured, bears interest at 6% per annum and is not repayable within the period of twelve months after the end of the financial year.

(c) Amount due to a third party

The amount is unsecured, non-interest bearing and is not repayable within the period of twelve months after the end of the financial year.

(d) Letter of credit

The facility bears interest at base lending rate ("BLR") + 0.50% per annum presently at 7.10% per annum and secured by the following:

- (i) Letter of credit from reputed banks acceptable to the bank.
- (ii) Documents of title to goods along with invoice, bills of exchange drawn and shipped under letter of credit.

(e) Bills discounting

The facility bears interest at base lending rate ("BLR") + 0.50% per annum presently at 7.10% per annum with margin 10% of the bills and secured by documents of title to goods along with invoice, bills of exchange drawn on approved parties.

These facilities are secured by the following:

- (i) Corporate guarantee by ultimate holding company and holding company.
- (ii) A registered debenture over the Company's entire fixed and floating assets, movable and immovable, both present and future.
- (iii) A 1st party 1st legal charge over the land and building belonging to the Company erected on PN7606, Lot 3351 Mukim Teluk Kalung and District of Kemaman, Terengganu.

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18. Deferred tax

	2014	2013
	RM	RM
At 1 April	2,345,451	(538,474)
Recognised in profit or loss (Note 10)	1,655,756	2,883,925
At 31 March	<u>4,001,207</u>	<u>2,345,451</u>

Presented after appropriate offsetting as follows:

Deferred tax assets	(6,015,308)	(6,198,514)
Deferred tax liabilities	10,016,515	8,543,965
	<u>4,001,207</u>	<u>2,345,451</u>

The components and movements of deferred tax assets and liabilities during the financial year are as follows:

Deferred tax assets:

	Unabsorbed capital allowances
	RM
At 1 April 2013	(6,198,514)
Recognised in profit or loss	183,206
At 31 March 2014	<u>(6,015,308)</u>
At 1 April 2012	(6,998,597)
Recognised in profit or loss	800,083
At 31 March 2013	<u>(6,198,514)</u>

Deferred tax liabilities:

	Property, plant and equipment
	RM
At 1 April 2013	8,543,965
Recognised in profit or loss	1,472,550
At 31 March 2014	<u>10,016,515</u>
At 1 April 2012	6,460,123
Recognised in profit or loss	2,083,842
At 31 March 2013	<u>8,543,965</u>

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19. Related party disclosures

(a) Sale and purchase of goods

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

	2014	2013
	RM	RM
Sale of finished goods to ultimate holding company	15,979,549	30,201,903
Purchase of services from ultimate holding company	975,731	276,283

(b) Compensation of key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company.

Key management personnels' remuneration (including Board of Directors) during the year was as follows:

	2014	2013
	RM	RM
Directors' remuneration (Note 9)	628,048	561,284

20. Fair values of financial instruments

Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are the classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	13
Trade and other payables	16
Borrowings (current)	17

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature and insignificant impact of discounting.

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21. Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk.

It is, and has been throughout the current and previous financial year, the Company's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Company does not apply hedge accounting.

The following sections provide details regarding the Company's exposure to the above mentioned financial risks and the objective, policies and process for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other receivables.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Company trades only with recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Credit risk concentration profile

The Company has no significant concentrations of credit risk that may rise from exposure from a single debtor or to groups of debtors.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 13. Deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13.

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21. Financial risk management objectives and policies (cont'd.)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company manages liquidity risk by obtaining funding from its holding and ultimate holding companies to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's liabilities at the reporting date based on contracted undiscounted repayment obligations.

	2014 (RM)		
	On demand or within one year	Over one year	Total
Financial liabilities:			
Trade and other payables	15,797,498	-	15,797,498
Borrowings	11,098,152	56,745,323	67,843,475
Total undiscounted financial liabilities	<u>26,895,650</u>	<u>56,745,323</u>	<u>83,640,973</u>
	2013 (RM)		
	On demand or within one year	Over one year	Total
Financial liabilities:			
Trade and other payables	7,706,475	-	7,706,475
Borrowings	6,619,700	68,315,918	74,935,618
Total undiscounted financial liabilities	<u>14,326,175</u>	<u>68,315,918</u>	<u>82,642,093</u>

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21. Financial risk management objectives and policies (cont'd.)

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of the entity which is RM. The foreign currency in which these transactions are denominated is United States Dollars ("USD").

All of the Company's sales are denominated in foreign currency. Other than that, all the costs incurred by the Company are denominated in its functional currency. The foreign currency fluctuation risk is minimised by the prompt collection from its customers.

The Company also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances ("USD") amount to RM52,157 (2013: RM2,486,759).

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's profit net of tax to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Company, with all other variables held constant.

		2014	2013
		RM	RM
		Profit net of	Profit net of
		tax	tax
USD/RM	- strengthened 3% (2013: 3%)	(656,782)	(1,111,488)
	- weakened 3% (2013: 3%)	656,782	1,111,488

22. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2014 and 31 March 2013.

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22. Capital management (cont'd.)

The Company monitors capital using a gearing ratio, which is the net debt divided by total equity plus net debt. The Company includes within its net debt, trade and other payable and borrowings, less cash and bank balances. Capital of the Company represents the total equity.

The debt to equity ratio as at 31 March 2014 and 31 March 2013 are as follows:

	Note	2014 RM	2013 RM
Borrowings	17	64,631,476	70,693,979
Trade and other payables	16	15,797,498	7,706,475
Less: Cash and bank balances	14	<u>(1,274,874)</u>	<u>(2,751,089)</u>
Net debt		<u>79,154,100</u>	<u>75,649,365</u>
Equity attributable to owner of the Company		<u>47,276,126</u>	<u>40,927,381</u>
Equity and net debt		<u>126,430,226</u>	<u>116,576,746</u>
Gearing ratio		<u>63%</u>	<u>65%</u>

23. Authorisation of financial statements for issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 April 2014.