



Optimistic Organic Sdn. Bhd.
(873094-V)
(Incorporated in Malaysia)

Directors' Report and Audited Financial
Statements
31 March 2017

873094-V

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

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

Directors' report

The directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 March 2017.

Principal activities

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

Results

Loss net of tax

USD

193,989

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 end of the previous financial year and at the date of this report are:

Subramaniam Neelakantan

Mohd Ali bin Ayub

Rajeev Mahendra Pandia

Manikala Ramulu

Parekh Nareshkumar Khimchand

(appointed on 10 April 2016)

(resigned on 14 April 2016)

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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 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.

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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 5 May 2017.


Manikala Ramulu


Mohd Ali bin Ayub

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Optimistic Organic Sdn. Bhd.
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Statement by directors

Pursuant to Section 251(2) of the Companies Act 2016

We, Manikala Ramulu and Mohd Ali bin Ayub, 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 10 to 55 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 March 2017 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 5 May 2017.


Manikala Ramulu

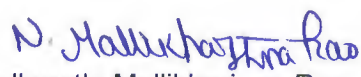

Mohd Ali bin Ayub

Statutory declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Nallagatla Mallikharjuna Rao (Passport no. J2812909), being the officer 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 10 to 55 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 above named Nallagatla Mallikharjuna Rao
at Kuantan in the state of Pahang Darul Makmur
on 05 May 2017


Nallagatla Mallikharjuna Rao
(Passport no. J2812909)

Before me,



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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Optimistic Organic Sdn. Bhd., which comprise statement of financial position as at 31 March 2017, and statement of 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 information, as set out on pages 10 to 55.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2017 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Independent auditors' report to the member of
Optimistic Organic Sdn. Bhd. (cont'd.)
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Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 2016 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.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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**Independent auditors' report to the member of
Optimistic Organic Sdn. Bhd. (cont'd.)
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Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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**Independent auditors' report to the member of
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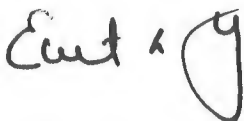
Auditors' responsibilities for the audit of the financial statements (cont'd.)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 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
02882/01/2019 J
Chartered Accountant

Kuantan, Pahang Darul Makmur, Malaysia
5 May 2017

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Optimistic Organic Sdn. Bhd.
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Statement of profit or loss and other comprehensive income
For the financial year ended 31 March 2017

	Note	2017 USD	2016 USD (Restated)
Revenue	4	28,786,344	28,822,143
Cost of sales		<u>(25,021,003)</u>	<u>(24,879,742)</u>
Gross profit		3,765,341	3,942,401
Other income	5	177,115	361,116
Other items of expense			
Selling and marketing expenses		(1,762,531)	(2,692,981)
Administrative expenses		(1,163,545)	(1,208,820)
Finance costs	6	(701,786)	(719,110)
Other expenses		<u>(367,315)</u>	<u>-</u>
Loss before tax	7	(52,721)	(317,394)
Income tax expense	10	<u>(141,268)</u>	<u>(359,886)</u>
Loss net of tax, representing			
total comprehensive loss for the year		<u>(193,989)</u>	<u>(677,280)</u>

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

Optimistic Organic Sdn. Bhd.
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Statement of financial position
As at 31 March 2017

	Note	31.3.2017 USD	31.3.2016 USD (Restated)	1.4.2015 USD (Restated)
Assets				
Non-current asset				
Property, plant and equipment	11	28,729,594	30,972,163	32,188,166
Current assets				
Inventories	12	3,273,326	1,434,254	1,577,150
Trade and other receivables	13	6,039,753	4,417,485	3,291,955
Prepayments		112,793	122,981	130,417
Cash and bank balances	14	377,800	398,628	344,246
		9,803,672	6,373,348	5,343,768
Total assets		38,533,266	37,345,511	37,531,934
Equity and liabilities				
Current liabilities				
Trade and other payables	16	9,338,287	8,275,636	8,209,582
Tax payables		690	7,111	-
Borrowings	17	9,399,769	5,794,153	3,089,449
		18,738,746	14,076,900	11,299,031
Net current liabilities		(8,935,074)	(7,703,552)	(5,955,263)
Non-current liabilities				
Borrowings	17	9,689,212	13,107,881	15,747,881
Deferred tax liabilities	18	2,051,881	1,913,314	1,560,326
		11,741,093	15,021,195	17,308,207
Total liabilities		30,479,839	29,098,095	28,607,238
Net assets		8,053,427	8,247,416	8,924,696
Equity attributable to owner of the Company				
Share capital	15	3,125,000	3,125,000	3,125,000
Retained earnings	19	4,928,427	5,122,416	5,799,696
Total equity		8,053,427	8,247,416	8,924,696
Total equity and liabilities		38,533,266	37,345,511	37,531,934

The accompanying accounting policies and explanatory information 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 2017

	Note	Total equity USD	Non- distributable Share capital (Note 15) USD	Distributable Retained earnings (Note 19) USD
Opening balance at 1 April 2016, as restated		8,247,416	3,125,000	5,122,416
Total comprehensive loss for the year		(193,989)	-	(193,989)
Closing balance at 31 March 2017		<u>8,053,427</u>	<u>3,125,000</u>	<u>4,928,427</u>
Opening balance at 1 April 2015, as previously stated		9,410,577	3,125,000	6,285,577
Prior year adjustments	25	(485,881)	-	(485,881)
Opening balance at 1 April 2015, as restated		8,924,696	3,125,000	5,799,696
Total comprehensive loss for the year		(677,280)	-	(677,280)
Closing balance at 31 March 2016		<u>8,247,416</u>	<u>3,125,000</u>	<u>5,122,416</u>

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

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Optimistic Organic Sdn. Bhd.
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Statement of cash flows
For the financial year ended 31 March 2017

	Note	2017 USD	2016 USD (Restated)
Operating activities			
Loss before tax		(52,721)	(317,394)
Adjustments for:			
Interest income	5	(10,146)	(27,555)
Interest expense (excluding unrealised exchange loss regrouped under finance costs)	6	701,786	719,110
Depreciation of property, plant and equipment	7	2,815,663	2,767,432
Property, plant and equipment written off	7	200,889	-
Loss on disposal of property, plant and equipment	5	(87,348)	-
Total adjustments		<u>3,620,844</u>	<u>3,458,987</u>
Operating cash flows before changes in working capital		3,568,123	3,141,593
<u>Changes in working capital</u>			
(Increase)/decrease in inventories		(1,839,072)	142,896
Increase in trade and other receivables		(1,622,268)	(1,125,530)
Decrease in prepayments		10,189	7,436
Increase/(decrease) in trade and other payables		796,566	(296,321)
Cash flows from operating activities		913,538	1,870,074
Interest paid		(435,011)	(356,513)
Interest received		10,146	27,555
Income tax paid		(9,812)	(9)
Net cash flows from operating activities		<u>478,861</u>	<u>1,541,107</u>
Investing activities			
Placement of deposits with licensed bank		-	(21,434)
Proceed from disposal of property, plant and equipment		187,175	-
Purchase of property, plant and equipment	11	(818,461)	(1,551,429)
Net cash used in investing activities		<u>(631,286)</u>	<u>(1,572,863)</u>

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Statement of cash flows (cont'd.)
For the financial year ended 31 March 2017

	Note	2017 USD	2016 USD (Restated)
Financing activities			
Repayments of borrowings		(14,075,234)	(16,380,641)
Drawdowns of borrowings		14,206,831	16,445,345
Net cash flows from financing activities		<u>131,597</u>	<u>64,704</u>
Net (decrease)/increase in cash and cash equivalents		(20,828)	32,948
Cash and cash equivalents at 1 April		<u>53,526</u>	<u>20,578</u>
Cash and cash equivalents at 31 March	14	<u>32,698</u>	<u>53,526</u>

The accompanying accounting policies and explanatory information 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 2017

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") and National Stock Exchange (NSE) 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 2016 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.

During the year, the Company changed its functional currency from Ringgit Malaysia ("RM") to United States Dollars ("USD"). The financial statements of the Company have been presented in USD for reporting to its ultimate holding company purpose.

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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 January 2016, the Company adopted the following new and amended MFRS mandatory for annual financial periods beginning on or after 1 January 2016.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141: <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 11: <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 127: <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRS 101: <i>Disclosure Initiatives</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
MFRS 14: <i>Regulatory Deferral Accounts</i>	1 January 2016

The nature and impact of the new and amended MFRSs, which are applicable to the Company, are described below:

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments do not have any impact to the Company as the Company has not used a revenue-based method to depreciate its non-current assets.

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

2.2 Changes in accounting policies (cont'd.)

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The amendments do not have any impact on the Company's financial statements.

Annual Improvements to MFRSs 2012 – 2014 Cycle

The Annual Improvements to MFRSs 2012 - 2014 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Company's financial statements.

Standards	Descriptions
MFRS 7 Financial Instruments: Disclosures	<p>The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.</p> <p>In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report. This amendment is applied retrospectively.</p>

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

2.2 Changes in accounting policies (cont'd.)

Annual Improvements to MFRSs 2012 – 2014 Cycle (cont'd.)

Standards	Descriptions
MFRS 119 Employee Benefits	The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.
MFRS 134 Interim Financial Reporting	The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

2.3 Standards and amendments issued but not yet effective

The standards and interpretations 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.

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

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

Description	Effective for annual periods beginning on or after
MFRS 107: <i>Disclosures Initiatives (Amendments to MFRS 107)</i>	1 January 2017
MFRS 112: <i>Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)</i>	1 January 2017
MFRS 2: <i>Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)</i>	1 January 2018
MFRS 15: <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 9: <i>Financial Instruments</i>	1 January 2018
MFRS 16: <i>Leases</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between Investor and its Associate or Joint Venture</i>	Deferred

The directors expect that the adoption of the above standards and amendments will have no material impact on the financial statements of the Company except as disclosed below:

MFRS 107: *Disclosures Initiatives (Amendments to MFRS 107)*

The amendments to MFRS 107 Statement of Cash Flows require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Company.

MFRS 112: *Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

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

MFRS 112: Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112) (cont'd.)

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Company.

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Company’s financial statements. The Company is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.