# Timah Resources Limited ABN 69 123 981 537 and Controlled Entities

## Financial report for the year ended 30 June 2017

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

**Results for Announcement to the Market**

| Key Information | 2017 RM'000 | 2016 RM'000 | % Change |
|---|---|---|---|
| Revenue from ordinary activities | 13,609 | 20,070 | -32% |
| Loss after tax from ordinary activities attributable to members | (56) | (14,582) | 99% |
| Net loss attributable to members | (56) | (14,582) | 99% |

**Net Tangible Assets per Share**

| | 2017 RM/share | 2016 RM/share |
|---|---|---|
| Net tangible assets per share | 0.17 | 0.16 |

**Dividend Reinvestment Plan**

There was no dividend reinvestment plan in operation during the financial year.

**Review of Operations**

The Group achieved commercial operation for its upgraded biogas power plant on 15 February 2017. Renewable electricity has been generated and exported to the national grid since the commercial operation date.

The biogas power plant is currently operating at about 60% of its total installed capacity. Management is taking the necessary steps to try to optimise the operation of the upgraded system and increase its generation efficiency.

Although the plant only operated less than 5 months since the commercial operation date, the Group achieved a profit before tax amounting to RM501,638. As a whole, the Group achieved a total comprehensive income for the period of RM 503,000 as compared to the total comprehensive loss of RM 14,683,000 in the preceding period.

The Group hopes to improve its performance in the next financial year with all the necessary steps currently being undertaken to try to optimise the operation of the upgraded system and increase its generation efficiency.

**Status of Audit**

The 30 June 2017 financial statements and accompanying notes for Timah Resources Limited are in the process of being audited and are not subject to any disputes or qualifications.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 June 2017

| | Note | Consolidated Group | |
|---|---|---|---|
| | | 2017 | 2016 |
| | | RM'000 | RM'000 |
| Revenue | 2 | 13,609 | 20,070 |
| Cost of sales | | (13,707) | (19,896) |
| **Gross loss/profit** | | (98) | 174 |
| Other income | 2 | 3,108 | 6,236 |
| Administrative expenses | | (730) | (652) |
| Finance costs | | (1,779) | (1,238) |
| Impairment of goodwill | | - | (17,849) |
| **Profit/(Loss) before income tax** | | 501 | (13,329) |
| Income tax expense | | (557) | (1,253) |
| **Loss for the period** | | (56) | (14,582) |
| **Other comprehensive income:** | | | |
| Exchange differences on translation of foreign operations | | 559 | (102) |
| **Total comprehensive income/(loss) for the period** | | 503 | (14,683) |
| **Earnings per share** | | | |
| – basic earnings per share (cents) | | (0.006) | (17.73) |
| – diluted earnings per share (cents) | | (0.006) | (17.73) |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

| | Note | Consolidated Group 2017 RM'000 | Consolidated Group 2016 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 6,738 | 8,479 |
| Trade and other receivables | | 3,416 | 1,224 |
| Other assets | | 322 | 92 |
| Inventories | | 69 | 30 |
| TOTAL CURRENT ASSETS | | 10,545 | 9,825 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | | 52,552 | 39,741 |
| Property, plant and equipment | | 512 | 499 |
| TOTAL NON-CURRENT ASSETS | | 53,064 | 40,240 |
| TOTAL ASSETS | | 63,609 | 50,065 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 3,531 | 905 |
| Borrowings | | 2,263 | 1,650 |
| TOTAL CURRENT LIABILITIES | | 5,794 | 2,555 |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | | 34,177 | 22,670 |
| Borrowings | | 6,825 | 9,087 |
| Deferred tax liabilities | | 898 | 341 |
| TOTAL NON-CURRENT LIABILITIES | | 41,900 | 32,098 |
| TOTAL LIABILITIES | | 47,694 | 34,653 |
| NET ASSETS | | 15,915 | 15,412 |
| **EQUITY** | | | |
| Issued capital | 3 | 31,981 | 31,981 |
| Foreign currency translation reserve | | 457 | (102) |
| Retained earnings | | (16,523) | (16,467) |
| TOTAL EQUITY | | 15,915 | 15,412 |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

| Consolidated Group | Ordinary Share Capital | Retained Earnings | Foreign Currency Translation Reserve | Total |
|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Balance at 1 July 2015** | 9,250 | (1,885) | - | 7,365 |
| **Comprehensive income** | | | | |
| Profit for the period | - | (14,582) | - | (14,582) |
| **Foreign exchange translation difference** | - | - | (102) | (102) |
| **Transactions with owners, in their capacity as owners, and other transfers** | | | | |
| Shares issued during the period | 22,861 | - | - | 22,861 |
| Equity raising costs | (130) | | | (130) |
| **Balance at 30 June 2016** | 31,981 | (16,467) | (102) | 15,412 |
| | | | | |
| **Balance at 1 July 2016** | 31,981 | (16,467) | (102) | 15,412 |
| **Comprehensive income** | | | | |
| Loss for the period | - | (56) | - | (56) |
| **Foreign exchange translation difference** | - | - | 559 | 559 |
| **Balance at 30 June 2017** | 31,981 | (16,523) | 457 | 15,915 |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

| | Consolidated Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 2,243 | 3,556 |
| Payments to suppliers and employees | (4,093) | (3,019) |
| Interest received | 174 | 100 |
| Finance costs | (1,779) | (1,238) |
| Net cash used in operating activities | (3,455) | (601) |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payment for construction assets | (8,722) | (11,599) |
| Net cash used in investing activities | (8,722) | (11,599) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of borrowings | (1,650) | (1,650) |
| Proceeds from issue of shares | - | 6,490 |
| Equity raising costs | - | (130) |
| Advances from holding company | 11,495 | 15,143 |
| Net cash provided by financing activities | 9,845 | 19,853 |
| | | |
| Net decrease/increase in cash held | (2,332) | 7,653 |
| Cash and cash equivalents at beginning of period | 8,479 | 739 |
| Effect of exchange rate changes on cash and cash equivalents | 591 | 87 |
| Cash and cash equivalents at end of period | 6,738 | 8,479 |

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of Preparation

These general purpose consolidated financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The consolidated financial statements have been prepared using reverse acquisition accounting. In reverse acquisition accounting, the cost of the business combination is deemed to have been incurred by the legal subsidiary Mistral Engineering Sdn Bhd (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent, Timah (the acquire for accounting purposes).

The ultimate holding company of the Group is Cepatwawasan Group Berhad, a company incorporated in Malaysia.

**Functional and Presentation Currency**

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Malaysia Ringgit which is the parent entity's functional and presentation currency.

### b. Going Concern

Notwithstanding the Group incurred net cash outflows from operations of RM3,454,577 for the year ended 30 June 2017, the financial statements of the Group have been prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future.

The ultimate holding company has agreed to provide continue financial support to the extent that the Group will be able to meet it liabilities as and when they fall due during the next twelve months period ending 30 June 2018.

The Group's budget indicates the Group will be profitable for the 12 months ended 30 June 2018.

Based on the above basis, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

### c. Accounting Policies

The same accounting policies and methods of computation have been followed in this financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**d. 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, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowings costs for long-term construction projects if the recognition criteria are met.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. 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.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Buildings and infrastructure | 5% - 7% |
| Heavy equipment, plant and machinery | 6% - 10% |
| Furniture, fittings and equipment | 10% |

Assets under construction are not depreciated as these assets are not yet available for use.

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, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised.

**e. Impairment of Non-Financial Assets**

The Group 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 Group 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

**f. Loans and Borrowings**

Loans and borrowings and payables are recognised initially at net of directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

**g. Revenue Recognition**

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

Revenue from the sale of electricity is recognised upon transfer of significant risks and rewards of ownership to the buyer. 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.

**h. Service Concession Agreements**

Mistral and Sabah Electricity Sdn. Bhd. ("SESB") entered into a Renewable Energy Power Purchase Agreement on 1 April 2015 ("REPPA") to design, construct, own, operate and maintain a Renewable Energy Power Plant ("the Facilities"), to sell and deliver electrical energy to SESB under the Feed-In Tariff Program.

In accordance with the terms of the REPPA, SESB agrees to purchase the Annual Baseline Energy generated from the Facilities at a fixed tariff of 16 years from the commercial operation date.

**Revenue**

The Group recognises revenue from the construction of the Facilities in accordance with its accounting policy for construction contracts set out in Note 1 (i) below. Where the Group performs more than one service under the arrangement, consideration received or receivable is allocated to the components by reference to the relative fair values of the services delivered, when the amounts are separately identified.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Assets**
The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services.

**i. Construction contracts**

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is possible that total contract costs will exceed total contract revenues, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenues and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amounts due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amounts due to customers on contracts.

**j. Foreign Currency Transactions and Balances**

**Transaction and balances**
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in the statement of profit or loss.

**Group companies**

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

**NOTE 2: REVENUE**

| | Consolidated Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| Revenue: | | |
| Sales of renewable energy | 2,079 | 2,358 |
| Construction of services concession facilities | 11,530 | 17,713 |
| Other Income: | | |
| Sales of sludge oil | 155 | 1,198 |
| Interest income | 2,557 | 1,815 |
| Compensation for Emission Reductions Purchase Agreement termination | - | 1,899 |
| Debt forgiveness | 367 | 1,322 |
| Other income | 29 | 1 |
| | 16,717 | 26,306 |

**NOTE 3: ISSUED CAPITAL**

| | No. | RM'000 |
|---|---|---|
| Opening balance at 1 July 2016 | 93,481,313 | 31,981 |
| Share issued | - | - |
| Closing balance at 30 June 2017 | 93,481,313 | 31,981 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

## NOTE 5: OPERATING SEGMENTS

The Group operates in a single segment being renewable energy generation in two geographical segments.

| | Australia | Malaysia | Total |
|---|---|---|---|
| **(i) Segment Performance** | **RM'000** | **RM'000** | **RM'000** |
| **Year Ended 30.6.2017** | | | |
| Revenue | 180 | 16,170 | 16,350 |
| Debt forgiveness | 367 | - | 367 |
| **Total Segment Revenue** | **547** | **16,170** | **16,717** |
| Inter-Segment Elimination | - | - | - |
| **Total Group Revenue** | **547** | **16,170** | **16,717** |
| **Segment Net (Loss)/Profit before tax** | **(63)** | **564** | **(501)** |
| **Year Ended 30.6.2016** | | | |
| Revenue | 87 | 24,896 | 24,983 |
| Debt forgiveness | 1,323 | - | 1,323 |
| **Total Segment Revenue** | **1,410** | **24,896** | **26,306** |
| Inter-Segment Elimination | - | - | - |
| **Total Group Revenue** | **1,410** | **24,896** | **26,306** |
| **Segment Net (Loss)/Profit before tax** | **(16,985)** | **3,656** | **(13,329)** |
| **(ii) Segment Assets** | | | |
| **As at 30.6.2017** | | | |
| **Total Group Assets** | **6,306** | **57,303** | **63,609** |
| **As at 30.06.2016** | | | |
| **Total Group Assets** | **6,041** | **44,024** | **50,065** |
| **(iii) Segment Liabilities** | | | |
| **As at 30.6.2017** | | | |
| **Total Liabilities** | **166** | **47,528** | **47,694** |
| **As at 30.06.2016** | | | |
| **Total Liabilities** | **396** | **34,256** | **34,652** |

**NOTE 6: EVENTS AFTER BALANCE SHEET DATE**

There have been no other subsequent events that would have a material impact on the financial report for the year ended 30 June 2017.