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**MISTRAL ENGINEERING SDN. BHD.
(COMPANY NO: 588127-H)
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements
31 December 2013**

Ernst & Young
AF: 0039

Audited financial statements and other financial information

DIRECTORS

Dato' Seri Mah King Thian @ Mah King Thiam
Dato' Seri Mah King Seng

SECRETARIES

Chan Yoke Yin (MAICSA 7043743)
Chiew Cindy (MAICSA 7057923)

INDEPENDENT AUDITORS

Ernst & Young

BANKERS

RHB Bank Berhad
AmBank (M) Berhad
Public Bank Berhad

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MISTRAL ENGINEERING SDN. BHD.

(Company No: 588127-H)

(Incorporated in Malaysia)

Directors' report

The Directors hereby present their report together with the audited financial statements of the Company for the financial year ended 31 December 2013.

Principal activity

The principal activity of the Company is the operation of a biogas power plant.

There has been no significant change in the nature of the activity during the financial year.

Results

	RM
Loss net of tax	<u>(647,015)</u>

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.

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:

Dato' Seri Mah King Thian @ Mah King Thiam

Dato' Seri Mah King Seng

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 by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

MISTRAL ENGINEERING SDN. BHD.

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Directors' report

Directors' interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			
	1.1.2013	Acquired	Sold	31.12.2013
The Company				
Indirect interest:				
Dato' Seri Mah King Thian @ Mah King Thiam	175,000	-	-	175,000
Dato' Seri Mah King Seng	175,000	-	-	175,000
Immediate holding company, Cash Nexus (M) Sdn. Bhd.				
Indirect interest:				
Dato' Seri Mah King Thian @ Mah King Thiam	355,000	-	-	355,000
Dato' Seri Mah King Seng	355,000	-	-	355,000
Ultimate holding company, Cepatwawasan Group Berhad				
Indirect interest:				
Dato' Seri Mah King Thian @ Mah King Thiam	118,831,200	-	-	118,831,200
Dato' Seri Mah King Seng	118,831,200	-	-	118,831,200
Holding companies				

The Directors regard Cepatwawasan Group Berhad and Cash Nexus (M) Sdn. Bhd., both companies incorporated in Malaysia, as the ultimate and immediate holding companies respectively.

MISTRAL ENGINEERING SDN. BHD.

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Directors' report

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.
- (c) 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.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (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.

MISTRAL ENGINEERING SDN. BHD.

(Company No: 588127-H)

(Incorporated in Malaysia)

Directors' report

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 22 MAR 2014


Dato' Seri Mah King Thian @ Mah King Thiam


Dato' Seri Mah King Seng

MISTRAL ENGINEERING SDN. BHD.

(Company No: 588127-H)

(Incorporated in Malaysia)

Statement by Directors

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

We, Dato' Seri Mah King Thian @ Mah King Thiam and Dato' Seri Mah King Seng, being the Directors of Mistral Engineering Sdn. Bhd., do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 9 to 45 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 December 2013 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 11 MAR 2014


Dato' Seri Mah King Thian @ Mah King Thiam


Dato' Seri Mah King Seng

Statutory Declaration

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

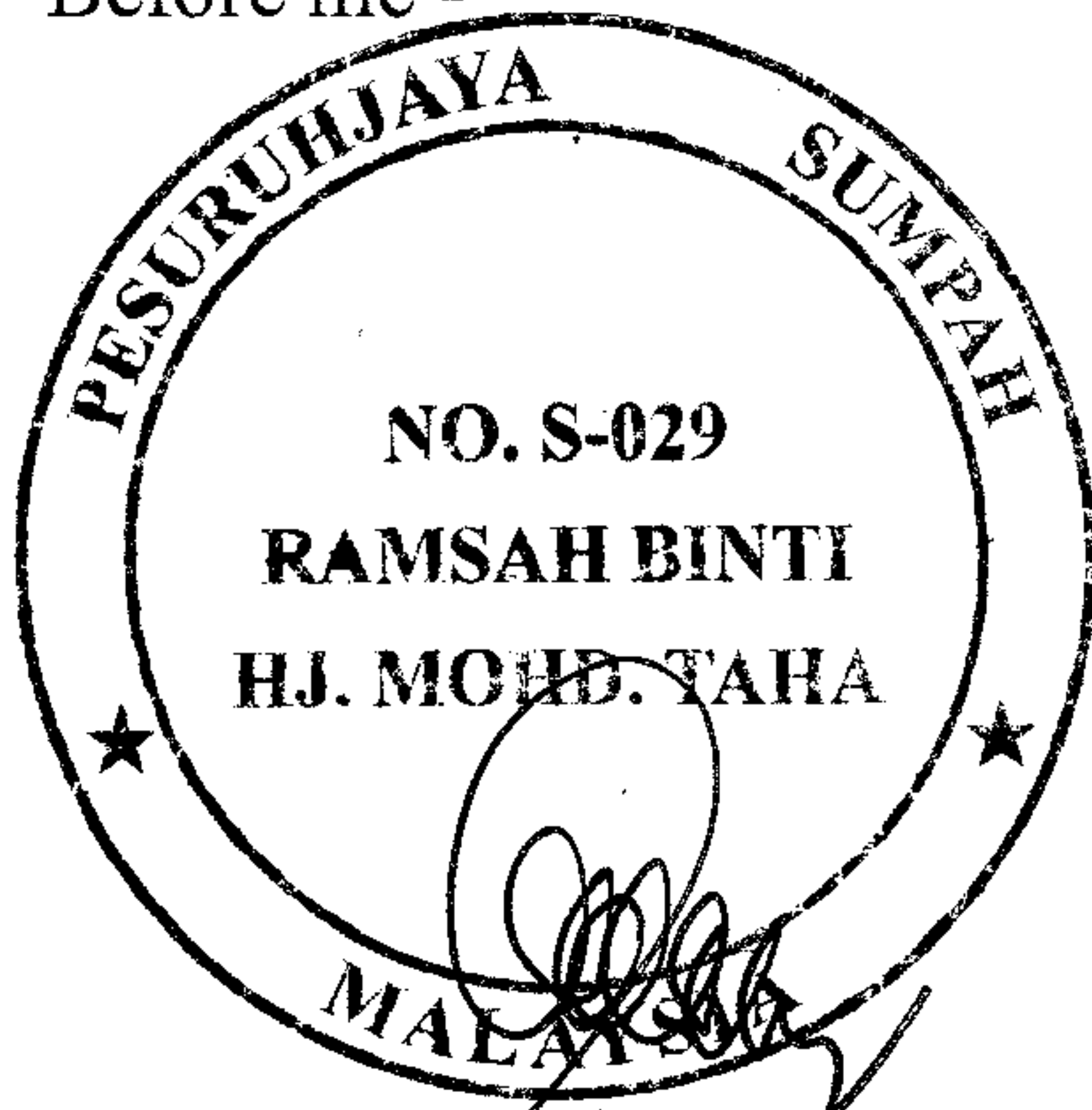
I, Wong Kai Lih, being the Officer primarily responsible for the financial management of Mistral Engineering Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 45 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Wong Kai Lih
at Sandakan in the State of Sabah
on

11 MAR 2014


Wong Kai Lih

Before me -



No. 3, Tingkat 2,
Wisma Sandaraya,
Sandakan, Sabah.



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588127-H
Independent auditors' report to the member of
MISTRAL ENGINEERING SDN. BHD.
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Mistral Engineering Sdn. Bhd., which comprise statement of financial position as at 31 December 2013, 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 notes, as set out on pages 9 to 45.

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 the 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 the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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



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**Independent auditors' report to the member of
MISTRAL ENGINEERING SDN. BHD. (continued)
(Incorporated in Malaysia)**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2013 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, 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

Sandakan, Malaysia

11 MAR 2014

Chau Nam Kong
3096/12/15(J)
Chartered Accountant

Statement of comprehensive income
For the financial year ended 31 December 2013

	Note	2013 RM	2012 RM
Revenue	4	437,564	-
Cost of sales		<u>(849,341)</u>	<u>(27,994)</u>
Gross loss		(411,777)	(27,994)
Other items of expense			
Administrative expenses		(61,958)	(50,118)
Finance cost	5	<u>(372,129)</u>	<u>(3,405)</u>
Loss before tax	6	(845,864)	(81,517)
Income tax expense	7	<u>198,849</u>	<u>-</u>
Loss net of tax		(647,015)	(81,517)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u><u>(647,015)</u></u>	<u><u>(81,517)</u></u>

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

Statement of financial position
As at 31 December 2013

	Note	2013 RM	2012 RM
ASSETS			
Non-current assets			
Property, plant and equipment	8	23,950,690	21,671,666
Deferred tax asset	9	198,849	-
		<u>24,149,539</u>	<u>21,671,666</u>
Current assets			
Inventories	10	18,327	525
Other receivables	11	171,568	939,702
Cash and bank balances	12	80,434	97,767
		<u>270,329</u>	<u>1,037,994</u>
Total assets		<u><u>24,419,868</u></u>	<u><u>22,709,660</u></u>
EQUITY AND LIABILITIES			
Current liabilities			
Other payables	13	10,353,876	7,839,409
Loans and borrowings	14	1,671,301	157,244
		<u>12,025,177</u>	<u>7,996,653</u>
Net current liabilities		<u>(11,754,848)</u>	<u>(6,958,659)</u>
Non-current liability			
Loans and borrowings	14	13,216,190	14,887,491
Total liabilities		<u>25,241,367</u>	<u>22,884,144</u>
Net liabilities		<u>(821,499)</u>	<u>(174,484)</u>
Equity attributable to owners of the parent			
Share capital	15	250,000	250,000
Accumulated losses		(1,071,499)	(424,484)
		<u>(821,499)</u>	<u>(174,484)</u>
Total equity and liabilities		<u><u>24,419,868</u></u>	<u><u>22,709,660</u></u>

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

Statement of changes in equity
For the financial year ended 31 December 2013

	Equity, total RM	Share capital RM	Accumulated losses RM
At 1 January 2012	(92,967)	250,000	(342,967)
Total comprehensive loss	<u>(81,517)</u>	<u>-</u>	<u>(81,517)</u>
At 31 December 2012	(174,484)	250,000	(424,484)
Total comprehensive loss	<u>(647,015)</u>	<u>-</u>	<u>(647,015)</u>
At 31 December 2013	<u><u>(821,499)</u></u>	<u><u>250,000</u></u>	<u><u>(1,071,499)</u></u>

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

Statement of cash flows

For the financial year ended 31 December 2013

	2013 RM	2012 RM
Operating activities		
Loss before tax	(845,864)	(81,517)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	613,032	16,420
Finance cost	372,129	3,405
Total adjustments	985,161	19,825
Operating cash flows before changes in working capital	139,297	(61,692)
<u>Changes in working capital</u>		
Increase in inventories	(17,802)	(525)
Decrease/(increase) in receivables	426,675	(174,603)
Increase in other payables	204,935	923,801
Net movement with ultimate holding company	5,352	389,795
Net movement with related companies	2,645,639	1,564,160
Total changes in working capital	3,264,799	2,702,628
Cash flows from operations	3,404,096	2,640,936
Interest paid	(858,175)	(717,826)
Net cash flows from operating activities	2,545,921	1,923,110
Investing activity		
Purchase of plant and equipment	(2,406,010)	(3,791,720)
Net cash flows used in investing activity	(2,406,010)	(3,791,720)
Financing activities		
Repayment of obligation under finance lease	(19,744)	(15,265)
(Repayment)/Proceeds from drawdown of bank loan	(137,500)	1,130,933
Net cash flows (used in)/from financing activities	(157,244)	1,115,668
Net decrease in cash and cash equivalents	(17,333)	(752,942)
Cash and cash equivalents at 1 January	97,767	850,709
Cash and cash equivalents at 31 December (Note 12)	80,434	97,767

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

Notes to the financial statements
For the financial year ended 31 December 2013

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 Kompleks Pejabat Behrang 2020, Jalan Persekutuan 1, 35900 Tanjung Malim, Perak Darul Ridzuan. The principal place of business of the Company is located at Lot 70, Block 6, Prima Square, Mile 4, North Road, 90000 Sandakan, Sabah.

The immediate and ultimate holding companies of the Company are Cash Nexus (M) Sdn. Bhd. and Cepatwawasan Group Berhad respectively, both of which are incorporated in Malaysia. The ultimate holding company, Cepatwawasan Group Berhad produces financial statements available for public use.

The principal activity of the Company is the operation of a biogas power plant. There has been no significant change in the nature of the activity during the financial year.

2. Fundamental accounting concept

The financial statements of the Company have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

The Company incurred a net loss of RM647,015 for the year ended 31 December 2013. As of 31 December 2013, the Company's current liabilities exceeded its current asset by RM11,754,848. The ability of the Company to continue as a going concern and repayment of its debts as and when they fall due is dependent on the Company achieving future profitable operations and the continued financial support from the ultimate holding company. The financial statements do not include any adjustments which may be necessary should such financial support not be available.

The ultimate holding company has agreed to provide continued financial support to the extent that the Company will be able to meet its liabilities as and when they fall due during the next twelve months period from 31 December 2013

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

3. Summary of significant accounting policies

3.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Company adopted new and revised MFRS which are mandatory for financial periods beginning on or after 1 January 2013 as described fully in Note 3.2.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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

3. Summary of significant accounting policies (continued)**3.2 Changes in accounting policies**

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

On 1 January 2013, the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013:

Description	Effective for financial 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 Combination 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 119 : Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127 : Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128 : Investment 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: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Annual Improvements 2009 - 2011 Cycle	1 January 2013
Amendments to MFRS 1: Government Loans	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 interpretations did not have any effect on the financial performance and position of the Company.

3. Summary of significant accounting policies (continued)**3.3 Standard 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 intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	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
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 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 January 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 this first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

3. Summary of significant accounting policies (continued)

3.4 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 Company 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 Company 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:

Long term leasehold land	Over remaining lease term of land
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.

3. Summary of significant accounting policies (continued)

3.5 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 are recognised in profit or loss.

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.

3.6 Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

3. Summary of significant accounting policies (continued)

3.6 Current versus non-current classification (continued)

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.7 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

3. Summary of significant accounting policies (continued)

3.7 Financial instruments – initial recognition and subsequent measurement (continued)

a) Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. The Company has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. 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 in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to other receivables. For more information on receivables, refer to Note 11.

3. Summary of significant accounting policies (continued)

3.7 Financial instruments – initial recognition and subsequent measurement (continued)

a) Financial assets (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. 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 income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Company did not have any held-to-maturity investments during the years ended 31 December 2013 and 2012.

Available-for-sale (AFS) financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

3. Summary of significant accounting policies (continued)

3.7 Financial instruments – initial recognition and subsequent measurement (continued)

a) Financial assets (continued)

Available-for-sale (AFS) financial investments (continued)

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3. Summary of significant accounting policies (continued)

3.7 Financial instruments – initial recognition and subsequent measurement (continued)

b) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

3. Summary of significant accounting policies (continued)

3.7 Financial instruments – initial recognition and subsequent measurement (continued)

b) Impairment of financial assets (continued)

Available-for-sale (AFS) financial investments

For AFS financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

3. Summary of significant accounting policies (continued)

3.7 Financial instruments – initial recognition and subsequent measurement (continued)

c) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

3. Summary of significant accounting policies (continued)

3.7 Financial instruments – initial recognition and subsequent measurement (continued)

c) Financial liabilities (continued)

Loans and borrowings

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. For more information refer Note 14.

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

As at reporting date, no values are placed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiaries where such loans and banking facilities are fully collateralised by fixed and floating charges over the property, plant and equipment and other assets of the subsidiaries and where the directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3. Summary of significant accounting policies (continued)

3.7 Financial instruments – initial recognition and subsequent measurement (continued)

d) Offsetting of financial instruments

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

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. These also include bank overdrafts that form an integral part of the Company's cash management, if any.

3.9 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:

- Consumable stores: purchase costs and expenses in bringing them into store on a weighted average cost method.

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.

3.10 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.

3. Summary of significant accounting policies (continued)

3.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs incurred on or after the date of transition (1 January 2012) for all eligible qualifying assets are capitalised. The Company has not restated the borrowing costs capitalised under the FRS on qualifying assets to the date of transition to MFRS.

3.12 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2012, the date of inception is deemed to be 1 January 2012 in accordance with MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards.

a) As lessee

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

3. Summary of significant accounting policies (continued)

3.12 Leases (continued)

a) As lessee (continued)

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

b) As lessor

Leases where the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

3.13 Fair value measurement

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:

- In the principal market for the asset or liability, or
- 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.

3. Summary of significant accounting policies (continued)

3.13 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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

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.

3.14 Revenue recognition

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.

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.

3.15 Taxes

a) Current income tax

Current tax assets and liabilities for the current period 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 in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3. Summary of significant accounting policies (continued)

3.15 Taxes (continued)

b) Deferred tax

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

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 recovered.

3. Summary of significant accounting policies (continued)

3.15 Taxes (continued)

b) Deferred tax (continued)

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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

3.16 Share capital and share issuance expenses

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.

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.

3.17 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Company.

Contingent liabilities and assets are not recognised in the statement of financial position of the Company.

3. Summary of significant accounting policies (continued)**3.18 Significant accounting judgement and estimates****Useful lives of plant and equipment**

The cost of plant and equipment is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 5 to 20 years. These are common life expectancies applied in the operation of a biogas power plant 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. The carrying amount of the Company's plant and equipment at the reporting date is disclosed in Note 8. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 4.74% (2012: 1.01%) variance in the Company's loss for the year.

4. Revenue

This represents sales of electricity.

5. Finance cost

	2013	2012
	RM	RM
Interest expense on:		
Advances obtained	152,393	-
Bank loans	217,077	-
Obligation under finance lease	2,659	3,405
	<u>372,129</u>	<u>3,405</u>

6. Loss before tax

The following items have been included in arriving at loss before tax:

	2013	2012
	RM	RM
Auditors' remuneration		
- statutory audit		
- current year	3,500	3,500
- underprovision in prior year	-	1,000
Depreciation of property, plant and equipment (Note 8)	613,032	16,420
Rental of land	-	10,000
	<u>613,032</u>	<u>29,920</u>

Notes to the financial statements

For the financial year ended 31 December 2013

7. Income tax expenseMajor components of income tax expense

The major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	2013	2012
	RM	RM
Statement of comprehensive income:		
Deferred income tax (Note 9):		
Origination and reversal of temporary differences	(162,475)	-
Effect of reduction in tax rate	(41,222)	-
Underprovision in respect of previous years	4,848	-
Income tax expense recognised in profit or loss	<u>(198,849)</u>	<u>-</u>

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 2012 are as follows:

	2013	2012
	RM	RM
Accounting loss before tax	<u>(845,864)</u>	<u>(81,517)</u>
Tax at statutory tax rate of 25% (2012: 25%)	(211,466)	(20,379)
Adjustment:		
Effect of reduction in tax rate	(41,222)	-
Underprovision of deferred income tax in respect of previous years	4,848	-
Non-deductible expenses	48,991	20,379
Income tax expense recognised in profit or loss	<u>(198,849)</u>	<u>-</u>

Current income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year. The statutory tax rate will be reduced from the current year's rate of 25% to 24% with effect from the year of assessment 2016.

	2013	2012
	RM	RM
Unabsorbed capital allowances carried forward	<u>7,520,973</u>	<u>36,243</u>
Unutilised tax losses carried forward	<u>145,820</u>	<u>-</u>

Notes to the financial statements

For the financial year ended 31 December 2013

8. Property, plant and equipment

Cost	Long term leasehold land RM	Buildings RM	Infrastructure RM	Heavy equipment, plant and machinery RM	Furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
At 1 January 2012	-	-	-	-	-	17,121,945	17,121,945
Additions	396,336	-	-	115,000	24,057	4,030,748	4,566,141
At 31 December 2012 and 1 January 2013	396,336	-	-	115,000	24,057	21,152,693	21,688,086
Additions	-	35,937	-	4,580	106,194	2,745,345	2,892,056
Reclassifications	-	2,649,817	565,832	20,682,389	-	(23,898,038)	-
At 31 December 2013	396,336	2,685,754	565,832	20,801,969	130,251	-	24,580,142
Accumulated Depreciation							
At 1 January 2012	-	-	-	-	-	-	-
Depreciation charge for the year	4,194	-	-	10,542	1,684	-	16,420
At 31 December 2012 and 1 January 2013	4,194	-	-	10,542	1,684	-	16,420
Depreciation charge for the year	6,291	56,659	11,788	528,737	9,557	-	613,032
At 31 December 2013	10,485	56,659	11,788	539,279	11,241	-	629,452
Net Carrying Amount							
At 31 December 2012	392,142	-	-	104,458	22,373	21,152,693	21,671,666
At 31 December 2013	385,851	2,629,095	554,044	20,262,690	119,010	-	23,950,690

8. Property, plant and equipment (continued)

During the financial year, the Company acquired property, plant and equipment at aggregate costs of RM2,892,056 (2012: RM4,566,141) as follows:

	2013 RM	2012 RM
Borrowing cost capitalised	486,046	714,421
Property, plant and equipment acquired under finance lease	-	60,000
Cash payments made for acquisition of property, plant and equipment	2,406,010	3,791,720
	<u>2,892,056</u>	<u>4,566,141</u>

(i) Capitalisation of borrowing costs

The Company's assets under construction include borrowing costs arising from loans and advances borrowed from bank and a related company specifically for the purpose of the construction of a plant. During the financial year, the borrowing costs capitalised as cost of capital work-in-progress amounted to RM486,046 (2012: RM714,421).

(ii) Assets held under finance leases

The net carrying amount of property, plant and equipment of the Company held under finance lease at the reporting date was RM73,558 (2012: RM82,658).

Leased asset is pledged as security for the related finance lease liabilities as disclosed in Note 14.

(iii) Assets pledged as security

In addition to asset held under finance leases, all property, plant and equipment of the Company have been pledged to bank for the banking facilities granted to the Company as disclosed in Note 14.

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For the financial year ended 31 December 2013

9. Deferred tax asset

Deferred income tax as at reporting date relates to the following:

	As at 1 January 2012 RM	Recognised in profit or loss RM	As at 31 December 2012 RM	Recognised in profit or loss RM	As at 31 December 2013 RM
Deferred tax liabilities:					
Plant and equipment	-	6,004	6,004	1,635,178	1,641,182
Deferred tax assets:					
Unutilised tax losses	-	-	-	(34,997)	(34,997)
Unabsorbed capital allowances	-	(6,004)	(6,004)	(1,799,030)	(1,805,034)
	-	(6,004)	(6,004)	(1,834,027)	(1,840,031)
	-	-	-	(198,849)	(198,849)

10. Inventories

	2013 RM	2012 RM
At Cost:		
Consumable supplies	<u>18,327</u>	<u>525</u>

There were no inventories stated at net realisable value as at 31 December 2013 and 2012.

11. Other receivables

	2013 RM	2012 RM
Current		
Amount due from immediate holding company	2,174	2,174
Amount due from a related company	-	341,459
Deposits	3,070	121,045
Prepayment	19,304	525
Sundry receivables	147,020	474,499
	<u>171,568</u>	<u>939,702</u>
Total other receivables	171,568	939,702
Add: Cash and bank balances (Note 12)	80,434	97,767
Less: Prepayment and non refundable deposits	(22,374)	(121,570)
Total loans and receivables	<u>229,628</u>	<u>915,899</u>

11. Other receivables (continued)**(a) Amount due from immediate holding company**

The amount is unsecured, non-interest bearing and is repayable upon demand.

(b) Amount due from a related company

The amount was unsecured, non-interest bearing and was repayable upon demand.

12. Cash and bank balances

Cash and cash equivalents included in the statement of cash flow represents bank balances.

13. Other payables

	2013	2012
	RM	RM
Amount due to related companies:		
- Interest bearing advances	7,861,697	5,830,887
- Non-interest bearing advances	273,370	-
	<u>8,135,067</u>	<u>5,830,887</u>
Amount due to ultimate holding company	395,624	390,272
Retention sum payable to contractor	925,896	1,581,835
Sundry payables	893,789	32,915
Accruals	3,500	3,500
	<u>10,353,876</u>	<u>7,839,409</u>
Total other payables	10,353,876	7,839,409
Add: Loans and borrowings (Note 14)	14,887,491	15,044,735
Total financial liabilities carried at amortised cost	<u>25,241,367</u>	<u>22,884,144</u>

13. Other payables (continued)

(a) Amounts due to related companies

The non-interest bearing advances are unsecured and repayable on demand. The interest bearing advances bear floating interest rate at 4.8% (2012: 6%) per annum are unsecured and repayable upon demand.

(b) Amount due to ultimate holding company

This amount is non-interest bearing, unsecured and repayable on demand.

(c) Sundry payables

These amounts are non-interest bearing and are normally settled on an average term of three months (2012: average term of three months).

14. Loans and borrowings

	2013	2012
	RM	RM
Current		
Secured:		
Obligations under finance lease	21,301	19,744
Bank loan at COF + 1.5% p.a.	1,650,000	137,500
	<u>1,671,301</u>	<u>157,244</u>
Non-current		
Secured:		
Obligations under finance lease	3,690	24,991
Bank loan at COF + 1.5% p.a.	13,212,500	14,862,500
	<u>13,216,190</u>	<u>14,887,491</u>
Total loans and borrowings	<u><u>14,887,491</u></u>	<u><u>15,044,735</u></u>

The remaining maturities of the loans and borrowings are as follows:

	2013	2012
	RM	RM
On demand or within one year	1,671,301	157,244
More than 1 year and less than 2 years	1,653,690	1,671,301
More than 2 years and less than 5 years	6,087,500	5,041,190
5 years or more	5,475,000	8,175,000
	<u><u>14,887,491</u></u>	<u><u>15,044,735</u></u>

14. Loans and borrowings (continued)

Obligation under finance lease

The obligation is secured by a charge over the leased asset (Note 8). The average discount rate implicit in the lease is 7.51% p.a. (2012: 7.51% p.a.).

RM bank loan at COF + 1.5% p.a.

This loan is secured by:

- (a) a corporate guarantee given by the ultimate holding company;
- (b) first legal charge over the sub-divided land of a related company together with the plant to be erected thereon;
- (c) debentures incorporating fixed and floating charge over all assets of the Company excluding the stipulated amount of Certified Emission Reductions (“CERs”) to be generated by the Company but including the proceeds generated from the sales of the CERs;
- (d) assignment over all contract proceeds from a related company in accordance with the Renewable Energy Power Purchase Agreement;
- (e) assignment over all rights and benefits under the contracts between the Company and its contractors;
- (f) assignment over the performance bonds issued by contractors in favour of the Company in relation to the plant; and
- (g) third party guarantee up to 60% of the limit of the term loan facility of RM15 million.

15. Share capital

	Number of ordinary shares of RM1 each		Amount	
	2013	2012	2013 RM	2012 RM
Authorised				
At 1 January and 31 December	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid				
At 1 January and 31 December	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Company’s residual assets.

16. Related party transactions**Sale and purchase of goods and services**

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:

	2013	2012
	RM	RM
Transaction with related companies		
Prolific Yield Sdn. Bhd.		
- Interest on advances obtained	335,378	222,650
- Sales of electricity	341,356	-
Wong Tet-Jung Plantations Sdn. Bhd.		
- Rental of land	-	10,000
- Purchase of land	-	385,000
Cash Horse (M) Sdn. Bhd.		
- Sales of electricity	<u>96,208</u>	<u>-</u>

17. Commitments**(a) Capital commitments**

Capital expenditure commitments as at the reporting date are as follows:

	2013	2012
	RM	RM
Approved and contracted for:		
Property, plant and equipment	<u>1,722,896</u>	<u>1,579,933</u>
Approved but not contracted for:		
Property, plant and equipment	<u>1,433,000</u>	<u>-</u>

17. Commitments (continued)

(b) Finance lease commitments

The Company has finance leases for certain items of plant and equipment (Note 8). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	2013	2012
	RM	RM
Minimum lease payments:		
Not later than 1 year	22,404	22,404
Later than 1 year and not later than 2 years	3,722	22,404
Later than 2 years and not later than 5 years	-	3,722
Total minimum lease payments	26,126	48,530
Less: Amounts representing finance charges	(1,135)	(3,795)
Present value of minimum lease payments	<u>24,991</u>	<u>44,735</u>
Present value of payments:		
Not later than 1 year	21,301	19,744
Later than 1 year and not later than 2 years	3,690	21,301
Later than 2 years and not later than 5 years	-	3,690
Present value of minimum lease payments	24,991	44,735
Less: Amount due within 12 months	(21,301)	(19,744)
Amount due after 12 months	<u>3,690</u>	<u>24,991</u>

18. Fair value of financial instruments

Set out below, is a comparison by classes of the carrying amounts and fair values of the financial instruments, other than those with carrying amounts are reasonable approximate of fair value.

	2013		2012	
	Carrying	Fair	Carrying	Fair
	Amount	Value	Amount	Value
		(Level 2)		(Level 2)
	RM	RM	RM	RM
Financial Liability:				
Obligation under finance lease (non-current)	<u>3,690</u>	<u>3,480</u>	<u>24,991</u>	<u>24,228</u>

18. Fair value of financial instruments (continued)

The management assessed that fair value of cash and short-term deposits, trade receivables, trade payables, short-term loan and borrowings and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The carrying amounts of non-current loans and borrowings are reasonable approximations of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The following methods and assumptions were used to estimate the fair value:

Finance lease obligations

The fair values of this financial instrument are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

19. 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 interest rate risk and liquidity risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Executive Committee. The audit committee provides independent oversight to the effectiveness of the risk management process.

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk arises primarily from its loans and borrowings. The Company's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Company's loss net of tax would have been RM37,471 (2012: RM30,000) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

19. Financial risk management objectives and policies (continued)**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations associated with financial liabilities that are settled by delivery of cash or another financial assets. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by-credit facilities.

At the reporting date, approximately 11% (2012: 1%) of the Company's loans and borrowings (Note 14) will mature in less than one year based on the carrying amount reflected in the financial statements.

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted amounts.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
2013				
Financial assets:				
Other receivables	149,194	-	-	149,194
Cash and bank balances	80,434	-	-	80,434
Total undiscounted financial assets	229,628	-	-	229,628
Financial liabilities:				
Other payables	10,353,876	-	-	10,353,876
Loans and borrowings	2,815,010	10,929,078	5,929,613	19,673,701
Total undiscounted financial liabilities	13,168,886	10,929,078	5,929,613	30,027,577
Total net undiscounted financial liabilities	(12,939,258)	(10,929,078)	(5,929,613)	(29,797,949)

19. Financial risk management objectives and policies (continued)**(b) Liquidity risk (continued)**

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
2012				
Financial assets:				
Other receivables	818,132	-	-	818,132
Cash and bank balances	97,767	-	-	97,767
Total undiscounted financial assets	<u>915,899</u>	-	-	<u>915,899</u>
Financial liabilities:				
Other payables	7,839,409	-	-	7,839,409
Loans and borrowings	159,904	6,713,626	8,175,000	15,048,530
Total undiscounted financial liabilities	<u>7,999,313</u>	<u>6,713,626</u>	<u>8,175,000</u>	<u>22,887,939</u>
Total net undiscounted financial liabilities	<u>(7,083,414)</u>	<u>(6,713,626)</u>	<u>(8,175,000)</u>	<u>(21,972,040)</u>

20. 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 December 2013 and 31 December 2012.

MISTRAL ENGINEERING SDN. BHD.

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Notes to the financial statements

For the financial year ended 31 December 2013

21. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on 11 March 2014.

Detailed statement of comprehensive income
 For the financial year ended 31 December 2013

	2013	2012
	RM	RM
Revenue		
Sales of electricity	<u>437,564</u>	<u>-</u>
Less: Cost of sales		
Depreciation of property, plant and equipment	612,386	-
Fuel and lubricant	30,164	-
Insurance	23,489	-
Laboratory expenses	11,456	-
Medical expenses	6	52
Printing and stationery	4,214	5,255
Professional fee	40,453	-
Repair and maintenance	71,242	494
Salary and wages	2,915	-
Sundry expenses	30,163	6,542
Tools and consumables	10,817	11,329
Vehicle running expenses	11,995	2,810
Welfare and benefits	41	1,512
	<u>849,341</u>	<u>27,994</u>
Gross loss	(411,777)	(27,994)
Less: Administrative expenses (page 47)	<u>61,958</u>	<u>50,118</u>
Operating loss	(473,735)	(78,112)
Less: Finance cost	<u>372,129</u>	<u>3,405</u>
Loss before tax	<u><u>(845,864)</u></u>	<u><u>(81,517)</u></u>

MISTRAL ENGINEERING SDN. BHD.

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Administrative expenses

For the financial year ended 31 December 2013

	2013	2012
	RM	RM
Auditors' remuneration		
- statutory audit		
- current year	3,500	3,500
- underprovision in prior year	-	1,000
Bank charges	223	135
Depreciation of property, plant and equipment	646	16,420
Rate and assessment	154	-
Refreshment	1,795	-
Rental of land	-	10,000
Repair and maintenance	1,665	-
Postage and telephone	155	247
Printing and stationery	309	186
Professional fee	45,159	1,060
Secretarial fee	1,200	600
Sundry expenses	707	339
Travelling expenses	6,445	15,300
Vehicle running expenses	-	1,331
	<u>61,958</u>	<u>50,118</u>