



SOLUTIONS TO WATER & WASTE
DARCO WATER TECHNOLOGIES LIMITED
(Incorporated in Singapore)
(Registration No. 200106732C)

**MATERIAL VARIANCES BETWEEN UNAUDITED FINANCIAL STATEMENTS AND
AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2017**

The Board of Directors (“**Directors**”) of the Company refers to its full year financial results announcement for the financial year ended 31 December 2017 made on 27 February 2018 via the SGXNET (“**Preliminary Unaudited Results 2017**”).

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Company wishes to announce that subsequent to the release of the Preliminary Unaudited Results 2017, the external auditor has proposed certain reclassifications and adjustment which the management of the Company has adopted accordingly.

The details and explanation of the material variances between the audited financial statements and the Preliminary Unaudited Results 2017 are shown below:

	Audited financial statements 2017 (S\$'000)	Preliminary Unaudited Results 2017 (S\$'000)	Variance (S\$'000)	Note
Revenue	60,731	60,597	134	A
Cost of sales	(46,125)	(45,911)	(214)	A
Gross profit	<u>14,606</u>	<u>14,686</u>		
Other income	1,335	1,293	42	B
Distribution expenses	(1,743)	(1,743)	-	
Administrative expenses	(11,985)	(11,987)	2	N.A.
Finance costs	(273)	(273)	-	
Profit before income tax	1,940	1,976	(36)	
Income tax expense	(712)	(530)	(182)	
Profit for the financial year	<u>1,228</u>	<u>1,446</u>	(218)	C
Profit attributable to:				
Equity holders of the Company	611	1,194		
Non-controlling interests	617	252		
	<u>1,228</u>	<u>1,446</u>		

N.A. – Not applicable

Explanation of material variances:

Notes:

(A) Additional revenue recognised in the subsidiaries in Malaysia

	Revenue S'\$000	Cost of sales S'\$000
As per preliminary unaudited results	60,597	(45,911)
Additional cost and revenue recognised	134	(214)
As per Audited financial statements	<u>60,731</u>	<u>(46,125)</u>

(B) Other income and administrative expenses

	Other income S'\$000	Administrative expenses S'\$000
As per preliminary unaudited results	1,293	(11,987)
Reduce in the provision for bonus		11
Reduce in amortisation of intangible assets		33
Reclassification	42	(42)
As per Audited financial statements	<u>1,335</u>	<u>(11,985)</u>

(C) Changes in the provision of income tax and deferred tax

	Income tax expenses S'\$000
As per preliminary unaudited results	530
Changes in the provision of income tax and deferred tax	182
As per Audited financial statements	<u>712</u>

	Group			
	Audited financial statements 2017 (S\$'000)	Preliminary Unaudited Results 2017 (S\$'000)	Variance (S\$'000)	Note
ASSETS				
Non-current assets				
Property, plant equipment	5,482	5,482	-	
Intangible assets	7,597	7,697	(100)	(i)
Deferred tax assets	82	185	(103)	(ii)
Other receivable	489	-	489	(iii)
	13,650	13,364	286	
Current assets				
Inventories	2,056	2,056	-	
Trade and other receivables	50,089	50,274	(185)	(iii)
Income tax recoverable	144	293	(149)	(ii)
Cash and cash equivalents	17,463	17,003	460	(iv)
	69,752	69,626	126	
Total assets	83,402	82,990	412	
LIABILITIES				
Current liabilities				
Trade and other payables	37,149	36,316	833	(v)
Borrowings	6,848	2,865	3,983	(vi)
Income tax payable	757	663	94	(ii)
Total current liabilities	44,754	39,844	4,910	
Non-current liabilities				
Borrowings	1,284	5,267	(3,983)	(vi)
Deferred tax liabilities	875	1,034	(159)	(ii)
Total non-current liabilities	2,159	6,301	(4,142)	
Total liabilities	46,913	46,145	768	
Net assets	36,489	36,845	(356)	

Explanation of material variances:

Notes:

(i) **Intangible assets**

	S\$'000
Balance as per Preliminary Unaudited Results	7,697
Reduction in amortisation of intangible assets	33
Translation difference	(133)
Balance as per Audited financial statements	<u><u>7,597</u></u>

(ii) **Income tax and deferred tax**

	Deferred tax assets S\$'000	Income tax recoverable S\$'000	Income tax payable S\$'000	Deferred tax liabilities S\$'000
Balance as per Preliminary Unaudited Results	185	293	(663)	(1,034)
Changes in the provision of income tax and deferred tax	-	(149)	(94)	61
Translation difference	-	-	-	(5)
Reclassification	(103)	-		103
Balance as per Audited financial statements	<u><u>82</u></u>	<u><u>144</u></u>	<u><u>757</u></u>	<u><u>(875)</u></u>

(iii) **Trade and other receivables**

	Current S\$'000	Non current S\$'000
Balance as per Preliminary Unaudited Results	50,274	-
Reclassification	(185)	489
Balance as per Audited financial statements	<u><u>50,089</u></u>	<u><u>489</u></u>

(iv) **Cash and bank balances**

	S\$'000
Balance as per Preliminary Unaudited Results	17,003
Reclassification	460
Balance as per Audited financial statements	<u>17,463</u>

(v) **Trade and other payables**

	Current S\$'000
Balance as per Preliminary Unaudited Results	36,316
Reduction in provision for bonus	(12)
Further recognition of revenue Malaysia subsidiaries, resulted in changes in amount due to customers	81
Reclassification	764
Balance as per Audited financial statements	<u>37,149</u>

(vi) **Borrowings**

	Current S\$'000	Non current S\$'000
Balance as per Preliminary Unaudited Results	2,865	5,267
Reclassification	3,983	(3,983)
Balance as per Audited financial statements	<u>6,848</u>	<u>1,284</u>

By Order of the Board

Thye Kim Meng
Chairman, Managing Director and Chief Executive Officer
11 April 2018