

The below is an extract from the “Notes to Financial Statements” of Europronic Group Ltd – Annual Report 2014

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

Going concern

The Group has continued to incur net loss from its operations (2014: US\$8,357,000; 2013: US\$11,467,000). In addition to this, at 31 December 2014, the Group's current liabilities exceeded its current assets by US\$32,050,000, and its cash and cash equivalents amounted to US\$3,227,000. Furthermore, the Company has net liabilities of US\$4,973,000 at the balance sheet date. These conditions indicate the existence of a material uncertainty that casts significant doubt on the ability of the Group and of the Company to operate as going concerns.

Notwithstanding with the above, the financial statements have been prepared on a going concern basis upon considering the following:

- The controlling shareholders, who are also directors of the Company, have provided personal undertakings to provide continuing financial support to the Group;
- The Company expects to obtain financial support from Kampac Oil Middle East FZCO after the latter's reverse takeover of the Company (Note 33);
- The directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with banks which enhance the Group's ability to continue with the current credit facilities as well as to diversify the bank borrowings to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future; and
- The directors of the Company are confident of stronger customer support from product mix transitions and positive operating outcomes in the next financial year.

The validity of the going concern assumption on which these financial statements have been prepared depends on the favourable outcome of reverse takeover transaction with Kampac Oil Middle East FZCO and continuing financial support from the controlling shareholders and the extent of diversifying the bank borrowings as well as favourable outcome of operating activities and customer orders. If the Group is unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded as at the balance sheet date. In addition, the Group may have to provide for further liabilities that might arise. The effect of these adjustments has not been reflected in the financial statements.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.