

SERRANO LIMITED
(Company Registration No.: 201223004Z)
(Incorporated in the Republic of Singapore on 18 September 2012)

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

The Board of Directors ("**Board**" or "**Directors**") of Serrano Limited ("**Company**" and, together with its subsidiaries, the "**Group**") refers to the unaudited full year results announcement for the financial year ended 31 December 2017 ("**FY2017**") released on 28 February 2018 (the "**Unaudited Results**").

Pursuant to Rule 704(5) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Board wishes to highlight that there are material variances between the Unaudited Results and the audited financial statements for FY2017 ("**Audited Results**").

A comparison of the Audited Results and the Unaudited Results with the relevant explanatory notes are shown below:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	31 Dec 2017 Audited \$'000	31 Dec 2017 Unaudited \$'000	Differences \$'000	Note
ASSETS				
Current				
Inventories	-	-	-	
Trade and other receivables	160	453	(293)	*N/M
Amounts due from contract customers	75	-	75	*N/M
Cash and bank balances	17	26	(9)	*N/M
	<u>252</u>	<u>479</u>	<u>(227)</u>	
Assets held-for-sale	4,500	4,500	-	
Total Assets	<u>4,752</u>	<u>4,979</u>	<u>(227)</u>	
EQUITY AND LIABILITIES				
Share capital	33,029	33,029	-	
Other reserves	(8,496)	(8,874)	378	[1]
Accumulated losses at 1 Jan 2017				
- As per predecessor auditors	(134,179)	(132,745)	(1,434)	[1]
- Prior year adjustments	(3,227)	-	(3,227)	[2]
	<u>(137,406)</u>	<u>(132,745)</u>	<u>(4,661)</u>	
Net loss for the year	(9,160)	(8,934)	(226)	
Total Equity	<u>(122,033)</u>	<u>(117,524)</u>	<u>(4,509)</u>	
LIABILITIES				
Current				
Trade and other payables	56,170	51,143	5,027	[3]
Borrowings	67,579	68,554	(975)	[3]
Finance lease payables	3,036	2,806	230	[3]
Total Liabilities	<u>126,785</u>	<u>122,503</u>	<u>4,282</u>	
Total Equity and Liabilities	<u>4,752</u>	<u>4,979</u>	<u>(227)</u>	

*N/M - Not material for discussion purposes

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FY2017

	FY 2017 Audited \$'000	FY 2017 Unaudited \$'000	Differences \$'000	Note
Revenue	1,195	651	544	[4]
Cost of sales	(2,557)	(676)	(1,881)	[5]
Gross loss	(1,362)	(25)	(1,337)	
Other income	1,016	624	392	*N/M
Selling and distribution costs	(43)	(43)	-	
Administrative expenses	(1,979)	(1,803)	(176)	*N/M
Other operating expenses	(3,165)	(5,132)	1,967	[6]
Finance costs	(3,627)	(2,555)	(1,072)	[7]
Loss before taxation	(9,160)	(8,934)	(226)	
Taxation	-	-	-	
Loss for the year	(9,160)	(8,934)	(226)	

*N/M - Not material for discussion purposes

EXPLANATORY NOTES

- To record the late adjustments recorded by management following the finalisation of the FY2016 audited financial statements.
- Additional liabilities of \$3.2 million recorded arising from the completion of the adjudication process in respect of the Schemes of Arrangements in the previous financial year. Please refer to the Independent Auditor's Report on page 28 of the FY2017 Annual Report.
- The variances arise due to the following:

	Audited \$'000 [a]	Prior year adjustments (Note 2) \$'000 [b]	Resultant \$'000 [c]=[a-b]	Unaudited \$'000 [d]	Difference \$'000 [c] - [d]
Trade and other payables	56,170	3,510	52,660	51,143	1,517
Borrowings	67,579	(554)	68,133	68,554	(421)
Finance lease payables	3,036	271	2,765	2,806	(41)
Total	126,785	3,227	123,558	122,503	1,055

The difference of \$1.06 million is the aggregate difference of Notes 5, 6 and 7 amounting to \$1.0 million.

- To record the late adjustments recorded by management following the finalisation of the FY2016 audited financial statements of \$0.7 million and the reclassification of the sale of materials to a third party of \$0.1 million to other income.
- Additional liabilities of \$5.3 million relating to claims made by contractors and subcontractors were identified arising from the completion of the adjudication process relating to the Schemes of Arrangement, of which \$1.9 million was related to claims for FY2017. The remaining \$3.4 million related to unrecorded liabilities as at 31 December 2016 which were taken up in the previous financial year.
- Reversal of over-provision of finance related costs and other write-offs and write-downs totaling \$2.7 million that had been provided for in FY 2016, now reversed. This was offset by the additional liabilities of \$1.1 million relating to the completion of the adjudication process in respect of the Schemes of Arrangement. The remaining differences of approximately \$0.3 million arose from the reclassification made between operating expenses and other income respectively.
- Additional liabilities of \$0.8 million recorded arising from the completion of the adjudication process in respect of the Schemes of Arrangement and the remainder is not material for discussion purposes.

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders are also advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers. Trading in the Company's securities on the SGX-ST has been voluntarily suspended by the Company at 9.39 a.m. on 16 June 2017.

BY ORDER OF THE BOARD

Tan Tien Hin Winston

Non-Executive Director & Interim Chairman

13 July 2018

This announcement has been prepared by Serrano Limited (the "Company") and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGXST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Lance Tan, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).