

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DARCO WATER TECHNOLOGIES LIMITED

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Darco Water Technologies Limited (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 128, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 accounting policies used and the reasonableness of accounting estimates made by management, 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 qualified audit opinion.

### *Basis for Qualified Opinion*

Our previous report dated 6 April 2015 for the financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2014 ("FY2014") contained an "except for" qualified opinion.

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## REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

### *Basis for Qualified Opinion (Continued)*

The "except for" qualified opinion arose in relation to the opening balances which were audited by another auditors with multiple qualifications raised on numerous matters arose since FY 2009. In light of the qualifications and the significance of the opening balances relative to the FY 2014 financial statements, we were unable to reasonably conclude that the opening balances do not contain misstatements that may materially affect the financial statements of the Group and of the Company for the FY 2014.

As a result, the possible effects of adjustments, if any, on the financial statements of the Group and the Company for the FY 2014 could not be determined.

### *Financial effects on the current financial year*

As disclosed in Note 21 to the consolidated financial statements, the Company has disposed of its wholly owned subsidiary, Darco Engineering (Taiwan) Co., Ltd ("DET") and its subsidiary (collectively referred to as the "DET Disposal Group") during the financial year. Upon the completion of the disposal, the Group recorded a net gain of approximately S\$2.10 million, which was included in the loss from discontinued operation within the consolidated statement of profit or loss and other comprehensive income for the current financial year.

As the DET Disposal Group was one of the subject matters of our qualification in our previous report, we were unable to determine if the resultant net gain on the disposal of the DET Disposal Group amounting to approximately S\$2.10 million was appropriately and accurately recorded in consolidated financial statements for the financial year ended 31 December 2015. Any adjustments that might have been necessary as a result of the previous qualifications on the opening balances of the DET Disposal Group included in the consolidated financial statements would have a corresponding effect on the amount of net gain recorded in the current financial year.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

### **Crowe Horwath First Trust LLP**

Public Accountants and  
Chartered Accountants  
Singapore

30 March 2016