2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Principal vs agent
IFRS 15 requires that when other parties are involved in providing goods or services to an entity's customer, the entity must determine whether its performance obligation is to provide the good or service itself (as a principal) or to arrange for another party to provide the good or service (as an agent). Currently, the Group is acting as a principal in providing goods and services to its customers for all contracts. However the Group's Engineering, Procurement and Constructions Management (EPCm) contracts in particular are currently being reviewed in line with the requirements under IFRS 15 to identify if the Group's procurement services under such contracts are provided to the customer as an agent. This may impact the amount of revenue to be recognised.

Sale of goods
In addition to services described above, the Group is also engaged in the sale of crude oil to customers. Contracts with customers in which the sale of crude oil is generally expected to be the only performance obligation are not expected to have any impact on the Group's profit or loss upon adoption of IFRS 15. The Group expects the revenue recognition to occur at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

Presentation and disclosure requirements
IFRS 15 provides presentation and disclosure requirements, which are more extensive than under current IFRS. The presentation requirements represent a significant change from current practice and increase the volume of disclosures required in Group's financial statements. The Group is in the process of assessing its current systems, internal controls, and policies and procedures, and will make the necessary changes to collect and disclose the required information.

Significant accounting judgements and estimates

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Revenue recognition on fixed-price engineering, procurement and construction contracts: the Group recognises revenue on fixed-price engineering, procurement and construction contracts using the percentage-of-completion method, based on surveys of work performed. The Group has determined this basis of revenue recognition is the best available measure of progress on such contracts.

- Revenue recognition on consortium contracts: the Group recognises its share of revenue and backlog revenue from contracts agreed as part of a consortium. The Group uses the percentage-of-completion method based on surveys of work performed to recognise revenue for the period and then recognises their share of revenue and costs as per the agreed consortium contractual arrangement. In selecting the appropriate accounting treatment, the main considerations are:

  - Determination of whether the joint arrangement is a joint venture or joint operation (though not directly related to revenue recognition this element has a material impact on the presentation of revenue for each project)
  - At what point can the revenues, costs and margin from this type of service contract be estimated/reliably measured in accordance with IAS 11; and
  - Whether there are any other remaining features unique to the contract that are relevant to the assessment