## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Standards issued but not yet effective (continued)**

**IFRS 15 Revenue from Contracts with Customers**
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS (e.g. IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 18 Transfers of Assets from Customers). Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. It is the Group's current intention to adopt IFRS 15 for the year ending 31 December 2018 and it will confirm which application it will adopt before the start of this accounting period. The Group has performed a preliminary assessment of the impact of adoption of IFRS 15 and is currently evaluating the potential impact on the Group's revenue recognition policies. Further detail analysis is ongoing. Furthermore, the Group is considering the clarification issued by IASB in April 2016 and will monitor any further developments.

The Group is primarily in the business of providing services to the oil and gas production and processing industry. The services are sold in separate identified contracts with customers.

*Rendering of services*
The Group provides lump-sum engineering, procurement and construction project execution services and reimbursable engineering and production services to the oil and gas industry. Currently, the Group accounts for the lump-sum engineering, procurement and construction project execution services contract as a single performance obligation and recognises service revenue by reference to the stage of completion on the overall contract (see current revenue recognition policies on page 27).

The reimbursable engineering and production services contracts are currently segregated into distinct performance obligations based on the assessment that the service is capable of being distinct both individually and within the context of the contract. Currently, the Group accounts for the reimbursable engineering and production services contracts as separate deliverables of bundled sales, allocates consideration between these deliverables using the relative fair value approach and recognises service revenue as and when the services are rendered or by reference to the stage of completion (see current revenue recognition policies on page 27).

Under IFRS 15, revenue recognition must take into account each separate performance obligation and relative stand-alone selling prices. As a result, the allocation of the consideration and, consequently, the timing of the amount of revenue recognised in relation to these services contracts may be impacted. The Group will continue its analysis during 2017.

In preparing to adopt IFRS 15 for its services contracts, the Group is considering the following:

*Variable consideration*
Currently, the Group recognises revenue from the rendering of services measured based on the fair value of the consideration received or receivable, net of any allowances. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception.

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint.

*Warranty obligations*
The Group provides warranties for general repairs and does not provide extended warranties or maintenance services in its contracts with customers. As such, the Group expects that such warranties will be assurance-type warranties which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with its current practice, however further analysis is required.