BRAHIM'S HOLDINGS BERHAD

TYPE : GENERAL ANNOUNCEMENT
DESCRIPTION : UNQUALIFIED OPINION WITH MATERIAL UNCERTAINTY RLATED TO GOING CONCERN IN THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Pursuant to Paragraph 9.19(37) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of Brahim's Holdings Berhad ("BHB" or "the Company") wishes to announce that the Company's External Auditors, Messrs. PWC had expressed the following unqualified opinion with material uncertainty related to going concern in the Company's Audited Financial Statements for the financial year ended 30 December 2018:

Unqualified Opinion

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 86.

In our opinion, the financial statements of Brahim's Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Unqualified Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Group and the Company incurred a net loss after taxation of RM116.0 million and RM59.6 million respectively for the financial year ended 31 December 2018 and, as of that date, the Group and the Company's current liabilities exceeded the current assets by RM56.6 million and RM80.2 million respectively. These events and conditions, along with the other matters as set forth in Note 2 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and the Company to continue as going concerns. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	**How our audit address the key matter**
Impairment assessment of goodwill	
The goodwill in the Statement of Financial Position of the Group as at 31 December 2018 amounted to RM102.3 million. Goodwill is allocated to the cash generating units ("CGU") of the Catering and related services (RM102.2 million) and Warehousing and logistics related services (RM0.1 million). During the financial year, the Group recognised an impairment loss on goodwill of RM88.6 million on the goodwill allocated to the catering and related services. We focused on the impairment of goodwill allocated to catering and related services due to the significant judgement involved in determining the key assumptions used in performing the impairment test, i.e. revenue growth, gross margin and discount rate, as well as the materiality of the goodwill to the financial statements of the Group. The recoverable amount of the goodwill was determined using the discounted cash flow model based on the value-in-use ("VIU") method. Refer to Notes 3(c)(i) and 3(e) on accounting policies, Note 4 on critical accounting estimates and judgements and Note 15 to the financial statements.	Our procedures in relation to management's impairment assessment included the following: • evaluated the reasonableness of the key assumptions used by management in the cash flow projection, i.e. revenue growth and gross margin; • compared the revenue growth rates and gross margin to historical results and industry data where appropriate; • assessed the reliability of management's forecast by comparing past trends of actual financial performances against previous forecasted results; • involved our internal valuation expert to assess the discount rate; • assessed the appropriateness of sensitivity analysis performed by management on a reasonably possible change in revenue growth rate, gross margin and discount rate on the recoverable amount and the corresponding effect on the impairment; and • checked the adequacy of disclosures made by the Directors in the financial statements. Based on the above procedures, no material exceptions were noted
Impairment assessment of cost of investment in a subsidiary	
The carrying amounts of the investments in subsidiaries of the Company as at 31 December 2018 amounted to RM99.3 million. During the financial year, the Company recognised	Our procedures in relation to management's impairment assessment included the following:

impairment loss of RM51.5 million on its cost of investment in a subsidiary. The recoverable amount of the investment in the subsidiary was determined using the discounted cash flow model based on value-inuse ("VIU") method. We focused on the impairment assessment of the investment in the subsidiary because of the significant judgement involved in determining the key assumptions used in performing the impairment test, i.e. revenue growth, gross margin and discount rate. Refer to Notes 3(a)(v) and 3(e) on accounting policies and Note 11 to the financial statements.	• evaluated the reasonableness of the assumptions used by management in the cash flow projection specifically on the revenue growth and gross margin which were also tested by us as part of the impairment assessment of the goodwill; • checked consistency of inputs and key assumptions used to those used in the impairment assessment of the goodwill; • involved our internal valuation expert to assess the discount rate; • assessed the appropriateness of sensitivity analysis performed by management on a reasonably possible change in revenue growth rate, gross margin and discount rate on the recoverable amount and the corresponding effect on the impairment; and • checked the adequacy of disclosures made by the Directors in the financial statements. Based on the above procedures, no material exceptions were noted

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and the Annual Report for the financial year ended 31 December 2018, including the items below that are incorporated in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon:

- Directors' Report,
- Chairman's message,
- Financial highlights 2018,
- Management discussion and analysis,
- Statement on Corporate Governance, and
- Governance & Audit Committee Report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Steps taken or proposed to be taken to address those key audit matters that relate to the modified opinion & the timeline

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies. The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements as disclosed in Note 4 to the financial statements.

On 28 February 2019, the Directors of the Company announced that the Company had triggered the prescribed criteria under Paragraph 2.1(a) of Practice Note 17 ("PN 17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), as the shareholders' equity of the Group is less than RM40.0 million and is 25% or less of its issued and paid-up capital. The regularisation plan is required to be submitted to Securities Commission Malaysia and Bursa Securities within a period of twelve months from the date of the first announcement on 28 February 2019.

The Company is currently looking into formulating a plan to regularise its financial condition ("Regularisation Plan") for submission to the relevant authorities for approval.

Cash flows of the Group and the Company

The Group and the Company incurred a net loss after taxation of RM116.0 million and RM59.6 million respectively for the financial year ended 31 December 2018 and, as of that date, the Group and the Company's current liabilities exceeded the current assets by RM56.6 million and RM80.2 million respectively.

As disclosed in Note 25 to the financial statements, the Group and the Company did not meet certain financial covenants for a term loan as at 31 December 2018.

Accordingly, the carrying value of the term loan of RM67.8 million was classified as current liabilities as at that date. The losses incurred by the Group and the Company for the financial year ended 31 December 2018, the net current liabilities of the Group and the Company as at that date, the ability of the Group to generate positive cash flows from its operating activities to make timely repayments for borrowings of the Group and the Company indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Group and the Company to continue as going concerns, and therefore, the Group and the Company may be unable to realise the assets and discharge the liabilities in the normal course of business.

In order to ensure that the Group and the Company would have sufficient cash inflows within the next twelve months from the reporting date to repay the existing borrowings and meet working capital, the Directors have negotiated with a financial institution to defer the instalment payable by the Group and the Company in April 2019. In response to the Group and Company's request, the financial institution has then agreed to defer the payment of instalment payable by the Group and the Company on 1 April 2019, subject to the Group and the Company appointing an advisor by 15 April 2019 on the regularisation plan to exit PN17 status, the Group and the Company arranging a meeting between the advisor and the financial institution to discuss the regularisation plan by 19 April 2019 and the advisor to provide the financial institution with a comprehensive regularization plan by 30 April 2019, which will entail a full settlement of the facility upon implementation of the regularisation plan.

On 6 April 2019, the Group completed the appointment of the advisor and has engaged the advisor in establishing the framework to the regularization plan. The Group will put in place a process for the preparation of the comprehensive regularisation plan. The Group has also engaged the financial institution to discuss the possible extension of the timelines, in view of the progress that the Group has made in working on the regularisation plan.

The financial institution has indicated that it will work together with the Group and its advisor to reach an agreement on the proposed repayment terms for the term loan to the financial institution and will grant extension of timelines to the Group if necessary.

In addition, the financial institution has also indicated that it will not call for the repayment of the entire outstanding loan amount of RM67.8 million immediately and will review the repayment terms together with the submission of the comprehensive regularisation plan.

The Directors will also continue to undertake the following measures to manage and strengthen the Group's cash flow position:

- Actively participate in tenders of potential customers' contracts by a subsidiary as disclosed in Note 15 to the financial statements;
- During the financial year, the Group has successfully obtained an indulgence from the financial institution to defer the loan repayment, as disclosed in Note 25 to the financial statements. The Group will continue to negotiate with financial institutions to defer and/or restructure the repayment terms of the facility of the Group, if necessary;
- Endeavour to identify potential business opportunities to be injected into the Group;
- Managing cost of operations of the Group; and
- Monetisation of identified assets of the Group.

Based on the measures taken above, the Directors, therefore, believe that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis.