

**PUNJ LLOYD OIL & GAS (MALAYSIA) SDN. BHD.
AND ITS SUBSIDIARY**

**(778980-H)
(Incorporated in Malaysia)**

**REPORTS AND FINANCIAL STATEMENTS
for the financial year ended 31 March 2019**

**YONG & LEONARD (AF 0075)
Chartered Accountants**

Company No.: 778980-H

PUNJ LLOYD OIL & GAS (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)
AND ITS SUBSIDIARY

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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PUNJ LLOYD OIL & GAS (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)
AND ITS SUBSIDIARY

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the construction of pipeline. The principal activities of the Subsidiary are described in Note 6 to the financial statements. There have been no significant changes in the nature of the activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Loss for the financial year	<u>(265,925,856)</u>	<u>(109,362,983)</u>

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year. The directors do not recommend that a dividend to be paid in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions except as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Atul Punj	
Nor Hishammuddin Bin Mohd Nordin	
Atul Kumar Jain	(Resigned on 29.05.2018)
Ashish Sharma	
Khajanchi Ajay	(Appointed on 11.06.2018)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those disclosed in Note 17 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the directors who held office at the end of the financial year have any shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year ended 31 March 2019, except as follows:

	Number of Ordinary Shares of RM1 Each			
	At 1.4.2018	Bought	Sold	At 31.3.2019
<u>Direct Interest</u>				
Nor Hishammuddin Bin Mohd Nordin	225,000	-	-	225,000
	Number of Ordinary Shares of Indian Rupees 2 Each			
	At 1.4.2018	Bought	Sold	At 31.3.2019
<u>Direct Interest Ultimate Holding Company</u>				
<u>Punj Lloyd Limited (India)</u>				
Atul Punj	1,431,360	-	-	1,431,360

By virtue of the above director's shareholdings in the ultimate holding company, they are deemed to have an interest in the ordinary shares of companies under the Punj Lloyd Limited Group of companies to the extent of the ultimate holding company has an interest.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

As of the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in the financial statements of the Group and of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

As of the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the succeeding year.

HOLDING COMPANIES

The immediate and ultimate holding companies of the Company are Punj Lloyd Infrastructure Pte. Ltd. and Punj Lloyd Limited, which are incorporated in Singapore and India respectively.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 18.1 to the financial statements.

Company No.: 778980-H

AUDITORS

The auditors, Yong & Leonard, have indicated their willingness to accept re-appointment as auditors.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors,



ASHISH SHARMA
Director



NOR HISHAMMUDDIN BIN MOHD NORDIN
Director

Date: 21 May 2019

PUNJ LLOYD OIL & GAS (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)
AND ITS SUBSIDIARY

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

The directors of Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd. state that, in opinion of the Directors, the financial statements set out on pages 10 to 48 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and financial performance of the Group and of the Company for the financial year ended 31 March 2019 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors,



ASHISH SHARMA
Director



NOR HISHAMMUDDIN BIN MOHD NORDIN
Director

Date: 21 May 2019

STATUTORY DECLARATION

Pursuant to Section 251 (1) of the Companies Act, 2016

I, Ashish Sharma, the director primarily responsible for the financial management of Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 10 to 48 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

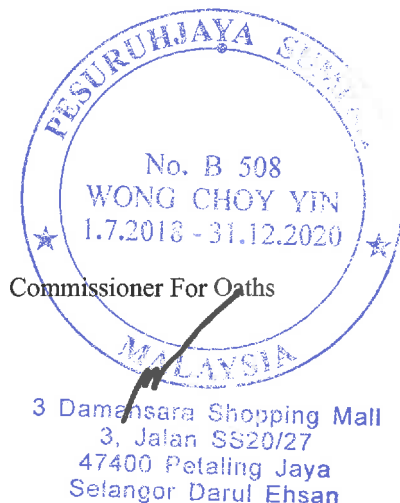
Subscribed and solemnly declared by
the above-named Ashish Sharma
at Petaling Jaya in the state of Selangor Darul Ehsan
on 21 May 2019

)
)
)



ASHISH SHARMA

Before me,



**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PUNJ LLOYD OIL & GAS (MALAYSIA) SDN. BHD. (Company No.: 778980-H)
(Incorporated in Malaysia)**

Qualified Opinion

We have audited the financial statements of Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd., which comprise the statements of financial position as at 31 March 2019 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 financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 48.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019, and of their financial performance and its cash flows for the financial 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 Qualified Opinion

During the financial year, the contract customer of the subsidiary has invoked the Project Performance Bond which was provided by the ultimate holding company, and the said contract customer has given an advance to the subsidiary in order to meet the existing and future liabilities towards the completion of the project of the subsidiary. As part of our audit evidence gathering process, we have circularised our audit confirmation to the ultimate holding company to ascertain the intercompany balances as of 31 March 2019 and significant transactions for the financial year then ended but as of the date of this report, we have not received a reply from the Interim Resolution Professional (“IRP”), which has been appointed to carry out the Corporate Insolvency Resolution Process (“CIRP”) of the ultimate holding company pursuant to an Order dated 8 March 2019 by the National Company Law Tribunal (NCLT), Principal Bench, New Delhi, India, following which the powers of the Board of Directors of the ultimate holding company has been suspended and shall be exercised by the IRP. As a result, we were unable to obtain sufficient appropriate audit evidence about the intercompany balances as of 31 March 2019 and significant transactions for the year then ended between the ultimate holding company and the subsidiary. Consequently, we were unable to determine whether any adjustments to the financial statements of the Group in relation to intercompany balances and transactions were necessary.

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 qualified opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PUNJ LLOYD OIL & GAS (MALAYSIA) SDN. BHD. (Company No.: 778980-H)
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Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that as of 31 March 2019, the Company's current liabilities exceeded its current assets by RM29,570,763. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

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 information included in the Directors' report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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 the Directors' Report in the subsidiary, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate audit evidence about the balances and transactions made during the year between the subsidiary and the ultimate holding company. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect of this matter.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PUNJ LLOYD OIL & GAS (MALAYSIA) SDN. BHD. (Company No.: 778980-H)**
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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriated audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PUNJ LLOYD OIL & GAS (MALAYSIA) SDN. BHD. (Company No.: 778980-H)**
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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



YONG & LEONARD
Firm Number: AF 0075
Chartered Accountants



LEONG POOI WAH
Approval Number: 2228/03/20(J)
Partner of the Firm

Date: 21 May 2019
Petaling Jaya

PUNJ LLOYD OIL & GAS (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)
AND ITS SUBSIDIARY

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
NON-CURRENT ASSETS					
Plant and equipment	6	5,658,736	9,298,674	157,478	1,674,356
Investment in subsidiary	7	-	-	-	1,000,000
		<u>5,658,736</u>	<u>9,298,674</u>	<u>157,478</u>	<u>2,674,356</u>
CURRENT ASSETS					
Inventories	8	4,594,741	14,066,126	297,618	2,926,401
Trade receivables	22.3	-	1,771,029	-	-
Other receivables, deposits and prepayments	9	21,263,232	157,922,944	18,400	110,757,785
Tax refundable		600,000	600,000	-	-
Fixed deposits with licensed banks	10	804,981	11,687,680	219,826	11,220,940
Cash and bank balances		<u>16,522,148</u>	<u>55,954,077</u>	<u>1,976,537</u>	<u>4,725,813</u>
		<u>43,785,102</u>	<u>242,001,856</u>	<u>2,512,381</u>	<u>129,630,939</u>
TOTAL ASSETS		<u><u>49,443,838</u></u>	<u><u>251,300,530</u></u>	<u><u>2,669,859</u></u>	<u><u>132,305,295</u></u>
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Share capital	11	750,000	750,000	750,000	750,000
(Accumulated losses)/ Retained earnings	12	<u>(244,479,777)</u>	<u>21,446,079</u>	<u>(30,163,285)</u>	<u>79,199,698</u>
SHAREHOLDERS' EQUITY		<u><u>(243,729,777)</u></u>	<u><u>22,196,079</u></u>	<u><u>(29,413,285)</u></u>	<u><u>79,949,698</u></u>
NON-CURRENT LIABILITIES					
Deferred tax liabilities	13	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CURRENT LIABILITIES					
Contract liabilities	14	126,678,388	107,754,312	-	-
Trade payables	15	67,821,867	110,729,947	30,112,902	44,823,743
Other payables and accruals	16	98,673,359	10,581,174	1,970,241	7,492,836
Provision for taxation		<u>1</u>	<u>39,018</u>	<u>1</u>	<u>39,018</u>
		<u>293,173,615</u>	<u>229,104,451</u>	<u>32,083,144</u>	<u>52,355,597</u>
NET CURRENT ASSETS / (LIABILITIES)		<u><u>(249,388,513)</u></u>	<u><u>12,897,405</u></u>	<u><u>(29,570,763)</u></u>	<u><u>77,275,342</u></u>
TOTAL LIABILITIES		<u><u>293,173,615</u></u>	<u><u>229,104,451</u></u>	<u><u>32,083,144</u></u>	<u><u>52,355,597</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>49,443,838</u></u>	<u><u>251,300,530</u></u>	<u><u>2,669,859</u></u>	<u><u>132,305,295</u></u>

The accompanying notes form an integral part of the financial statements.

PUNJ LLOYD OIL & GAS (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)
AND ITS SUBSIDIARY

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Contract revenue	17	177,805,920	524,684,195	-	5,296,128
Contract cost		<u>(233,804,006)</u>	<u>(453,691,396)</u>	<u>(358,105)</u>	<u>(446,318)</u>
Gross (loss)/profit		(55,998,086)	70,992,799	(358,105)	4,849,810
Administrative expenses		(927,346)	(555,119)	-	-
Operating expenses		(233,029,198)	(111,429,993)	(182,017,466)	(110,839,619)
Other operating income		<u>24,028,775</u>	<u>6,431,472</u>	<u>73,012,589</u>	<u>104,529,247</u>
Loss before tax	18	(265,925,855)	(34,560,841)	(109,362,982)	(1,460,562)
Income tax expense	19	<u>(1)</u>	<u>1,565,407</u>	<u>(1)</u>	<u>(39,018)</u>
Loss net of tax, representing total comprehensive income for the financial year		<u>(265,925,856)</u>	<u>(32,995,434)</u>	<u>(109,362,983)</u>	<u>(1,499,580)</u>

The accompanying notes form an integral part of the financial statements.

PUNJ LLOYD OIL & GAS (MALAYSIA) SDN. BHD.
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

Group

	Share capital RM	<u>Distributable</u> Retained earnings/ (Accumulated loss) RM	Total RM
As at 1 April 2017	750,000	54,441,513	55,191,513
Total comprehensive loss for the financial year	-	(32,995,434)	(32,995,434)
As at 31 March 2018	750,000	21,446,079	22,196,079
Total comprehensive loss for the financial year	-	(265,925,856)	(265,925,856)
As at 31 March 2019	750,000	(244,479,777)	(243,729,777)

Company

	Share capital RM	<u>Distributable</u> Retained earnings/ (Accumulated loss) RM	Total RM
As at 1 April 2017	750,000	80,699,278	81,499,278
Total comprehensive loss for the financial year	-	(1,499,580)	(1,499,580)
As at 31 March 2018	750,000	79,199,698	79,949,698
Total comprehensive loss for the financial year	-	(109,362,983)	(109,362,983)
As at 31 March 2019	750,000	(30,163,285)	(29,413,285)

The accompanying notes form an integral part of the financial statements.

PUNJ LLOYD OIL & GAS (MALAYSIA) SDN. BHD.
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(265,925,855)	(34,560,841)	(109,362,982)	(1,460,562)
Adjustments for:				
Impairment loss (Note 18.1)	148,063,527	-	108,550,956	-
Bad debts written off	13,757,886	-	-	-
Interest income received	(315,895)	(256,028)	(137,310)	(162,578)
Loss on impairment of subsidiary	-	-	1,000,000	-
Depreciation of plant and equipment	3,639,928	6,921,949	1,516,868	5,168,009
Gain on disposal of plant and equipment	(1,306,204)	(4,083,393)	(1,306,204)	(4,083,393)
Unrealised foreign exchange gain	(11,408)	-	-	-
Unrealised foreign exchange loss	7,197	2,371,315	-	2,127,986
Operating (loss)/profit before working capital changes	(102,090,824)	(29,606,998)	261,328	1,589,462
Decrease in inventories	9,471,385	(6,610,898)	2,628,783	221,993
Decrease in amount due from contract asset	-	78,001,899	-	78,001,899
Decrease/(increase) in trade receivables, other receivables, deposits and prepayments	(23,386,461)	(86,295,920)	2,188,429	(79,094,468)
Increase in contract liabilities	18,924,076	19,650,718	-	-
Decrease in trade and other payables and accruals	(51,306,839)	(3,327,696)	(20,233,436)	(5,866,165)
Cash used in operations	(148,388,663)	(28,188,895)	(15,154,896)	(5,147,279)
Interest income received	315,895	93,450	-	-
Tax paid	(39,018)	(1,200,521)	(39,018)	(94,408)
Net cash used in operating activities	(148,111,786)	(29,295,966)	(15,193,914)	(5,241,687)

The accompanying notes form an integral part of the financial statements.

PUNJ LLOYD OIL & GAS (MALAYSIA) SDN. BHD.
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income received	-	162,578	137,310	162,578
Net withdrawal of fixed deposits pledged with licensed banks	10,882,699	1,204,004	11,001,114	1,217,633
Purchase of plant and equipment	-	(8,578,088)	-	-
Proceed from disposal of plant and equipment	1,306,214	5,155,687	1,306,214	5,155,687
Net cash generated from investing activities	12,188,913	(2,055,819)	12,444,638	6,535,898
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances from contract customers	96,490,944	-	-	-
Net cash from financing activities	96,490,944	-	-	-
Net (decrease)/increase in cash and cash equivalents	(39,431,929)	(31,351,785)	(2,749,276)	1,294,211
Cash and cash equivalents at beginning of the year	55,954,077	87,305,862	4,725,813	3,431,602
Cash and cash equivalents at end of the year	16,522,148	55,954,077	1,976,537	4,725,813
Cash and cash equivalents comprise:				
Fixed deposits with licensed banks	804,981	11,687,680	219,826	11,220,940
Cash and bank balances	16,522,148	55,954,077	1,976,537	4,725,813
	17,327,129	67,641,757	2,196,363	15,946,753
Fixed deposits pledged with licensed banks	(804,981)	(11,687,680)	(219,826)	(11,220,940)
	16,522,148	55,954,077	1,976,537	4,725,813

The accompanying notes form an integral part of the financial statements.

PUNJ LLOYD OIL & GAS (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)
AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

1 GENERAL INFORMATION

The Company is a private limited company incorporated and domiciled in Malaysia.

The registered office is located at Lot 6.05 Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor.

The principal place of business is located at No. 51B, Lot 3546 Taman Suarah, Jalan Pisang, Tanduk 97000, Bintulu, Sarawak, Malaysia.

The immediate and ultimate holding companies are Punj Lloyd Infrastructure Pte. Ltd. and Punj Lloyd Limited, which are incorporated in Singapore and India respectively. Related companies refer to companies within the Punj Lloyd Limited Group.

The principal activity of the Company is the construction of pipeline. The principal activity of subsidiary is as set out in Note 6.

There have been no significant changes in the nature of the principal activity during the financial year.

The financial statements of the Group and of the Company are presented in the functional currency of Ringgit Malaysia, which is the currency of the primary economic environment in which the entity operates.

2 FUNDAMENTAL ACCOUNTING CONCEPT

As at the end of the reporting period, the Group and the Company has net current liabilities of RM249,388,513 and RM29,570,763 (2018: Nil and Nil) and deficit in shareholders' equity of RM243,729,777 and RM29,413,285 (2018: Nil and Nil) respectively.

The Company has written off bad debts amounting to RM108,550,956 from amounts due from related companies and ultimate holding company as the Company considers these receivables to be in default because these companies are unlikely to pay its credit obligations to the Company. As of the end of the reporting period, the Company's current liabilities exceeded its current assets by RM29,570,763 but a significant portion of the current liabilities amounting to RM30,112,902 is due to related companies and subsidiary company. The financial statements have been prepared on a going concern basis as the Company is negotiating with the related companies and subsidiary company to not demand any repayment until the Company has sufficient funds to settle the balances.

The Company's ability to continue as a going concern depends on the material uncertainty whereby these debts would not be claimed by the related companies or the subsidiary within the next 12 months. As of the date of this report, no demand has been made in respect of these liabilities by the said related parties.

Based on the matters above, the management is confident that they will be able to manage the cash flows of the Company sustainably and discharge its short term and future liabilities as and when they fall due.

If the Company is unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

3 ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS

During the financial financial year, the Group has adopted the following new and revised Malaysian Financial Reporting Standards and the Interpretations (collectively “mfrss”), issued by the Malaysian Accounting Standards Board that are relevant to its operations and effective for the financial periods beginning on 1 January 2018:

- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)

a) MFRS 9 FINANCIAL INSTRUMENTS

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed. The new standard contains three classifications for financial assets; measured at amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances are measured on either 12-month ECLs or lifetime ECLs.

The Group has applied the requirements of MFRS 9 and have not restated comparative information for prior years with respect to classification and measurement requirements as permitted by MFRS 9: *Financial Instruments*.

The initial application of the abovementioned pronouncements do not have any material impact to the financial statements of the Group other than additional disclosures to be provided.

b) MFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

MFRS 15 replaces the guidance in MFRS 111: Construction Contracts, MFRS 118: Revenue, IC Interpretation 13: Customer Loyalty Programmes, IC Interpretation 15: Agreements for Construction of Real Estate, IC Interpretation 18: Transfers of Assets from Customers and IC Interpretation 131: Revenue – Barter Transactions Involving Advertising Services. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The initial application of the abovementioned pronouncements does not have any material impact to the financial statements of the Group other than additional disclosures to be provided.

As at the date of authorisation for issue of the financial statements, the following MFRSs applicable to the Group were in issue but not yet effective:

Description		Effective Date
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRS standards 2015-2017 cycle)	1 January 2019
Amendments to MFRS 9	Financial Instruments -Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10	Investment Entities	
Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRS standards 2015-2017 cycle)	1 January 2019
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRS standards 2015-2017 cycle)	1 January 2019
Amendments to MFRS 119	Employee Benefit (Plan Amendments, Curtailment or Settlement)	1 January 2019
Amendments to MFRS 128	Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures	1 January 2019
Annual improvement to MFRS Standards 2015-2017 Cycle		1 January 2019
Amendments to MFRS 2	Share-Based Payment	1 January 2020
Amendments to MFRS 3	Business Combinations	1 January 2020
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14	Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101	Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134	Interim Financial Reporting	1 January 2020
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138	Intangible Assets	1 January 2020
Amendments to IC Interpretation 12	Service Concession Arrangements	1 January 2020
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132	Intangible Assets – Web Site Costs	1 January 2020
Amendments to MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10	Consolidated Financial Statements	Date yet to be confirmed
Amendments to MFRS 128	Investments in Associates and Joint Ventures Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date yet to be confirmed

i) MFRS 16 Leases

The standard eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its balance sheet as recording certain leases as off statement of financial position leases will no longer be allowed except for some limited practical exemptions.

Because of this change the Group will reclassify certain of its sublease agreements as finance leases. As required by MFRS 9, an allowance for expected credit losses will be recognised on the finance lease receivables. The leased assets will be derecognised and finance lease asset receivables recognised. This change in accounting will change the timing of recognition of the related revenue (recognised in finance income).

ii) Amendments To MFRS 9 Prepayment Features With Negative Compensation

The amendments to MFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ("SPPI") condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of MFRS 9.

The management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

iii) Annual Improvements To MFRS Standards 2015-2017 Cycle Amendments To MFRS 3 Business Combinations, MFRS 11 Joint Arrangements, MFRS 112 Income Taxes And MFRS 123 Borrowing Costs.

The Annual Improvements include amendments to four Standards.

(a) MFRS 112 income taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

(b) MFRS 123 Borrowing Costs

The amendments clarify that if any specific borrowings remains outstanding after that related assets is ready for its intended use or sale, the borrowings becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on the general borrowings.

(c) MFRS 3 Business Combinations

The amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest ("PHI") in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

(d) MFRS 111 Joint Arrangements

The amendments to MFRS 111 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

iv) Amendments To MFRS 119 Employee Benefits Plan Amendment, Curtailment Or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). MFRS 119 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as re-measured under MFRS 119.99 with the discount rate used in the re-measurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to MFRS 119 are first applied. The amendments to MFRS 119 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

v) Amendments to MFRS 128 Long Term Interests in Associates and Joint Ventures

The amendment clarifies that MFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying MFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by MFRS 128 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with MFRS 128). The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of MFRS 9. The directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

vi) ***IC Interpretation 23, “Uncertainty over Income Tax Treatments”***

The interpretation clarifies that an entity shall:

- assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
- reflect the effect of uncertainty in determining the related tax position (using either the most likely or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities application without restatement of comparatives retrospectively or prospectively.

The management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group’s financial statements.

vii) ***MFRS 10 Consolidated Financial Statements and MFRS 128 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments to MFRS 10 and MFRS 128 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB. However, earlier application of the amendments is permitted.

The management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain assets. The principal accounting policies adopted are set out below:

4.1 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the reporting date. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Group. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Group controls an investee if and only if the Group has all the following:

- i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- ii) Exposure, or rights, to variable returns from its investment with the investee; and
- iii) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

- i) The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- ii) Potential voting rights held by the Group, other vote holders or other parties;
- iii) Rights arising from other contractual arrangements; and
- iv) Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The subsidiary is consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in the subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Acquisitions of a subsidiary is accounted for using the acquisition method.

Under the acquisition method of accounting, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

4.2 PLANT AND EQUIPMENT

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided on a straight-line method so as to write off the cost or valuation of the assets over their estimated useful lives, as follows:

	<u>Rate</u>
Furniture and fittings	10% - 20%
Office and computer equipment	10% - 40%
Plant and machineries	14%
Motor vehicles	20%

Depreciation of an asset begins when it is ready for its intended use.

The residual values and the useful lives of assets, if significant, are reviewed at each reporting date.

The gain or loss arising from the derecognition of an asset, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, are recognised in profit or loss.

4.3 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Group and the Company assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amounts of the assets are estimated. Irrespective of whether there is any indication of impairment, the Group and the Company tests an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually.

When it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or a cash-generating unit) is less than its carrying amount, an impairment loss is recognised to reduce the carrying amount to its recoverable amount. An impairment loss for a cash-generating unit is firstly allocated to reduce the carrying amount of goodwill allocated to the cash-generating unit, and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss is recognised immediately in profit or loss, unless it reverses a previous revaluation, in which case it is treated as a revaluation decrease.

An impairment loss recognised in prior periods for an asset, other than goodwill, is reversed if there has been a change in the estimate used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation if no impairment loss had been recognised, and is recognised immediately in profit or loss, unless it reverses a previous revaluation, in which case it is treated as a revaluation increase.

4.4 INVESTMENT IN SUBSIDIARY

In the Company's separate financial statements, investment in a subsidiary is accounted for at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

4.5 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and overheads, where applicable, that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

4.6 CASH AND CASH EQUIVALENTS

The Group and the Company adopt the indirect method in the preparation of the statement of cash flows.

For the purpose of the statement of cash flows, cash in hand, bank balances and demand deposits with original maturities of 3 months or less.

4.7 CONSTRUCTION CONTRACTS

Unless specifically disclosed below, the Group generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 15: *Revenue from Contract with Customers*, the Group has elected not to restate the comparatives. As disclosed in Note 3 to the financial statements, MFRS 15: *Revenue from Contract with Customers* replaces the guidance in various accounting standards and IC interpretations and hence all revenue recognition for current financial year is disclosed in Note 4.11 to the financial statements.

Previous financial year

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction plus, recognised profits (less recognised losses), exceeds progress billings the surplus is classified as amount due from contract customers. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the surplus is classified as amount due to contracts customers.

4.8 FINANCIAL INSTRUMENTS

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9: *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

Recognition and initial measurement

A financial instrument is recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

Current financial year

A financial asset, (unless it is a receivable without a significant financing component) and a financial liability is measured at fair value plus or minus, in the case of a financial instrument not measured at fair value through profit or loss, any directly attributable transaction cost incurred at the acquisition or issuance of the financial instrument. A trade receivable that does not contain a significant financing component is initially measured at the transaction price.

Previous financial year

When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not a fair value through profit or loss, directly attributable transaction cost.

Reclassification and subsequent measurement

i) Financial Assets

Current financial year

Upon adoption of MFRS 9: Financial Instruments, financial assets are classified as measured at amortised cost and fair value through profit or loss ("FVTPL"), as appropriate.

The Group and the Company determine the classification of financial assets at initial recognition and are not subsequently reclassified unless the Group and the Company change its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises trade receivables and other receivables that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. Interest income and losses is recognised in profit or loss.

Financial assets at fair value through profit or loss

As at the end of the reporting period, there were no financial assets classified under this category.

Financial assets at fair value through other comprehensive income

As at the end of the reporting period, there were no financial assets classified under this category.

Previous financial year

In the previous financial year, under MFRS 139: Financial Instruments: Recognition and Measurement, upon initial recognition, financial assets are classified as either financial assets and fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

The Group and the Company determine the classification of their financial assets at initial recognition. Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. All financial assets of the Group and of the Company are classified as loans and receivables. All loans and receivables are classified as current assets.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any accumulated impairment losses. A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

ii) *Financial Liabilities*

Current financial year

The categories of financial liabilities at initial recognition are as follows:

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

As at the end of the reporting period, there were no financial liabilities classified under this category.

Financial liabilities at fair value through other comprehensive income

As at the end of the reporting period, there were no financial liabilities classified under this category.

Previous financial year

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other Financial Liabilities

The Group's and the Company's other financial liabilities include trade payables and other payables and accruals.

Trade and other payables and accruals are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

iii) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

iv) *Amortised cost financial instruments*

Current financial year

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (Note 4.9) where effective interest rate is applied to the amortised cost.

Previous financial year

Amortised cost was computed using the effective interest method. This method used effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

v) *Derecognition of financial instruments*

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Group and the Company has transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement without retaining control of the asset or substantially all the risk and rewards of the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit and loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

4.9 IMPAIRMENT OF FINANCIAL ASSETS

The Group and the Company generally applied the following accounting policies and as permitted by MFRS 9: financial instruments, the Company have elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost.

Loss allowances for trade receivables is always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and Company's historical experience and informed credit assessment including forward-looking information, where available.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Previous financial year

The Group and Company assess at each reporting date whether there is any objective evidence that a financial assets is impaired.

Receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments past the average credit period and observable changes in economic conditions.

If any such evidence exists, the amount of impairment loss is measured as the differences between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial assets is reduced by the impairment loss except for receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases as a result of an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

4.10 EQUITY INSTRUMENTS

Equity instruments are any contracts that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Dividends on ordinary shares will be recognised as liabilities when the shareholders' rights to receive the dividends are established.

4.11 REVENUE

Current financial year

i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group performs;
- (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Construction contracts

Construction activities do not create assets with alternative use for the Group due to contractual restriction at the contract inception, and the Group has enforceable rights to payment arising from the contractual terms, at all times, to an amount that at least compensates the Group for performance to-date (i.e. Cost plus a reasonable profit margin) if the contract is terminated for any reason other than the Group's failure to perform under the contract.

For these contracts, revenue is accounted for based on over time recognition using input method (i.e. Stage of completion method). The stage of completion is determined by reference to the Group's progress towards completing the construction works. The measure of progress is determined based on the proportion of contract costs incurred to-date bear to the estimated total contract costs.

Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

ii) Rental income

Rental income from operating lease is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

iii) Interest income

Interest income is recognised as it accrues, using the effective interest method.

Previous financial year

i) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 4.7.

ii) Consultancy fee

Consultancy fees are recognised when services are rendered.

iii) Interest Income

Interest income is recognised using the effective interest method and accrued on a time basis.

4.12 FOREIGN CURRENCY

i) Functional And Presentation Currency

The financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency.

Transactions in foreign currencies are measured in the respective functional currencies of the Group and of the Company are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at that date. Non-monetary items denominated in foreign currencies that are measured at historical cost are not retranslated. Non-monetary items denominated in foreign currencies measured at fair value are retranslated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

4.13 EMPLOYMENT BENEFITS

i) Short-Term Employment Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial period in which the associated services are rendered by employees of the Group and of the Company.

ii) Defined Contribution Plan

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group and make contributions to the Employee Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

4.14 INCOME TAX

Income tax comprises of current tax and deferred tax. Current tax and deferred tax are charged or credited to other comprehensive income or equity if the tax relates to items that are credited or charged directly to other comprehensive income or equity.

Current tax liabilities are measured based on the amounts expected to be paid, using the tax rates that have been enacted or substantially enacted by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences which are the differences between the carrying amount in the financial statements and the corresponding tax base of an asset or liability at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax liabilities and assets are not recognised if the temporary differences arise from goodwill and for initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit. Deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amounts of its assets and liabilities and are measured using the tax rates that have been enacted or substantially enacted by the reporting date.

The carrying amount of the deferred tax assets are reviewed at each reporting date, and the carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised. The reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

4.15 FAIR VALUE MEASUREMENT

The Group and the Company measure financial instruments and non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group and by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge reputation, independence and whether discussion with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group and the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

4.16 CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group and the Company present assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classify all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

5.1 CRITICAL JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

There were no significant judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements during the current financial year.

5.2 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below.

i) *Income Taxes*

Significant estimation is involved in determining the provision for income taxed. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expenses are disclosed in Note 19.

ii) *Deferred Tax Assets*

Deferred tax assets have not been recognised for all unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences. Deferred tax assets are only recognised to the extent that it is probable that taxable profit will be available against which the tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

6 PLANT AND EQUIPMENT

Group	As at 1 April 2018 RM	Additions RM	Disposals RM	As at 31 March 2019 RM
<u>Cost</u>				
Furniture and fixtures	1,478,858	-	-	1,478,858
Motor vehicles	7,871,210	-	(435,340)	7,435,870
Plant and machineries	55,684,335	-	(10,574,110)	45,110,225
	65,034,403	-	(11,009,450)	54,024,953

	As at 1 April 2018 RM	Charges for the year RM	Disposals RM	As at 31 March 2019 RM
<u>Accumulated Depreciation</u>				
Furniture and fixtures	1,024,653	378,878	-	1,403,531
Motor vehicles	3,488,799	1,088,885	(435,335)	4,142,349
Plant and machineries	51,222,277	2,172,165	(10,574,105)	42,820,337
	55,735,729	3,639,928	(11,009,440)	48,366,217

	As at 31 March 2019 RM	As at 31 March 2018 RM
<u>Carrying Amounts</u>		
Furniture and fixtures	75,327	454,205
Motor vehicles	3,293,521	4,382,411
Plant and machineries	2,298,888	4,462,058
	5,658,736	9,298,674

Company	As at 1 April 2018 RM	Additions RM	Disposals RM	As at 31 March 2019 RM
<u>Cost</u>				
Furniture and fixtures	685,525	-	-	685,525
Motor vehicles	2,431,210	-	(435,340)	1,995,870
Plant and machineries	52,305,791	-	(10,574,110)	41,731,681
	55,422,526	-	(11,009,450)	44,413,076

	As at 1 April 2018 RM	Charges for the year RM	Disposals RM	As at 31 March 2019 RM
<u>Accumulated Depreciation</u>				
Furniture and fixtures	590,862	61,544	-	652,406
Motor vehicles	2,431,189	-	(435,335)	1,995,854
Plant and machineries	50,726,119	1,455,324	(10,574,105)	41,607,338
	53,748,170	1,516,868	(11,009,440)	44,255,598

	As at 31 March 2019 RM	As at 31 March 2018 RM
<u>Carrying Amounts</u>		
Furniture and fixtures	33,119	94,663
Motor vehicles	16	21
Plant and machineries	124,343	1,579,672
	157,478	1,674,356

7 INVESTMENT IN SUBSIDIARY

	Company	
	2019 RM	2018 RM
Unquoted shares, at cost	1,000,000	1,000,000
Less: Impairment (Note 18.1)	(1,000,000)	-
	-	1,000,000

Details of the Company's Subsidiary are as follows:

Name of Subsidiary	Country of incorporation	Principal activities	% of the ownership interest held by the Group	
			2019	2018
*Punj Lloyd Sdn. Bhd.	Malaysia	To provide engineering, procurement and construction services.	100%	100%

* The financial statements of the company are audited by Yong and Leonard.

8 INVENTORIES

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
At cost:				
Spare parts and materials	4,297,123	14,066,126	-	2,926,401
At net realisable value:				
Spare parts and materials	297,618	-	297,618	-
	<u>4,594,741</u>	<u>14,066,126</u>	<u>297,618</u>	<u>2,906,401</u>

9 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Deposits	649,940	853,940	18,400	18,400
Advances to suppliers	11,329,130	26,510,290	-	-
Other receivables	6,427,462	9,718,021	-	48,976
Amount due from ultimate holding company	32,978,837	8,036,481	1,319,667	-
Amount due from immediate holding company	-	105,399,469	-	105,399,469
Amount due from related companies	<u>117,941,390</u>	<u>7,404,743</u>	<u>107,231,289</u>	<u>5,290,940</u>
At end of financial year	169,326,759	157,922,944	108,569,356	110,757,785
Less: Allowance for impairment (Note 18.1)	<u>(148,063,527)</u>	<u>-</u>	<u>(108,550,956)</u>	<u>-</u>
	<u>21,263,232</u>	<u>157,922,944</u>	<u>18,400</u>	<u>110,757,785</u>

Amount due from ultimate holding, immediate holding and related companies

The amount due from ultimate holding, immediate holding and related companies are unsecured, non-interest bearing and repayable on demand.

Group

During the financial year the Group had written off bad debts arising from amounts due from related companies amounting to RM13,757,886 (2018: Nil) as disclosed in Note 18.1 to the Financial Statements.

10 FIXED DEPOSITS WITH LICENSED BANKS

Included in fixed deposits are amounts RM804,981 (2018: RM11,687,680) and RM219,826 (2018: RM11,220,940) being pledged to licensed banks as security against bank guarantees provided to the Group and to the Company respectively.

11 SHARE CAPITAL

	Number of shares			
	2019	2018	2019	2018
	Units	Units	RM	RM
Issued and fully paid:				
Ordinary shares	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>

12 RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings as at 31 March 2019 under the single tier system.

13 DEFERRED TAX LIABILITIES

The Group's and the Company's deferred tax as at 31 March 2019 relates to the following:

Group	At 1 April 2017 RM	Charge / (credit) to profit or loss RM	At 31 March 2018 RM	Charge / (credit) to profit or loss RM	At 31 March 2019 RM
<u>Deferred Tax Liabilities</u>					
Plant and equipment	1,947,607	(1,224,808)	722,799	(362,794)	360,005
Unrealised foreign exchange gains	1,277,908	(1,277,908)	-	2,738	2,738
	<u>3,225,515</u>	<u>(2,502,716)</u>	<u>722,799</u>	<u>(360,056)</u>	<u>362,743</u>
<u>Deferred Tax Assets</u>					
Unabsorbed capital allowances	-	(346,149)	(346,149)	10,222	(335,927)
Unutilised business losses	(1,843,010)	1,466,360	(376,650)	349,834	(26,816)
	<u>(1,843,010)</u>	<u>1,120,211</u>	<u>(722,799)</u>	<u>360,056</u>	<u>(362,743)</u>
Total	<u>1,382,505</u>	<u>(1,382,505)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Company	At 1 April 2017 RM	Charge / (credit) to profit or loss RM	At 31 March 2018 RM	Charge / (credit) to profit or loss RM	At 31 March 2019 RM
Deferred Tax Liabilities					
Plant and equipment	1,737,507	(1,360,857)	376,650	(340,573)	36,077
Unrealised foreign exchange gains	105,503	(105,503)	-	2,738	2,738
	<u>1,843,010</u>	<u>(1,466,360)</u>	<u>376,650</u>	<u>(337,835)</u>	<u>38,815</u>
Deferred Tax Assets					
Unabsorbed capital allowance	-	-	-	(11,999)	(11,999)
Unutilised business losses	(1,843,010)	1,466,360	(376,650)	349,834	(26,816)
	<u>(1,843,010)</u>	<u>1,466,630</u>	<u>(376,650)</u>	<u>337,835</u>	<u>(38,815)</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Presented after appropriate offsetting as follows:				
Deferred tax assets	(362,743)	(722,799)	(38,815)	(376,650)
Deferred tax liabilities	<u>362,743</u>	<u>722,799</u>	<u>38,815</u>	<u>376,650</u>
At end of financial year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deductible temporary differences arising from unrealised foreign exchange differences	-	556,453	-	556,453
Unabsorbed capital allowances	4,500,000	2,385,764	-	-
Unutilised tax losses	<u>185,090,000</u>	<u>28,420,397</u>	<u>1,490,000</u>	<u>167,190</u>

Deferred tax assets have not been recognised for the items above as the Company and the Group could not anticipate their realisation.

The Group and the Company offset tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

14 CONTRACT LIABILITIES

	Group	
	2019 RM	2018 RM
<u>Carrying amount before impairment:</u>		
Balance at the beginning of year	(82,072,929)	(88,103,594)
Cost incurred during the year	219,804,913	538,392,246
Amortisation of contract asset (before impairment)	(113,002,114)	(526,844,971)
Payments received and progress billings	(183,089,008)	(524,904,677)
Revenue recognised in the year for amount included in contract liability at the beginning of the year	82,072,929	88,103,594
Revenue recognised in the year for performance obligations satisfied or partially satisfied in the year	<u>95,732,991</u>	<u>431,284,473</u>
Balance at the end of year	19,446,782	(82,072,929)
Less: Impairment loss on foreseeable loss on project	<u>(146,125,170)</u>	<u>(25,681,383)</u>
	<u>(126,678,388)</u>	<u>(107,754,312)</u>
<u>Impairment loss on foreseeable loss on project:</u>		
Balance at beginning of year	(25,681,383)	-
Further impairment loss	<u>(120,443,787)</u>	<u>(25,681,383)</u>
Balance at end of year	<u>(146,125,170)</u>	<u>(25,681,383)</u>
Retention sum payable	<u>20,414,563</u>	<u>20,414,563</u>

15 TRADE PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Third parties	66,506,869	100,455,611	-	-
Amount due to ultimate holding company	-	3,096,311	-	3,096,311
Amount due to related companies	1,314,998	7,178,025	1,314,998	7,178,025
Amount due to subsidiary	<u>-</u>	<u>-</u>	<u>28,797,904</u>	<u>34,549,407</u>
At end of year	<u>67,821,867</u>	<u>110,729,947</u>	<u>30,112,902</u>	<u>44,823,743</u>

Trade payables

The normal trade credit terms granted to the Company ranges from 30 to 60 days.

Included in trade payables of the Group are retention sums amounting to RM20,414,563 (2018: RM20,414,563).

During the financial year, an amount of RM4,114,989 and RM1,955,931 (2018: Nil and Nil) respectively of the Group and of the Company have been derecognised on grounds that the liabilities have been discharged by a related company in relation to contract cost incurred previously.

Amount due to ultimate holding and related companies

The amount due to ultimate holding company, related companies and subsidiary are trade in nature, unsecured, non-interest bearing and repayable on demand.

16 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Accruals	1,511,755	6,568,815	1,511,755	6,568,815
Other payables	670,660	4,012,359	458,486	924,021
Advances from contract customers	96,490,944	-	-	-
	<u>98,673,359</u>	<u>10,581,174</u>	<u>1,970,241</u>	<u>7,492,836</u>

Advances from contract customers represents a partial sum of monies received in Ringgit Malaysia in relation to the encashment of the Project Performance Bond by the contract customer amounting to USD58,100,000. This amount is unsecured, interest-free and have no fixed terms of repayment.

17 REVENUE

Revenue is recognised by reference to the stage of completion from contract customers.

The transaction price allocated to (partially) unsatisfied performance obligations at 31 March 2019 are as set out below. As permitted under the transitional provisions in MFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 March 2018 is not disclosed.

	Group	Company
	As at 31	As at 31
	March 2019	March 2019
	RM	RM
Construction contract	<u>(126,678,388)</u>	<u>-</u>

Management expects that the entire transaction price allocated to the unsatisfied contracts as of the year ended 31 March 2019 will be recognised as revenue during the next reporting period.

18 LOSS BEFORE TAX**18.1 DISCLOSURE ITEMS**

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
This is stated after charging:				
Auditors' remuneration :				
- current year	60,000	60,000	15,000	30,000
- overprovision in prior years	-	-	(15,000)	-
Bad debts written off from :				
- Related companies (Note 9)	13,757,886	-	-	-
- Third party	-	2,889	-	-
	<u>13,757,886</u>	<u>2,889</u>	<u>-</u>	<u>-</u>
Depreciation of plant and equipment	3,639,928	6,921,949	1,516,868	5,168,009
Employee benefits expenses (Note 18.2)	65,522,112	96,045,488	61,529,628	90,925,566
Impairment in subsidiary (Note 7)	-	-	1,000,000	-
Impairment loss (Note 7)	148,063,527	-	108,550,956	-
Realised foreign exchange losses	-	3,860,732	-	1,959,841
Rental of premises	97,073	27,700	97,073	27,700
Bank guarantee fee	2,519,400	5,380,770	-	-
Impairment loss on amount due from related companies	-	-	-	-
Unrealised foreign exchange loss	<u>7,197</u>	<u>2,371,315</u>	<u>-</u>	<u>2,127,986</u>
And crediting:				
Consultancy income (Note 20)	-	-	(64,803,980)	(99,281,366)
Bad debts recovered	(744,480)	-	(744,480)	-
Gain on disposal of fixed assets	(1,306,204)	(4,083,393)	(1,306,204)	(4,083,393)
Interest income	(315,895)	(256,028)	(137,310)	(162,578)
Other income	(2,766,132)	(533,956)	-	-
Rental income	(6,788,985)	-	-	-
Waiver of debts owing to related companies (Note 20)	(4,114,989)	-	(1,955,931)	-
Realised foreign exchange gain	(5,019,956)	(553,185)	(3,990,270)	-
Scrap sales	(2,960,726)	(1,001,910)	(63,006)	(1,001,910)
Unrealised foreign exchange gain	<u>(11,408)</u>	<u>-</u>	<u>(11,408)</u>	<u>-</u>

18.2 EMPLOYEES BENEFITS EXPENSES

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Salaries and wages	64,511,756	95,418,268	60,649,630	90,780,483
Contribution to defined contribution plan	461,141	525,856	40,509	43,719
Other employees benefits	549,215	101,364	549,215	101,364
	<u>65,522,112</u>	<u>96,045,488</u>	<u>61,239,354</u>	<u>90,925,566</u>

18.3 COMPENSATION FOR KEY MANAGEMENT PERSONNEL

	Group/Company	
	2019	2018
	RM	RM
<u>Director</u>		
Salaries and other emoluments	<u>251,038</u>	<u>234,155</u>

19 INCOME TAX EXPENSE

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Current tax expense				
-Current year	-	39,018	-	39,018
-(Over)/under provision in prior years	<u>1</u>	<u>(221,920)</u>	<u>1</u>	<u>-</u>
	<u>1</u>	<u>(182,902)</u>	<u>1</u>	<u>39,018</u>
Deferred tax expenses (Note 13)				
-Current year	-	(1,382,505)	-	-
-Over provision in prior years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>(1,382,505)</u>	<u>-</u>	<u>-</u>
Total income tax expense/(income)	<u>1</u>	<u>(1,565,407)</u>	<u>1</u>	<u>39,018</u>

The income tax expense is reconciled to the accounting loss at the applicable tax rate as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Loss before tax	<u>(265,925,855)</u>	<u>(34,560,841)</u>	<u>(109,362,982)</u>	<u>(1,460,562)</u>
Tax at Malaysian statutory tax rate of 24%	(70,973,702)	(8,294,602)	(26,247,116)	(350,535)
Tax effects of:				
Non-deductible expenses	45,759,595	521,239	26,063,188	460,740
Deferred tax liabilities/(assets) recognised on unutilised business losses	-	6,429,876	-	(71,187)
Deferred tax assets not recognised during the year	25,214,108	-	183,929	-
(Over)/Under provision in prior years	<u>-</u>	<u>(221,920)</u>	<u>-</u>	<u>-</u>
Total income tax expense	<u>1</u>	<u>(1,565,407)</u>	<u>1</u>	<u>39,018</u>

20 RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere in the financial statements, the Group and the Company had the following significant transactions with related parties during the financial year:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Subsidiary company:				
Consultancy fee paid/payable	-	-	-	-
Consultancy fee received/receivable (Note 18.1)	<u>-</u>	<u>-</u>	<u>64,803,980</u>	<u>99,281,366</u>
Ultimate holding company:				
Sale of fixed assets	-	-	-	-
License fees payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Related companies:				
Sale of fixed assets	-	-	-	-
Waiver of debts arising by the company (Note 18.1)	(4,114,989)	-	(1,955,931)	-
Contractor charges	<u>-</u>	<u>(2,152,714)</u>	<u>-</u>	<u>-</u>
Immediate holding company:				
Advances given	<u>-</u>	<u>74,888,846</u>	<u>-</u>	<u>11,763,207</u>

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Related parties:				
Advances given	<u>-</u>	<u>9,609,810</u>	<u>-</u>	<u>-</u>
Key management personnel:				
Consultancy fee paid to directors	<u>(3,383,507)</u>	<u>(3,501,960)</u>	<u>-</u>	<u>-</u>

The transactions were undertaken at mutually agreed terms between the parties in the normal course of business. There is no compensation for key management personnel who are Directors of the Company.

The remuneration of the key management personnel who are the directors of the Group and the Company are disclosed in Note 18.3.

21 BANKING FACILITIES

Group

As of 31 March 2019, the Group has bank guarantee and letter of credit facilities totalling to RM19,000,000 and RM9,000,000 (2018: RM19,000,000 and RM9,000,000) respectively from licensed financial institutions. As of 31 March 2019, the said facilities remain unutilised by the Group except for letter of credit amounting to RM103,499 and bank guarantees amounting to RM553,626 (2018: RM10,959,026).

The receivables of the subsidiary are charged to Standard Chartered Bank, Singapore against the loan taken by its immediate holding company, Punj Lloyd Infratstructure Pte Ltd.

Company

As of 31 March 2019, the Company has bank guarantee facilities amounting to RM14,000,000 (2018: RM14,000,000) from a licensed financial institution. As of 31 March 2019, the Company had utilised the said bank guarantee up to RM106,476 (2018: RM10,511,876).

The facilities of the Group and of the Company were secured by the following:

- (a) 100% "on-lien" fixed deposit on every issuance of Bank Guarantee;
- (b) 100% marginal fixed deposits to be placed as and when utilised;

22 FINANCIAL INSTRUMENTS

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

The carrying amounts of the Group's and of the Company's financial assets and liabilities based on their notional amounts, reasonably approximate their fair values either due to their short-term nature or repayable on demand term.

22.1 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 March 2018 and 31 March 2019.

The Group monitors capital using the net tangible assets value of the Group, which is total tangible assets less total liabilities of the Group and. The net values of the Group as at 31 March 2018 and 31 March 2019 were RM22,196,079 (net assets) and RM243,729,777 (net liabilities) respectively.

22.2 CATEGORIES OF FINANCIAL INSTRUMENTS

Current financial year

	Group 2019 RM	Company 2019 RM
Financial assets		
<i>Financial assets measured at amortised cost:</i>		
Cash and bank balances	16,552,148	1,976,537
Fixed deposits with licensed banks	804,981	219,826
Trade receivables	-	-
Other receivables and deposits	<u>9,934,113</u>	<u>18,400</u>
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Trade payables	(67,821,867)	(30,112,902)
Other payables and accruals	<u>(98,673,359)</u>	<u>(1,970,241)</u>

Previous financial year

	Group 2018 RM	Company 2018 RM
Financial assets		
Cash and bank balances	55,594,077	4,725,813
Fixed deposits with licensed banks	11,687,680	11,220,940
<u>Loans and receivables:</u>		
At amortised cost:		
Trade receivables	1,771,029	-
Other receivables and deposits	<u>131,412,657</u>	<u>110,757,785</u>
Financial liabilities		
<u>Other financial liabilities:</u>		
At amortised cost:		
Trade payables	(110,729,947)	(44,823,743)
Other payables and accruals	<u>(10,581,174)</u>	<u>(7,492,836)</u>

22.3 CREDIT RISK

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables, amounts due from the ultimate holding, immediate holding and related companies and advances to suppliers. For other financial assets (including fixed deposits and cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

i) Trade receivables

The Group's normal credit terms granted to customers is 30 days (2018: 30). There is a significant concentration risk in trade receivables arising from a single customer which represents 100% (2018: 100%) of total trade receivables.

ii) Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

22.4 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. The Group also maintains sufficient levels of cash to meet its working capital requirement.

22.5 INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rate.

The Group's exposure to interest rate risk arises from its interest-bearing financial assets which are short-term in nature and placed in fixed deposits at agreed fixed rates. As the interest-bearing financial assets are at fixed rates, the Group's profit and reserves are not sensitive to the market movement in interest rates.

22.6 FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to United States Dollar ("USD"), United Arab Emirates Dirham ("AED"), Kuwaiti Dinar ("KWD"), Singapore Dollar ("SGD") and Qatari Rial ("QAR").

Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The net unhedged financial assets and financial liabilities of the Group and of the Company that are not denominated in their functional currencies are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cash and cash equivalents				
- USD	309,751	493,704	214,557	310,345
Other receivables				
- USD	-	-	-	-
Amount due from/(to) holding companies				
- USD	-	17,965,881	-	17,965,881
- INR	-	-	-	-
- SGD	-	-	-	-
Amount due from/(to) related companies				
- AED	-	2,543	-	2,849
- THB	-	-	-	-
- USD	2,856,700	47,405	-	(2,389,419)
- SGD	-	-	-	-
- KWD	-	(15,729)	-	-
- IDR	-	16,860	-	16,860
- QAR	-	(14,126)	-	-
Trade payables				
- USD	-	-	-	-

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's profit net of tax to a reasonable possible change in USD exchange rate against the respective functional currencies of the Company entities, with all other variables held constant.

		Group		Company	
		2019	2018	2019	2018
		RM	RM	RM	RM
USD/RM	- strengthened 3%	94,994	555,210	6,437	476,604
	- weakened 3%	<u>(94,994)</u>	<u>(555,210)</u>	<u>(6,437)</u>	<u>(476,604)</u>
SGD/RM	- strengthened 3%	-	-	-	-
	- weakened 3%	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
AED/RM	- strengthened 3%	-	76	-	85
	- weakened 3%	<u>-</u>	<u>(76)</u>	<u>-</u>	<u>(85)</u>

23 FINANCIAL GUARANTEE CONTRACTS – CONTINGENT LIABILITIES

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debts instrument.

Financial guarantee contracts of the Group and of the Company are measured at their fair values and subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with MFRS 137; and
- The amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

	Group/Company	
	2019	2018
	RM	RM
Financial guarantee contract to immediate holding company	<u>140,391,925</u>	<u>100,030,689</u>

The above financial guarantee is jointly and severally guaranteed by the Company, Punj Lloyd Limited ('the ultimate holding company') and Sembawang Engineers and Constructors Pte Ltd, a related company and bear interest at LIBOR+4.5% and has been due for repayment since 4 April 2016.

Further, the beneficiary has already invoked the Corporate Guarantee of Punj Lloyd Limited ('the ultimate holding Company') and recorded their claim with IRP of Punj Lloyd Limited and become a member of Committee of Creditors of the ultimate Holding Company.

24 MATERIAL LITIGATION - GROUP

In the previous financial year, a legal claim has been made against the subsidiary by a third party for a sum of USD8,590,876 being among others, payment of purported outstanding sums for variation works and retention sums under contract for the RAPID Project ("Works").

The subsidiary has denied the claim and issued Payment Responses on 11 January 2018 and 7 February 2018. It was and still is the subsidiary's contention that it is not a party to any contract with the said third party and the proper party to the contract for the Works described above is the ultimate holding company, Punj Lloyd Limited ("PLL") in India.

The third party then issued a Notice of Adjudication on 23 February 2018 and filed its Adjudication Claim on 16 March 2018 and the subsidiary had responded with its Adjudication Response on 30 March 2018.

As of the end of the previous financial year ended 31 March 2019, the management of the subsidiary were of the opinion that the subsidiary had a good chance of success in resisting the third party's claims on grounds that PLL was in contract with the said third party and not the Company.

However, during the financial year, on 2 July 2018, the Adjudication Decision was received against the subsidiary to award the third party sums amounting to RM9,305,288 with interest at the rate of 5% per annum from 2 January 2018 until full and final settlement and a further cost of RM50,000.

On 13 July 2018, the subsidiary had filed an application under Originating Summons to stay or set aside the Adjudication Decision and the application was allowed on 14 December 2018. On 20 December 2018, the subsidiary filed an appeal against the dismissal under Civil Appeal and the appeal is fixed for hearing on 13 August 2019.

Despite the Adjudication order, the management of the subsidiary is of the opinion that the subsidiary still has a good chance of succeeding in the case and management estimates an expected value of RM4,800,000 based on the probability of the outcome assessed by management, of which RM4,000,000 has already been recognised as an expense in the statement of comprehensive income.

25 AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements of the Company were authorised for issue by the Board of Directors on 21 May 2019.