

**Punj Lloyd Construction Contracting
Company Limited
(Limited Liability Company)
Khobar– Saudi Arabia
Special Purpose Financial Statements and
Independent Auditor's Report
For the year ended March 31, 2019**

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Khobar – Saudi Arabia
Special Purpose Financial Statements and Independent Auditor's Report
for the year ended March 31, 2019

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ASSOCIATED ACCOUNTANTS

Houmod Al Robian and Co. - Certified Accountants and Consultants

Independent Auditor's Report

To, The Partners
Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Khobar - Saudi Arabia

Opinion:

We have audited the special purpose financial statements of **Punj Lloyd Construction Contracting Company Limited (the "Company")** which comprises of special purpose statement of financial position as at March 31, 2019 and the related special purpose statements of profit or loss and other comprehensive income, cash flows and changes in partners' equity for the year then ended, and the summary of significant accounting policies and explanatory notes from 1 to 15, which are an integral part of these financial statements.

In our opinion, the special purpose financial statements referred to above in whole present fairly, in all material respects, the special purpose financial position of **Punj Lloyd Construction Contracting Company Limited** as of March 31, 2019 and the results of its operations, its cash flows and changes in partners' equity for the year then ended are in accordance with IFRS for SMEs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA.

Basis for Opinion:

We conducted our audit in accordance with the International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter:

These financial statements were prepared to account for an investments under cost method for management purposes and do not replace the consolidated financial statement of the Company as of March 31, 2019. Accordingly, these financial statements should not be used for any other purposes.

Responsibilities of Management and Those Charged with Governance for the Special Purpose Financial Statements:

Management is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with the IFRS for SMEs as endorsed by SOCPA, in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial statements, management is responsible for assessing 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements:

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with the ISAs that are endorsed in the Kingdom of Saudi Arabia 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 those financial statements.

As part of an audit in accordance with the ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose financial statements, 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 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 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 auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 those charged with governance 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 bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



ASSOCIATED ACCOUNTANTS

Houmod Al Robian and Co. - Certified Accountants and Consultants

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements:

Report on Other Legal and Regulatory Requirements:

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Regulations for companies and the Company's article of association in so far as they affect the preparation and presentation of the financial statements.

Date: September 18, 2019

Associated Accountants

Independent Member of Geneva Group International



Hamoud Ali Al-Rubian
(License No. 222)

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Special Purpose Statement of Financial Position
as of March 31, 2019
(Saudi Riyal)

	<u>Note</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>April 1, 2017</u>
<u>Assets</u>				
Non-current assets:				
Property and equipment, net	5&7	744,737	1,118,081	1,140,142
Investment	1	3	-	-
Retentions receivable		8,995,575	4,326,724	17,684,359
Security deposits		384,889	353,883	485,083
Due from related parties	8	804,560	562,024	643,055
Total non-current assets		10,929,764	6,360,712	19,952,639
Current assets:				
Inventories	5	551,596	834,529	634,093
Trade receivable	5	15,718,831	7,986,858	7,936,129
Accrued revenue		1,400,987	8,419,350	-
Other receivables and prepayments	9	6,167,749	6,730,143	5,068,302
Cash in hand and at banks	5&10	27,848,326	6,408,322	47,391,152
Total current assets		51,687,489	30,379,202	61,029,676
Total assets		62,617,253	36,739,914	80,982,315
<u>Partners' Equity and Liabilities</u>				
Partners' equity:				
Share capital	11	8,340,000	2,000,000	2,000,000
Statutory reserve	5	1,926,760	1,000,000	1,000,000
Retained earnings		24,638,926	16,298,088	10,205,383
Actuarial gain reserve		104,906	104,906	1,244,358
Total partners' equity		35,010,592	19,402,994	13,205,383
Non-current liabilities:				
Employees' benefit obligation	5&12	2,672,707	748,165	1,244,358
Current liabilities:				
Unearned revenue		-	-	28,309,116
Retentions payable		2,126,447	-	-
Other payables and accruals	13	19,411,991	14,827,073	15,384,637
Due to related parties	8	20,513	71,720	15,433,698
Provision for income tax	5	3,375,003	1,689,962	7,405,123
Total current liabilities		24,933,954	16,588,755	66,532,574
Total liabilities		27,606,661	17,336,920	67,776,932
Total partners' equity and liabilities		62,617,253	36,739,914	80,982,315

The accompanying notes from 1 to 15 are an integral part of these special purpose financial statements

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Special Purpose Statement of Profit or Loss and Other Comprehensive Income
for the year ended March 31, 2019
(Saudi Riyal)

	<u>Note</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Revenues	5	106,422,297	96,112,392
Cost of revenue		(71,756,304)	(70,418,236)
Gross income		34,665,993	25,694,156
General and administrative expenses	5&14	(24,055,842)	(18,417,617)
Operating income		10,610,151	7,276,539
Other income	15	1,519,277	602,949
Finance charges		(63,795)	(96,821)
Net income before tax		12,065,633	7,782,667
Income tax charge	5	(2,798,035)	(1,689,962)
Net income for the year		9,267,598	6,092,705
<u>Other comprehensive income</u>			
Items that will not be reclassified to profit or loss:			
Actuarial gain from re-measurement of employees' benefit obligation	5&12	-	104,906
Total comprehensive income for the year		9,267,598	6,197,611

The accompanying notes from 1 to 15 are an integral part of these special purpose financial statements

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Special Purpose Statement of Cash Flows
for the year ended March 31, 2019
(Saudi Riyal)

	March 31, 2019	March 31, 2018
Cash Flows from Operating Activities:		
Net income before tax for the year	12,065,633	7,782,667
Adjustments to reconcile net income to net cash flows provided by/(used in) operating activities:		
Depreciation	547,118	742,293
Employees' benefit obligation	2,071,107	666,451
Gain on sale of property and equipment	(79,570)	(12,943)
Actuarial adjustment	-	691
	14,604,288	9,179,159
Change in the components of working capital:		
Increase in trade receivable	(7,731,973)	(50,729)
Decrease/(Increase) in inventories	282,933	(200,436)
Decrease/(Increase) in accrued revenue	7,018,363	(8,419,350)
Decrease/(Increase) in other receivables and prepayments	562,394	(1,661,841)
(Increase)/Decrease in retentions receivable	(4,668,851)	13,357,635
(Increase)/Decrease in security deposits	(31,006)	131,200
Net change in related party balances	(293,743)	(15,280,947)
Decrease in unearned revenue	-	(28,309,116)
Increase in retentions payable	2,126,447	-
Increase/(Decrease) in other payables and accruals	4,584,918	(557,564)
Employees' benefit obligation paid	(146,565)	(1,058,429)
Income tax paid	(1,112,994)	(7,405,123)
Net cash flows provided by/(used in) operating activities	15,194,211	(40,275,541)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(178,948)	(720,232)
Acquisition of investment	(3)	-
Proceeds from sale of property and equipment	84,744	12,943
Net cash flows used in investing activities	(94,207)	(707,289)
Cash Flows from Financing Activities:		
Proceeds from share capital increment	6,340,000	-
Net cash flows provided by financing activities	6,340,000	-
Net cash generated/(used) during the year	21,440,004	(40,982,830)
Cash in hand and at banks balances at the beginning of the year	6,408,322	47,391,152
Cash in hand and at banks balances at the end of the year	27,848,326	6,408,322

The accompanying notes from 1 to 15 are an integral part of these special purpose financial statements

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Special Purpose Statement of Changes in Partners' Equity
for the year ended March 31, 2019
(Saudi Riyal)

	Share capital	Statutory reserve	Retained earnings		Actuarial gain reserve	Total
			Non - Saudi partner	Saudi partner		
2018						
Balance before IFRS adjustment as of April 1, 2017	2,000,000	1,000,000	5,238,839	5,033,394	-	13,272,233
IFRS adjustment (Note 6.1)	-	-	(66,850)	-	-	(66,850)
Balance After actuarial adjustment as of April 1, 2017	2,000,000	1,000,000	5,171,989	5,033,394	-	13,205,383
Net income for the year	-	-	6,092,705	-	-	6,092,705
Other comprehensive income	-	-	5,033,394	(5,033,394)	-	-
2019						
Balance as of March 31, 2018	2,000,000	1,000,000	16,298,088	-	104,906	19,402,994
Net income for the year	-	-	9,267,598	-	-	9,267,598
Transfer to statutory reserve	-	926,760	(926,760)	-	-	-
Increase in share capital	6,340,000	-	-	-	-	6,340,000
Balance as of March 31, 2019	8,340,000	1,926,760	24,638,926	-	104,906	35,010,592

The accompanying notes from 1 to 15 are an integral part of these special purpose financial statements

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Notes to the Special Purpose Financial Statements
for the year ended March 31, 2019

1- Legal Status and Activities

Punj Lloyd Construction Contracting Company Limited ("the Company") is a limited liability Company registered in Khobar under CR. No. 2051041547 dated 5 Dhul-Qo'da, 1427H, corresponding to November 26, 2006G.

The main activity of the Company is to engage in performing construction contracts, constructing, operating and maintenance of hydrocarbon projects, chemicals, power plants, sewage and desalination plants, and construction contract and maintenance of residential and commercial towers, infrastructure works, ports, pavements, railways, roads and bridges, according to Saudi Arabian General Investment Authority (SAGIA) license No. 102030082941 dated 5 Dhul-Qa'da, 1427H, corresponding to November 26, 2006G.

The Company has a branch Punj Lloyd Construction Contracting Company Limited in Riyadh CR. No. 1010225350.

The investee company is classified as a subsidiary based on the controlling interest exercised by the company over those companies compared to other partners and as of the effective date of the transfer of control. The details of the investee company are as follows:

<u>Name</u>	<u>Date of acquisition</u>	<u>Legal entity</u>	<u>Percentage of ownership</u>
Punj Lloyd PTE Limited Singapore	January 28, 2019	Limited Liability Company	100%

2- Implementation of International Financial Reporting Standard for Small and Medium-sized Entities' (IFRS for SMEs)

These special purpose financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities' (IFRS for SMEs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

For the year's up-to and including the year ended March 31, 2018, the Company prepared its financial statements in accordance with the accounting standards issued by Saudi Organization for Certified Public Accountants ("SOCPA").

For the financial periods starting April 1, 2017, and in accordance with the regulations applicable in the Kingdom of Saudi Arabia, the Company prepared its special purpose financial statements in accordance with IFRS for SMEs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA in this respect. The accompanying special purpose financial statements are the first annual special purpose financial statements that are prepared in accordance with IFRS for SMEs.

3- Basis of preparation

Statement of compliance

The special purpose financial statements of the company have been prepared in accordance with the 'International Financial Reporting Standard for Small and Medium-sized Entities' (IFRS for SMEs).

These special purpose financial statements are prepared using historical cost convention except for the accrual basis of accounting. For employees' terminal and other benefits, actuarial present value calculation is used. The measurement rules will be more fully described in the accounting policies

The accompanying special purpose financial statements have been prepared as at March 31, 2019 and represent the first complete set of annual financial statements prepared in accordance with 'International Financial Reporting Standard for Small and Medium-sized Entities' (IFRS for SMEs). These policies have been applied consistently with the preparation of the statement of financial position as at January 1, 2018. These standards have been adopted and issued by the SOCPA, which are effective as of January 1, 2018

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Notes to the Special Purpose Financial Statements
for the year ended March 31, 2019

3- Basis of preparation (continued):

Statement of compliance (continued):

The preparation of financial statements in accordance with the 'International Financial Reporting Standard for Small and Medium-sized Entities' (IFRS for SMEs) requires the use of certain significant accounting estimates and requires management to exercise judgment in the application of the Company's accounting policies. The significant judgments and estimates in the preparation of the special purpose financial statements are disclosed

No other changes to the accounting policies were identified and the comparative information has remained unchanged from the prior reporting period.

Functional and presentation currency

The special purpose financial statements are presented in Saudi Riyals (SR) which is also the functional currency of the Company. All values are presented in Saudi Riyals, except when otherwise indicated.

4- Significant accounting estimates, assumptions and judgments

The preparation of the Company's special purpose financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material carrying amounts of assets and liabilities within the financial year include:

Going concern principle

The management of the Company has no doubt about its ability to continue. Accordingly, the special purpose financial statements have been prepared on a going concern basis.

Useful life estimation of the property, plant and equipment

The cost of property, plant and equipment is depreciated over the expected useful life of the estimated use and obsolescence of each asset, the asset maintenance program, technical obsolescence and asset value recoveries. The management of the company did not estimate any residual value of the assets as insignificant.

Provision for slow moving inventories

A provision for slow moving inventories is made to meet any material loss of the goods. This allocation is determined based on the Company's policy. A continuous assessment of the goods is made during the year to determine any material change in the provision. The management makes an estimate based on the best facts and circumstances, including the estimation of the future use of each item of goods independently. The amount and timing of expenses recorded for any period may vary based on estimates or judgments. The increase in the slow-moving inventory allocation increases the company's recorded expenses and decreases in current assets.

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Notes to the Special Purpose Financial Statements
for the year ended March 31, 2019

4- Significant accounting estimates, assumptions and judgments (continued):

Actuarial valuation of employees' end of service liability

The cost of employees' end of service benefits is determined using actuarial valuation. The actuarial valuation includes many assumptions that may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, employee turnover, death rate and future health care costs. The change in assumptions can have a material impact on the expected benefit liability and / or periodic employee benefit costs incurred, and the opinion of an actuarial expert In this regard.

Provisions

Provisions are based on estimates and assessments and if they meet the recognition criteria, including estimates of the probability of cash outflows. The provision for litigation is based on cost estimates in consider the legal advice and other information currently available. The provision for uncertainties involves management's best estimate of whether cash flows are likely to occur.

Impairment of tangible and intangible assets

At each reporting date, the Company reviews the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually or whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal ("FLCD") or value in use ("VIU"). In assessing VIU, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than it's carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized in the operating section of the special purpose statement of profit or loss.

5- Summary of significant accounting policies

The principal accounting policies applied in the preparation of these special purpose financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated

Property and equipment

Property, plant and equipment is recognised initially at cost. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These can include the costs of site preparation, initial delivery and handling, installation and assembly, and testing of functionality.

The company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

From 31 December 2017, land and buildings are measured at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. All other property, plant and equipment is recognised at historical cost less depreciation.

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Notes to the Special Purpose Financial Statements
for the year ended March 31, 2019

5- Significant Accounting Policies (continued):

Property and equipment (continued)

When land and buildings are revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Depreciation is charged as to:

Machinery and office equipment	15-33.3%
Motor vehicles	20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. Allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses) – net' in the statement of comprehensive income.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

The Company applies the cost model to measure all classes of property and equipment. After recognition as an asset, an item of property and equipment is stated at cost less any accumulated depreciation and impairment losses, if any.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises packaging costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade receivables

Trade receivables and others are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables and others is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Notes to the Special Purpose Financial Statements
for the year ended March 31, 2019

5- Significant Accounting Policies (continued):

Cash in hand and at banks

Cash and cash equivalents includes cash on hand, banks demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Statutory reserve

In accordance with the Company's articles of association and the requirements of the Companies Regulations in Saudi Arabia, the Company shall save 10% of the net profit to a statutory reserve until such reserve equals 30% of the Company's capital. This reserve is not available for distribution.

Employees' benefit obligation

Employee benefit liabilities payable to employees are eliminated for periods of their services accrued at the statement of financial position date in accordance with the Saudi Labour Law.

The cost of employee benefits is determined under the defined unfunded remuneration program, which is measured by an independent actuarial expert. The actuarial valuation includes several assumptions that may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, employee behaviour, and turnover. Given the complexity of the evaluation and its long-term nature, the specific unfunded bonus obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed once or more per year when necessary.

Actuarial gains and losses are recognised to other comprehensive income in the period in which they arise.

Past-service costs and interest cost are recognised immediately in profit or loss.

Provision for income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable income which differs from net income as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Revenue recognition:

Revenues from long-term construction contracts are recognized in accordance with the percentage-of-completion method.

General and administrative expenses

General and administrative expenses include expenses related to management and not related to cost of sales or services provided as required under generally accepted accounting principles. Allocations between cost of sales and general and administrative expenses, when required, are made on consistent basis.

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Notes to the Special Purpose Financial Statements
for the year ended March 31, 2019
(Saudi Riyal)

6.1 Reconciliations of SOCPA to IFRS statements of financial position as at April 1, 2017.

	<u>Note</u>	<u>March 31, 2017</u> <u>SOCPA</u>	<u>IFRS</u> <u>adjustments</u>	<u>April 1, 2017</u> <u>IFRS</u>
<u>Assets</u>				
Non-current assets:				
Property and equipment, net		1,140,142	-	1,140,142
Retentions receivable		17,684,359	-	17,684,359
Security deposits		485,083	-	485,083
Due from related parties		643,055	-	643,055
Total non-current assets		19,952,639	-	19,952,639
Current assets				
Inventories		634,093	-	634,093
Trade receivable		7,936,129	-	7,936,129
Other receivables and prepayments		5,068,302	-	5,068,302
Cash in hand and at banks		47,391,152	-	47,391,152
Total current assets		61,029,676	-	61,029,676
Total assets		80,982,315	-	80,982,315
<u>Partners' Equity and Liabilities</u>				
Partners' equity:				
Share capital		2,000,000	-	2,000,000
Statutory reserve		1,000,000	-	1,000,000
Retained earnings	6.4	10,272,233	(66,850)	10,205,383
Total equity		13,272,233	(66,850)	13,205,383
Non-current liabilities:				
Employees' benefit obligation		1,177,508	66,850	1,244,358
Current liabilities:				
Unearned revenue		28,309,116	-	28,309,116
Retentions payable		-	-	-
Other payables and accruals		15,384,637	-	15,384,637
Due to related parties		15,433,698	-	15,433,698
Provision for income tax		7,405,123	-	7,405,123
Total current liabilities		66,532,574	-	66,532,574
Total liabilities		67,710,082	66,850	67,776,932
Total partners' equity and liabilities		80,982,315	-	80,982,315

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6.2 Reconciliations of SOCPA to IFRS statements of financial position as at March 31, 2018.

	Note	March 31, 2018 SOCPA	IFRS adjustments	March 31, 2018 IFRS
<u>Assets</u>				
Non-current assets:				
Property and equipment, net		1,118,081	-	1,118,081
Retentions receivable		4,326,724	-	4,326,724
Security deposits		353,883	-	353,883
Due from related parties		562,024	-	562,024
Total non-current assets		6,360,712	-	6,360,712
Current assets				
Inventories		834,529	-	834,529
Trade receivable		7,986,858	-	7,986,858
Accrued revenue		8,419,350	-	8,419,350
Other receivables and prepayments		6,730,143	-	6,730,143
Cash in hand and at banks		6,408,322	-	6,408,322
Total current assets		30,379,202	-	30,379,202
Total assets		36,739,914	-	36,739,914
<u>Partners' Equity and Liabilities</u>				
Partners' equity:				
Share capital		2,000,000	-	2,000,000
Statutory reserve		1,000,000	-	1,000,000
Retained earnings	6.4	16,365,629	(67,541)	16,298,088
Actuarial gain reserve		-	104,906	104,906
Total partners' equity		19,365,629	37,365	19,402,994
Non-current liabilities:				
Employees' benefit obligation	6.4	785,530	(37,365)	748,165
Current liabilities				
Other payables and accruals		14,827,073	-	14,827,073
Due to related parties		71,720	-	71,720
Provision for income tax		1,689,962	-	1,689,962
Total current liabilities		16,588,755	-	16,588,755
Total liabilities		17,374,285	(37,365)	17,336,920
Total partners' equity and liabilities		36,739,914	-	36,739,914

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6.3 Reconciliation of statements of profit or loss and other comprehensive income for year ended.

	Year ended		
	March 31, 2018	IFRS	March 31, 2018
	SOCPA	adjustments	IFRS
Revenue	96,112,392	-	96,112,392
Cost of revenue	(70,418,236)	-	(70,418,236)
Gross income	25,694,156	-	25,694,156
General and administrative expenses	(18,416,926)	(691)	(18,417,617)
Operating income	7,277,230	(691)	7,276,539
Other income	602,949	-	602,949
Finance charges	(96,821)	-	(96,821)
Net income before tax	7,783,358	(691)	7,782,667
Income tax charge	(1,689,962)	-	(1,689,962)
Net income for the year	6,093,396	(691)	6,092,705

Other comprehensive income

Items that will not be reclassified
to profit or loss (net of tax):

Actuarial gain, from re-measurement of
employees benefit obligation

	-	104,906	104,906
Total comprehensive income for the year	6,093,396	104,215	6,197,611

6.4 Reconciliation of statements of cash flow for the year ended

	Year ended		
	March 31, 2018	Material	March 31, 2018
	SOCPA	adjustments	IFRS
Net cash from operating activities	(40,275,541)	-	(40,275,541)
Net cash used in investing activities	(707,289)	-	(707,289)
Net cash from financing activities	-	-	-

6.5 Notes to the reconciliation of equity as at April 1, 2017 and March 31, 2018 and total comprehensive income for the year ended March 31, 2018

A. Retained Earnings

Reconciliations on retained earnings, net as at April 1, 2017 amounted to (SR. 66,850) as follows:

<u>Statement</u>	<u>Amount</u>
Retained earnings in accordance with SOCPA	10,272,233
Employees' benefit obligation	(66,850)
Retained earnings in accordance with IFRS	10,205,383

Reconciliations on retained earnings, net as at March 31, 2018 amounted to (SR. 67,541) as follows:

<u>Statement</u>	<u>Amount</u>
Retained earnings in accordance with SOCPA	16,365,629
Employees' benefit obligation	(67,541)
Retained earnings in accordance with IFRS	16,298,088

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6.5 Notes to the reconciliation of equity as at April 1, 2017 and March 31, 2018 and total comprehensive income for the year ended March 31, 2018 (continued)

B. Employees' Benefit Obligation

Under IFRS, employee end of service benefits is classified as a defined benefit obligation, which are required to be calculated using actuarial valuations. Historically, the company calculated this obligation in accordance with Saudi labor law without considering expected future service period of employees, salary increments and discount rates.

The Company made an assessment by the actuary on April 1, 2017, which resulted in additional liability amounting to SR. 66,850. Furthermore, a liability decreased by SR. 104,906 for the year ended March 31, 2018. There was further increase in employees' benefit obligation due to service cost of SR. 691 which was charge to general and administration expenses.

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7- Property and Equipment

	Machinery and office equipment	Motor vehicles	Total
<u>Cost</u>			
Balance as of March 31, 2018	10,914,208	1,838,601	12,752,809
Additions	68,348	110,600	178,948
Disposals	(5,480,401)	(276,275)	(5,756,676)
Balance as of March 31, 2019	5,502,155	1,672,926	7,175,081
<u>Accumulated Depreciation</u>			
Balance as of March 31, 2018	(10,467,628)	(1,167,100)	(11,634,728)
Charge for the year	(372,016)	(175,102)	(547,118)
Disposals	5,475,228	276,274	5,751,502
Balance as of March 31, 2019	(5,364,416)	(1,065,928)	(6,430,344)
Book value:			
As of March 31, 2019	137,739	606,998	744,737
As of March 31, 2018	446,580	671,501	1,118,081

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8- Related Parties Transactions

	Relationship	Balance March 31, 2018		Transactions during the year		Balance March 31, 2019	
		Debit	Credit	Debit	Credit	Debit	Credit
Punj Liyod Ltd - New Delhi	Affiliate	-	71,720	3,000,676	2,928,956	-	-
Punj Liyod Limited - Offshore	Affiliate	562,024	-	78,430	640,454	-	-
Punj Liyod Infrastructure Pte Ltd - Singapore	Affiliate	-	-	804,560	-	804,560	-
Chirag Techno Industries FZCO Dubai	Affiliate	-	-	-	20,513	-	20,513
		562,024	71,720	3,883,666	3,589,923	804,560	20,513

During 2019, the Company has conducted transactions with the above related parties that include services transactions, these transactions were approved by partners. Such balances are not subject to finance charges, and there are no specific terms of settlement.

	Nature of transaction	2019	2018
Punj Liyod Ltd - New Delhi	Payments on behalf of Affiliate	(3,000,676)	(42,019)
	Receipts on behalf of Affiliate	2,888,553	(54,514)
	Expenses	(40,402)	(318,198)
Punj Liyod Limited - Offshore	Payments on behalf of Affiliate	(78,430)	(62,759)
	Receipts on behalf of Affiliate	640,454	-
Punj Liyod Infrastructure Pte Ltd - Singapore	Payments on behalf of Affiliate	(804,560)	-
Chirag Techno Industries FZCO Dubai	Receipts from Parent Company	20,513	-

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9- Other Receivables and Prepayments

	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>April 1, 2017</u>
Advances to supplier and sub-contractors	5,716,423	5,669,040	4,694,304
Prepaid expenses	225,337	639,758	325,743
Advances to employees	225,989	421,345	48,255
	<u>6,167,749</u>	<u>6,730,143</u>	<u>5,068,302</u>

10- Cash in Hand and at Banks

	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>April 1, 2017</u>
Cash in hand	27,391	155,754	29,700
Cash at banks	27,820,935	6,252,568	47,361,452
	<u>27,848,326</u>	<u>6,408,322</u>	<u>47,391,152</u>

11- Share Capital

During the year, the partners have resolved to admit a new partner Chirag Techno Industries FZCO Dubai – UAE and have increased its capital. The Company has completed the legal procedures to authenticate the addition of new partner. The Company's authorized and paid-in share capital of SR. 8,340,000 is divided into 417,000 equity shares of SR. 20 each, fully paid and distributed among partners before and after amendment as follows:

Before Amendment			
	No. of Shares	Value	Amount
Punj Lloyd Limited - India	51,000	20	1,020,000
Punj Lloyd Infrastructure Pte Limited - Singapore	49,000	20	980,000
	<u>100,000</u>		<u>2,000,000</u>
After Amendment			
	No. of Shares	Value	Amount
Punj Lloyd Limited - India	51,000	20	1,020,000
Punj Lloyd Infrastructure Pte Limited - Singapore	49,000	20	980,000
Chirag Techno Industries FZCO Dubai - UAE	317,000	20	6,340,000
	<u>417,000</u>		<u>8,340,000</u>

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12- Employees' Benefit Obligation

	March 31, 2019	March 31, 2018	April 1, 2017
Balance at the beginning of the year	748,165	1,244,358	1,444,114
Provided during the year	2,071,107	666,451	544,943
Payments during the year	(146,565)	(1,058,429)	(811,549)
Actuarial gain/loss from re-measurement of employees' benefit obligation	-	(104,215)	66,850
Balance at the end of the year	2,672,707	748,165	1,244,358

The following represent the assumptions used in actuarial valuation:

	March 31, 2019	March 31, 2018	April 1, 2017
Discount rate	3%	3%	3%
Rate of salary increase	4%	4%	4%
Retirement age	60 years	60 years	60 years

13- Other Payables and Accruals

	March 31, 2019	March 31, 2018	April 1, 2017
Due to sub-contractors	13,625,242	7,724,613	11,993,330
Accrued projects expenses	4,201,676	5,276,822	1,144,860
Accrued salaries and wages	768,924	711,253	432,310
Retentions payable	-	469,941	462,102
Provision for withholding tax	-	-	253,309
Miscellaneous	816,149	644,444	1,098,726
	19,411,991	14,827,073	15,384,637

14- General and Administrative Expenses

	March 31, 2019	March 31, 2018
Salaries, wages and other benefits	16,377,728	12,248,512
Rent	1,359,339	1,026,409
Insurance	945,792	412,916
Travel and transportation	659,434	620,207
Depreciation	547,118	742,293
Professional fees	376,917	739,625
Consumables	44,743	61,103
Actuarial adjustment	-	691
Miscellaneous	3,744,771	2,565,861
	24,055,842	18,417,617

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15- Other Income

	March 31, 2019	March 31, 2018
Assistance services provided to other contractors	677,322	-
Sale of scrap	615,949	549,526
Interest income	105,957	40,480
Gain on sale of property and equipment	79,570	12,943
Miscellaneous	40,479	-
	1,519,277	602,949