

**Punj Lloyd Construction Contracting
Company Limited
(Limited Liability Company)
Khobar – Saudi Arabia
Financial Statements and
Independent Auditors' Report
For the year ended March 31, 2018**

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Khobar – Saudi Arabia
Financial Statements and Independent Auditors' Report
for the year ended March 31, 2018

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ASSOCIATED ACCOUNTANTS

Houmod Al Robian and Co. - Certified Accountants and Consultants

Independent Auditors' Report

To, The Partners

Punj Lloyd Construction Contracting Company Limited

(Limited Liability Company)

Khobar - Saudi Arabia

Opinion:

We have audited the financial statements of **Punj Lloyd Construction Contracting Company Limited** which comprises of balance sheet as at March 31, 2018 and the related statements of income, cash flows and changes in partners' equity for the year then ended and a summary of significant accounting policies and explanatory notes from 1 to 12.

In our opinion, the financial statements referred to above in whole present fairly, in all material respects, the financial position of **Punj Lloyd Construction Contracting Company Limited** as of March 31, 2018 and the results of its operations, its cash flows and changes in partners' equity for the year then ended are in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia.

Basis for Opinion:

We conducted our audit in accordance with the generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the 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 are prepared for the consolidation purpose with Punj Lloyd Ltd. – India ("the Parent Company") only and should not be used for any other purpose.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

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

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards in the Kingdom of Saudi Arabia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those financial statements.



ASSOCIATED ACCOUNTANTS

Houmod Al Robian and Co. - Certified Accountants and Consultants

Independent Auditors' Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued):

As part of an audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the 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 exist, we are required to draw attention in our auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient audit evidence regarding the financial information of the entities or business within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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 Auditors' Report (continued)

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: April 29, 2018

Associated Accountants
Independent Member of Geneva Group International

Hamoud Ali Al-Rubian
(License No. 222)



Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Balance Sheet
as of March 31, 2018
(Saudi Riyal)

<u>Assets</u>	<u>Note</u>	<u>2018</u>	<u>2017</u>
Current Assets:			
Cash in hand and at banks	3	6,408,322	47,391,152
Accounts receivable	2	7,986,858	7,936,129
Accrued revenue		8,419,350	-
Inventory	2	834,529	634,093
Other receivables and prepayments	4	6,730,143	5,068,302
Total current assets		30,379,202	61,029,676
Non-current assets:			
Retentions receivable / Security deposits		4,680,607	18,169,442
Due from related parties	5	562,024	643,055
Property and equipment, net	2&6	1,118,081	1,140,142
Total non-current assets		6,360,712	19,952,639
Total assets		36,739,914	80,982,315
<u>Liabilities and Partners' Equity</u>			
Current liabilities:			
Due to related parties	5	71,720	15,433,698
Other payables and accruals	7	14,827,073	15,384,637
Unearned revenue		-	28,309,116
Provision for income tax	2	1,689,962	7,405,123
Total current liabilities		16,588,755	66,532,574
Non-current liabilities:			
Provision for end of service benefits	2	785,530	1,177,508
Total liabilities		17,374,285	67,710,082
Partners' equity:			
Share capital	8	2,000,000	2,000,000
Statutory reserve	9	1,000,000	1,000,000
Retained earnings		16,365,629	10,272,233
Total partners' equity		19,365,629	13,272,233
Total liabilities and partners' equity		36,739,914	80,982,315

The accompanying notes from 1 to 12 are an integral part of these financial statements

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Statement of Income
for the year ended March 31, 2018
(Saudi Riyal)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Revenues	2	96,112,392	135,674,342
Cost of revenues		(70,418,236)	(37,782,801)
Gross profit		25,694,156	97,891,541
General and administrative expenses	2&10	(18,416,926)	(41,523,355)
Operating income		7,277,230	56,368,186
Finance charges		(96,821)	(175,986)
Other income	11	602,949	1,427,904
Net income before income tax		7,783,358	57,620,104
Income tax charge	2	(1,689,962)	-
Net income for the year		6,093,396	57,620,104

The accompanying notes from 1 to 12 are an integral part of these financial statements

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Statement of Cash Flows
for the year ended March 31, 2018
(Saudi Riyal)

	2018	2017
Cash Flows from Operating Activities:		
Net income for the year	6,093,396	57,620,104
Adjustments to reconcile net income to net cash flows (used in)/provided by operating activities:		
Depreciation	742,293	909,179
Provision for end of service benefits	666,451	544,943
Provision for tax	1,689,962	7,405,123
Gain on disposal of property and equipment	(12,943)	(65,500)
	9,179,159	66,413,849
Changes in the components of working capital:		
(Increase)/Decrease in accounts receivable	(50,729)	10,584,678
Increase in accrued revenue	(8,419,350)	-
(Increase)/Decrease in inventory	(200,436)	2,300,669
Increase in other receivables and prepayments	(1,661,841)	(4,033,800)
Decrease in retentions receivable/security deposits	13,488,835	64,124,064
Net change in related parties balances	(15,280,947)	(670,215)
Decrease in unearned revenue	(28,309,116)	(96,724,071)
Decrease in other payables and accruals	(557,564)	(16,348,388)
End of service benefits paid	(1,058,429)	(811,549)
Income tax paid	(7,405,123)	-
Net cash flows (used in)/provided by operating activities	(40,275,541)	24,835,237
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(720,232)	(97,400)
Proceeds from disposal of property and equipment	12,943	65,500
Net cash flows used in investing activities	(707,289)	(31,900)
Net cash (used)/generated during the year	(40,982,830)	24,803,337
Cash and banks balances at the beginning of the year	47,391,152	22,587,815
Cash and banks balances at the end of the year	6,408,322	47,391,152

The accompanying notes from 1 to 12 are an integral part of these financial statements

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)

Statement of Changes in Partners' Equity
for the year ended March 31, 2018
(Saudi Riyal)

	Share Capital	Statutory reserve	Retained earnings			Sub Total	Total
			Non-Saudi partner	Saudi partner			
2017							
Balance as of March 31, 2016	2,000,000	180,623	(23,729,532)	(22,798,962)		(46,528,494)	(44,347,871)
Net income for the year	-	-	29,386,253	28,233,851		57,620,104	57,620,104
Transfer to statutory reserve	-	819,377	(417,882)	(401,495)		(819,377)	-
Balance as of March 31, 2017	2,000,000	1,000,000	5,238,839	5,033,394		10,272,233	13,272,233
Net income for the year	-	-	6,093,396	-		6,093,396	6,093,396
Transfer (Note 8)	-	-	5,033,394	(5,033,394)		-	-
Balance as of March 31, 2018	2,000,000	1,000,000	16,365,629	-		16,365,629	19,365,629

The accompanying notes from 1 to 12 are an integral part of these financial statements

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2018

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-Qa'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.

2- Significant Accounting Policies

The accompanying financial statements were prepared in accordance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA"). Significant accounting policies adopted in preparation of these financial statements are as follows:

Using of estimates:

The preparation of these financial statements is in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Accounts receivable:

Accounts receivable are stated at net of provision for bad debts. Provision for bad debts is made when there is a doubt about the Company's ability to collect the full amount in accordance with original accounts receivable terms.

Inventory:

Inventory is stated at cost. Cost is determined based on the weighted-average method.

Property and equipment:

Property and equipment is stated at cost net of accumulated depreciation. Depreciation is computed over the estimated useful lives of the assets using the straight-line method based on the following annual rates:

IT equipment and Machinery	15 - 33.33%
Motor vehicles	20%

Repairs and maintenance expenses that do not substantially increase the useful life of assets were charged to the expenses.

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2018
(Saudi Riyal)

2- Significant Accounting Policies (continued)

Provision for income tax:

Income tax charge 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 that are never taxable or deductible.

Provision for end of service benefits:

Benefits payable to the employees at the end of their services are provided for in accordance with Saudi Arabian Labor Regulations.

Revenue recognition:

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

Operating Leases:

When the risks and rewards of owning asset remain with the lessor, a lease is accounted for as operating lease. Periodic payments of rent under operating lease are recorded as expenses in the income statement using straight-line basis over the lease term.

General and administrative expenses:

General and Administrative expenses include direct and indirect costs not specifically part of cost of sales as required under generally accepted accounting standards. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

Foreign currency translation:

Foreign currency transactions are converted into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Assets and liabilities denominated in foreign currency at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

3- Cash in Hand and at Banks

	2018	2017
Cash in hand	155,754	29,700
Cash at banks	6,252,568	47,361,452
	<u>6,408,322</u>	<u>47,391,152</u>

4- Other Receivables and Prepayments

	2018	2017
Advances to the suppliers	5,669,040	4,694,304
Prepaid expenses	639,758	325,743
Due from employees	421,345	48,255
	<u>6,730,143</u>	<u>5,068,302</u>

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)

**Notes to the financial statements
for the year ended March 31, 2018**
(Saudi Riyal)

5- Related Parties Transactions		Nature of relationship	Nature of transactions	Balance 2017	Transactions during the year		Balance 2018
Related party					Debit	Credit	
A- Due from related parties:							
Punj Lloyd Limited – Offshore	Affiliate	Exchange of services		499,265	62,759	-	562,024
Punj Lloyd Limited - B & I	Affiliate	Exchange of services		143,790	-	143,790	-
				643,055	62,759	143,790	562,024
B- Due to related parties:							
Punj Lloyd Ltd. Abu Dhabi	Affiliate	Exchange of services		13,379,642	13,857,343	477,701	-
Punj Lloyd Ltd. - India	Partner	Exchange of services		293,386	318,199	96,533	71,720
Dayim Holding Company	Partner	Exchange of services		142,619	142,619	-	-
Punj Lloyd Limited - Mumbai	Affiliate	Exchange of services		1,618,051	10,023,447	8,405,396	-
				15,433,698	24,341,608	8,979,630	71,720

- During the year, the Company has conducted transactions with the above related parties that include exchange of services, these transactions were conducted at an arm's length and approved by partners. Such balances are not subject to finance charges, and there are no specific terms of settlement.

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2018
(Saudi Riyal)

6- Property and Equipment

	IT equipment and machinery	Motor vehicles	Total
Cost			
Balance as of March 31, 2017	11,006,927	1,166,800	12,173,727
Additions	48,431	671,801	720,232
Disposals	(141,150)	-	(141,150)
Balance as of March 31, 2018	10,914,208	1,838,601	12,752,809
Accumulated depreciation			
Balance as of March 31, 2017	(9,918,777)	(1,114,808)	(11,033,585)
Charge for the year	(690,001)	(52,292)	(742,293)
Disposals	141,150	-	141,150
Balance as of March 31, 2018	(10,467,628)	(1,167,100)	(11,634,728)
Book value:			
As of March 31, 2018	446,580	671,501	1,118,081
As of March 31, 2017	1,088,150	51,992	1,140,142

7- Other Payables and Accruals

	2018	2017
Payable to sub-contractors and suppliers	7,724,613	11,993,330
Accrued projects expenses	5,276,822	1,144,860
Accrued salaries and wages	711,253	432,310
Retentions payable	469,941	462,102
Provision for withholding taxes	-	253,309
Others	644,444	1,098,726
	14,827,073	15,384,637

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2018
(Saudi Riyal)

8- Share Capital

During the year, the partners have resolved to admit a new partner, Punj Lloyd Infrastructure PTE Limited, by purchasing shares from Dayim Holding Company. The Company has completed the legal procedures to authenticate the addition of a new partner. The Company's authorized and paid-in share capital of SR. 2,000,000 is divided into 100,000 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
Dayim Holding Company	49,000	20	980,000
	100,000		2,000,000
	After Amendment		
	No. of shares	Value	Amount
Punj Lloyd Limited - India	51,000	20	1,020,000
Punj Lloyd Infrastructure PTE Limited	49,000	20	980,000
	100,000		2,000,000

9- Statutory Reserve

In accordance with former Saudi companies law and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 50% of the share capital. During 2017, the Company's partners have resolved to reduce such reserve to 30% as per the new Saudi companies regulations. The legal procedure to authenticate for change was completed during the year. However, such reserve was attained and there is no need for further deduction. Such reserve is not available for dividends distribution.

10- General and Administrative Expenses

	2018	2017
Salaries, wages and other benefits	12,248,512	10,610,305
Rent	1,026,409	5,864,419
Depreciation	742,293	53,523
Professional fees	739,625	375,000
Travel expenses	620,207	674,995
Insurance	412,916	389,877
Consumables	61,103	207,292
Management charges	-	11,025,000
Withholding taxes	-	253,309
Miscellaneous	2,565,861	12,069,635
	18,416,926	41,523,355

11- Other Income

	2018	2017
Sale of scrap	549,526	1,427,904
Gain on disposal of property and equipment	12,943	-
Miscellaneous	40,480	-
	602,949	1,427,904

Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2018

12- Financial Instruments - Risk Management

Fair value:

Is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transactions. As the Company's financial instruments are compiled under the historical cost method, differences can arise between the book amounts and the fair value estimates.

Credit risk:

Is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash is placed with national and multinational banks with good credit ratings. Credit risk on trade receivables is stated net of provision for doubtful accounts.

Liquidity risk:

Is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any future commitments.

Currency risk:

Is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are predominantly in Saudi Riyals and the United States dollars. As the Saudi Riyal is effectively pegged to the United States dollar, the exchange risk is effectively managed.