

**Dayim Punj Lloyd Construction
Contracting Company Limited
(Mixed Limited Liability Company)
Riyadh – Saudi Arabia
Financial Statements and
Special Purpose Auditors' Report
For the year ended March 31, 2016**

Dayim Punj Lloyd Construction Contracting Company Limited
(Mixed Limited Liability Company)
Riyadh – Saudi Arabia
Financial Statements and Special Purpose Auditors' Report
for the year ended March 31, 2016

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Special Purpose Auditors' Report

To, The Partners

**Dayim Punj Lloyd Construction Contracting Company Limited
(Mixed Limited Liability Company)
Riyadh - Saudi Arabia**

Audit scope:

We have audited the accompanying balance sheet of **Dayim Punj Lloyd Construction Contracting Company Limited ("The Company")** as of March 31, 2016 and the related statements of income, cash flows and changes in partners' equity for the year then ended, and the notes from 1 to 14, which are an integral part of these financial statements, which were prepared by the Company's management in accordance with Article 175 of Saudi companies regulation and presented to us together with all information and explanations that we requested. The accompanying financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion:

In our opinion, the financial statements referred to above in whole:

- Present fairly, in all material respects, the financial position of the Company as of March 31, 2016 and the results of its operations, its cash flows and changes in shareholders' equity for the year then ended are in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia applicable to the Company.
- Conform, in all material respects, to the requirements of Saudi companies' regulation and Company's Article of Association insofar as these relate to the preparation and presentation of financial statements.


Emphasis of matter:

- 1- The Company's current liabilities of SR. 156,766,212 exceeds its current assets by SR. 111,688,326.
- 2- The accumulated losses have exceeded 50% of the Company's share capital by SR. 45,528,494 which contravenes with Article 180 of Saudi Companies regulation. Accordingly, the partners shall summon a meeting to decide whether to support the Company or dissolve it. In case no such meeting is held or no resolution is taken regarding the continuity of the Company, any partner is permissible to dissolve the Company.
- 3- While the financial statements were prepared on going concern basis, we would like to draw the attention to the fact that Company's continuity in business is very much dependent upon the partners' ability to provide sufficient financing to support the Company.
- 4- These special purpose 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.

Date: May 16, 2016



Associated Accountants
Independent Member of Geneva Group International


Hamoud Ali Al-Rubian
(License No. 222)

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Dayim Punj Lloyd Construction Contracting Company Limited

(Mixed Limited Liability Company)

Balance Sheet**as of March 31, 2016**

(Saudi Riyal)

Assets	Note	2016	2015
Current Assets:			
Cash in hand and at banks	3	22,587,815	4,989,908
Accounts receivable	2	18,520,807	122,355,520
Inventory	2	2,934,762	2,924,993
Other receivables and prepayments	4	1,034,502	5,825,127
Total current assets		45,077,886	136,095,548
Non-current assets:			
Retentions receivable / Security deposits		82,293,506	91,426,637
Due from related parties	5	476,431	191,968
Property and equipment, net	2&6	1,951,921	3,016,936
Total non-current assets		84,721,858	94,635,541
Total assets		129,799,744	230,731,089
Liabilities and Partners' Equity			
Current liabilities:			
Bank facilities	7	-	33,750,000
Other payables and accruals	8	31,733,025	204,139,991
Unearned revenue		125,033,187	93,651,985
Total current liabilities		156,766,212	331,541,976
Non-current liabilities:			
Due to related parties	5	15,937,289	22,073,158
Provision for end of service benefits	2	1,444,114	1,237,782
Total non-current liabilities		17,381,403	23,310,940
Total liabilities		174,147,615	354,852,916
Partners' equity:			
Share capital	9	2,000,000	2,000,000
Statutory reserve	10	180,623	180,623
Accumulated losses	13	(46,528,494)	(126,302,450)
Total partners' equity		(44,347,871)	(124,121,827)
Total liabilities and partners' equity		129,799,744	230,731,089

The accompanying notes from 1 to 14 are an integral part of these financial statements

Dayim Punj Lloyd Construction Contracting Company Limited
(Mixed Limited Liability Company)
Statement of Income
for the year ended March 31, 2016
(Saudi Riyal)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Revenues	2	144,261,035	168,146,296
Cost of revenues		(32,947,574)	(106,384,788)
Gross profit		111,313,461	61,761,508
General and administrative expenses	2&11	(31,254,078)	(41,661,530)
Operating income		80,059,383	20,099,978
Finance charges		(376,172)	(5,124,481)
Other income	12	90,745	1,319,924
Net income for the year		79,773,956	16,295,421

The accompanying notes from 1 to 14 are an integral part of these financial statements

Dayim Punj Lloyd Construction Contracting Company Limited
(Mixed Limited Liability Company)
Statement of Cash Flows
for the year ended March 31, 2016
(Saudi Riyal)

	2016	2015
Cash Flows from Operating Activities:		
Net income for the year	79,773,956	16,295,421
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation	1,107,754	1,448,270
Provision for end of service benefits	400,147	691,939
Loss on disposal of property and equipment	-	2,089
	81,281,857	18,437,719
Changes in the components of working capital:		
Decrease / (Increase) in accounts receivable	103,834,713	(109,883,602)
Increase in inventory	(9,769)	(491,674)
Decrease in accrued revenues	-	29,700,992
Decrease in other receivables and prepayments	4,790,625	3,674,865
Decrease / (Increase) in retentions receivable/security deposits	9,133,131	(8,711,666)
Net change in related parties balances	(6,420,332)	3,199,618
Increase in unearned revenue	31,381,202	93,651,985
Decrease in other payables and accruals	(172,406,966)	(14,490,278)
End of service benefits paid	(193,815)	(1,267,698)
Net cash flows provided by operating activities	51,390,646	13,820,261
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(42,739)	(99,004)
Proceeds from disposal of property and equipment	-	7,122
Net cash flows used in investing activities	(42,739)	(91,882)
Cash Flows from Financing Activities:		
Net change in short-term loans	(33,750,000)	(24,375,000)
Cash flows used in financing activities	(33,750,000)	(24,375,000)
Net cash generated/(used) during the year	17,597,907	(10,646,621)
Cash and banks balances at the beginning of the year	4,989,908	15,636,529
Cash and banks balances at the end of the year	22,587,815	4,989,908

The accompanying notes from 1 to 14 are an integral part of these financial statements

Dayim Punj Lloyd Construction Contracting Company Limited
(Mixed Limited Liability Company)
Statement of Changes in Partners' Equity
for the year ended March 31, 2016
(Saudi Riyal)

	Share Capital	Statutory reserve	Accumulated losses			Total
			Non-Saudi partner	Saudi partner	Sub Total	
2015						
Balance as of March 31, 2014	2,000,000	180,623	(72,724,915)	(69,872,956)	(142,597,871)	(140,417,248)
Net income for the year	-	-	8,310,665	7,984,756	16,295,421	16,295,421
2016						
Balance as of March 31, 2015	2,000,000	180,623	(64,414,250)	(61,888,200)	(126,302,450)	(124,121,827)
Net income for the year	-	-	40,684,718	39,089,238	79,773,956	79,773,956
Balance as of March 31, 2016	2,000,000	180,623	(23,729,532)	(22,798,962)	(46,528,494)	(44,347,871)

The accompanying notes from 1 to 14 are an integral part of these financial statements

Dayim Punj Lloyd Construction Contracting Company Limited
(Mixed Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2016

1- Legal Status and Activities

Dayim Punj Lloyd Construction Contracting Company Limited “the Company” is a mixed limited liability Company registered in Riyadh under CR. No. 1010225350 dated 5 Dhul Qa’dah, 1427H corresponding to November 26, 2006G.

The main activity of the Company is to engage in performance of contractual agreements for establishment for projects in number of sectors including hydrocarbon, chemicals and water disposal, including the infrastructural and industrial projects related there to, in accordance with the Saudi Arabian General Investment Authority (SAGIA) license No. 1171/1 dated 28 Rajab, 1427H corresponding to August 23, 2006G.

These special purpose financial statements are prepared for the consolidation purpose with Punj Lloyd Ltd. India (“the Parent Company”) and should not be used for any other purpose.

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 are 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's and Machinery	15 - 33.33%
Motor vehicles	20%

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

Dayim Punj Lloyd Construction Contracting Company Limited
(Mixed Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2016
(Saudi Riyal)

2- Significant Accounting Policies (continued)

Provision for Zakat and income tax:

Zakat is provided on accrual basis for each year separately in accordance with Zakat regulations applicable in the Kingdom of Saudi Arabia, any difference between the Zakat and the final assessment made by DZIT is charged to the statement of income in the same year.

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

	<u>2016</u>	<u>2015</u>
Cash in hand	126,338	115,667
Cash at banks	22,461,477	4,874,241
	<u>22,587,815</u>	<u>4,989,908</u>

4- Other Receivables and Prepayments

	<u>2016</u>	<u>2015</u>
Prepaid expenses	532,757	735,461
Due from employees	426,959	336,118
Advances to the suppliers	74,786	4,753,548
	<u>1,034,502</u>	<u>5,825,127</u>

Dayim Punj Lloyd Construction Contracting Company Limited
(Mixed Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2016
(Saudi Riyal)

5- <u>Related Parties Transactions</u>	Related party	Nature of relationship	Nature of transactions	Balance 2015	Transactions during the year		Balance 2016
					Debit	Credit	
A- Due from related parties:							
	Punj Lloyd Limited – Offshore	Affiliate	Exchange of services	191,968	140,673	-	332,641
	Punj Lloyd Limited - B & I	Affiliate	Exchange of services	-	143,790	-	143,790
				191,968	284,463	-	476,431
B- Due to related parties:							
	Punj Lloyd Ltd. Abu Dhabi	Affiliate	Exchange of services	9,517,397	3,959,901	5,282,978	10,840,474
	Punj Lloyd Ltd. - India	Partner	Exchange of services	2,030,275	1,972,902	136,004	193,377
	Dayim Holding Company	Partner	Exchange of services	2,016,302	1,941,921	63,927	138,308
	Punj Lloyd Limited - Mumbai	Affiliate	Exchange of services	8,456,622	3,691,492	-	4,765,130
	Punj Llyod Limited - Qatar	Affiliate	Exchange of services	52,562	354,973	302,411	-
				22,073,158	11,921,189	5,785,320	15,937,289

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

Dayim Punj Lloyd Construction Contracting Company Limited
(Mixed Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2016
(Saudi Riyal)

6- Property and Equipment

	<u>IT equipment's and machinery</u>	<u>Motor vehicles</u>	<u>Total</u>
Cost			
Balance as of March 31, 2015	10,896,788	1,517,300	12,414,088
Additions	42,739	-	42,739
Disposals	-	(155,450)	(155,450)
Balance as of March 31, 2016	<u>10,939,527</u>	<u>1,361,850</u>	<u>12,301,377</u>
Accumulated depreciation			
Balance as of March 31, 2015	(8,058,415)	(1,338,737)	(9,397,152)
Charge for the year	(1,034,706)	(73,048)	(1,107,754)
Disposals	-	155,450	155,450
Balance as of March 31, 2016	<u>(9,093,121)</u>	<u>(1,256,335)</u>	<u>(10,349,456)</u>
Book value:			
As of March 31, 2016	<u>1,846,406</u>	<u>105,515</u>	<u>1,951,921</u>
As of March 31, 2015	<u>2,838,373</u>	<u>178,563</u>	<u>3,016,936</u>

7- Bank Facilities

	<u>2016</u>	<u>2015</u>
Short-term loans	-	33,750,000

Short-term loans represent the amounts borrowed from international banks for the duration of one to twelve months. These short-term loans are secured by the personal guarantees of partners and assignment of receivables of the SATORP project.

8- Other Payables and Accruals

	<u>2016</u>	<u>2015</u>
Provision for withholding taxes	9,500,000	8,900,000
Payable to sub-contractors and suppliers	8,757,065	90,459,482
Accrued projects cost	7,091,545	59,782,259
Retentions payable	3,419,357	25,302,244
Accrued salaries and wages	2,040,735	1,618,079
Advances from customers	-	16,961,888
Others	924,323	1,116,039
	<u>31,733,025</u>	<u>204,139,991</u>

Dayim Punj Lloyd Construction Contracting Company Limited
(Mixed Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2016
(Saudi Riyal)

9- Share Capital

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 divided among partners as follows:

	<u>No. of shares</u>	<u>Value</u>	<u>Amount</u>
Punj Lloyd Ltd. - India	51,000	20	1,020,000
Dayim Holding Company	49,000	20	980,000
	<u>100,000</u>		<u>2,000,000</u>

10- Statutory Reserve

In accordance with Saudi Arabian Companies Regulation and the Company's Article 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. This reserve is not available for dividend distribution.

11- General and Administrative Expenses

	<u>2016</u>	<u>2015</u>
Salaries, wages and other benefits	11,185,077	17,837,350
Rent	4,629,566	2,431,345
Depreciation	1,107,753	1,448,270
Insurance	602,052	1,016,126
Travel expenses	562,030	1,094,418
Professional fees	500,154	197,253
Consumables	337,606	400,721
Withholding taxes	-	1,300,000
Miscellaneous	12,329,840	15,936,047
	<u>31,254,078</u>	<u>41,661,530</u>

12- Other Income

	<u>2016</u>	<u>2015</u>
Sale of scrap	90,745	1,319,924

13- Accumulated Losses

The accumulated losses have exceeded 50% of the Company's share capital by SR. 45,528,494 which contravenes with Article 180 of Saudi Companies regulation. Accordingly, the partners shall summon a meeting to decide whether to support the Company or dissolve it. In case no such meeting is held or no resolution is taken regarding the continuity of the Company, any partner is permissible to dissolve the Company.

Dayim Punj Lloyd Construction Contracting Company Limited
(Mixed Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2016

14- 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.