

**Dayim Punj Lloyd Construction  
Contracting Company Limited  
(Mixed Limited Liability Company)  
Riyadh – Saudi Arabia  
Special Purpose Financial Statements and  
Auditors' Report  
For the year ended March 31, 2017**

**Dayim Punj Lloyd Construction Contracting Company Limited**  
(Mixed Limited Liability Company)  
**Riyadh – Saudi Arabia**  
**Special Purpose Financial Statements and Auditors' Report**  
**For the year ended March 31, 2017**

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# ASSOCIATED ACCOUNTANTS

Houmod Al Robian and Co. - Certified Accountants and Consultants

## 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 special purpose balance sheet of **Dayim Punj Lloyd Construction Contracting Company Limited ("the Company")** as of March 31, 2017 and the related special purpose statements of income, cash flows and changes in partners' equity for the year then ended, and the notes from 1 to 13, which are an integral part of these special purpose 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 special purpose financial statements are the responsibility of management. Our responsibility is to express an opinion on these special purpose 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 special purpose financial statements referred to above in whole:

- Present fairly, in all material respects, the financial position of the Company as of March 31, 2017 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 applicable to the Company.
- Also in our opinion, the special purpose financial statements agree with:
  - The requirements of Saudi companies regulations insofar as these relate to the preparation and presentation of financials statements.
  - The accounting records kept on a computer system are in accordance with local regulations.

### Emphasis of matter:

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 8, 2017



Associated Accountants  
Independent Member of Geneva Group International

Hamoud Ali Al-Rubian  
(License No. 222)

**Dayim Punj Lloyd Construction Contracting Company Limited**  
(Mixed Limited Liability Company)  
**Special Purpose Balance Sheet**  
**as of March 31, 2017**  
(Saudi Riyal)

<u>Assets</u>	<u>Note</u>	<u>2017</u>	<u>2016</u>
Current Assets:			
Cash in hand and at banks	3	47,391,152	22,587,815
Accounts receivable	2	7,936,129	18,520,807
Inventory	2	634,093	2,934,762
Other receivables and prepayments	4	5,068,302	1,034,502
Total current assets		<u>61,029,676</u>	<u>45,077,886</u>
Non-current assets:			
Retentions receivable/Security deposits		18,169,442	82,293,506
Due from related parties	5	643,055	476,431
Property and equipment, net	2&6	1,140,142	1,951,921
Total non-current assets		<u>19,952,639</u>	<u>84,721,858</u>
<b>Total assets</b>		<b><u>80,982,315</u></b>	<b><u>129,799,744</u></b>
<u>Liabilities and Partners' Equity</u>			
Current liabilities:			
Due to related parties	5	15,433,698	15,937,289
Other payables and accruals	7	15,384,637	31,733,025
Unearned revenue		28,309,116	125,033,187
Provision for taxes		7,405,123	-
Total current liabilities		<u>66,532,574</u>	<u>172,703,501</u>
Non-current liabilities:			
Provision for end of service benefits	2	1,177,508	1,444,114
Total liabilities		<u>67,710,082</u>	<u>174,147,615</u>
Partners' equity:			
Share capital	8	2,000,000	2,000,000
Statutory reserve	9	1,000,000	180,623
Retained earnings		10,272,233	(46,528,494)
Total partners' equity		<u>13,272,233</u>	<u>(44,347,871)</u>
<b>Total liabilities and partners' equity</b>		<b><u>80,982,315</u></b>	<b><u>129,799,744</u></b>

The accompanying notes from 1 to 13 are an integral part of these special purpose financial statements

**Dayim Punj Lloyd Construction Contracting Company Limited**  
(Mixed Limited Liability Company)  
**Special Purpose Statement of Income**  
for the year ended March 31, 2017  
(Saudi Riyal)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Revenues	2	<b>135,674,342</b>	144,261,035
Cost of revenues		<b>(37,782,801)</b>	(33,982,280)
Gross profit		<b>97,891,541</b>	110,278,755
General and administrative expenses	2&10	<b>(41,523,355)</b>	(30,219,372)
Operating income		<b>56,368,186</b>	80,059,383
Finance charges		<b>(175,986)</b>	(376,172)
Other income	11	<b>1,427,904</b>	90,745
<b>Net income for the year</b>		<b><u>57,620,104</u></b>	<b><u>79,773,956</u></b>

The accompanying notes from 1 to 13 are an integral part of these special purpose financial statements

**Dayim Punj Lloyd Construction Contracting Company Limited**  
(Mixed Limited Liability Company)  
**Special Purpose Statement of Cash Flows**  
**for the year ended March 31, 2017**  
(Saudi Riyal)

	<b>2017</b>	<b>2016</b>
<b>Cash Flows from Operating Activities:</b>		
Net income for the year	<u>57,620,104</u>	<u>79,773,956</u>
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation	909,179	1,107,754
Provision for end of service benefits	544,943	400,147
Provision for tax	7,405,123	-
Loss on disposal of property and equipment	(65,500)	-
	<u>66,413,849</u>	<u>81,281,857</u>
Changes in the components of working capital:		
Decrease in accounts receivable	10,584,678	103,834,713
Decrease/(Increase) in inventory	2,300,669	(9,769)
(Increase)/Decrease in other receivables and prepayments	(4,033,800)	4,790,625
Decrease in retentions receivable/security deposits	64,124,064	9,133,131
Net change in related parties balances	(670,215)	(6,420,332)
(Decrease)/Increase in unearned revenue	(96,724,071)	31,381,202
Decrease in other payables and accruals	(16,348,388)	(172,406,966)
End of service benefits paid	(811,549)	(193,815)
Net cash flows provided by operating activities	<u>24,835,237</u>	<u>51,390,646</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	(97,400)	(42,739)
Proceeds from disposal of property and equipment	65,500	-
Net cash flows used in investing activities	<u>(31,900)</u>	<u>(42,739)</u>
<b>Cash Flows from Financing Activities:</b>		
Repayment of short-term loans	-	(33,750,000)
Cash flows used in financing activities	<u>-</u>	<u>(33,750,000)</u>
<b>Net cash generated during the year</b>	<b>24,803,337</b>	<b>17,597,907</b>
Cash and banks balances at the beginning of the year	<u>22,587,815</u>	<u>4,989,908</u>
<b>Cash and banks balances at the end of the year</b>	<b>47,391,152</b>	<b>22,587,815</b>

The accompanying notes from 1 to 13 are an integral part of these special purpose financial statements

**Dayim Punj Lloyd Construction Contracting Company Limited**  
(Mixed Limited Liability Company)  
**Special Purpose Statement of Changes in Partners' Equity**  
**for the year ended March 31, 2017**  
(Saudi Riyal)

	Share capital	Statutory reserve	Retained earnings			Sub Total	Total
			Non-Saudi partner	Saudi partner			
<b>2016</b>							
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	
<b>2017</b>							
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)	-	
<b>Balance as of March 31, 2017</b>	<b>2,000,000</b>	<b>1,000,000</b>	<b>5,238,839</b>	<b>5,033,394</b>	<b>10,272,233</b>	<b>13,272,233</b>	

The accompanying notes from 1 to 13 are an integral part of these special purpose financial statements

**Dayim Punj Lloyd Construction Contracting Company Limited**  
(Mixed Limited Liability Company)  
**Notes to the special purpose financial statements**  
**for the year ended March 31, 2017**

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**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.

The company has a branch **Dayim Punj Lloyd Construction Contracting Company Limited** in Khobar under CR. No. 2051041547.

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 special purpose 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 special purpose financial statements are as follows:

**Using of estimates:**

The preparation of these special purpose financial statements are in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia, 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%

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 special purpose financial statements**  
**for the year ended March 31, 2017**  
(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 GAZT 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>2017</u>	<u>2016</u>
Cash in hand	29,700	126,338
Cash at banks	47,361,452	22,461,477
	<u>47,391,152</u>	<u>22,587,815</u>

**4- Other Receivables and Prepayments**

	<u>2017</u>	<u>2016</u>
Advances to the suppliers	4,694,304	74,786
Prepaid expenses	325,743	532,757
Due from employees	48,255	426,959
	<u>5,068,302</u>	<u>1,034,502</u>

**Dayim Punj Lloyd Construction Contracting Company Limited**

(Mixed Limited Liability Company)

**Notes to the special purpose financial statements  
for the year ended March 31, 2017**

(Saudi Riyal)

5- <u>Related Parties Transactions</u>	Related party	Nature of relationship	Nature of transactions	Balance 2016	Transactions during the year		Balance 2017
					Debit	Credit	
<b>A- Due from related parties:</b>							
	Punj Lloyd Limited – Offshore	Affiliate	Exchange of services	332,641	166,624	-	499,265
	Punj Lloyd Limited - B & I	Affiliate	Exchange of services	143,790	-	-	143,790
				476,431	166,624	-	643,055
<b>B- Due to related parties:</b>							
	Punj Lloyd Ltd. Abu Dhabi	Affiliate	Exchange of services	10,840,474	2,703,345	5,242,513	13,379,642
	Punj Lloyd Ltd. - India	Partner	Exchange of services	193,377	-	100,009	293,386
	Dayim Holding Company	Partner	Exchange of services	138,308	11,025,000	11,029,311	142,619
	Punj Lloyd Limited - Mumbai	Affiliate	Exchange of services	4,765,130	3,147,079	-	1,618,051
	Punj Llyod Limited - Qatar	Affiliate	Exchange of services	-	-	-	-
				15,937,289	16,875,424	16,371,833	15,433,698

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.

**Dayim Punj Lloyd Construction Contracting Company Limited**  
(Mixed Limited Liability Company)  
**Notes to the special purpose financial statements**  
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**6- Property and Equipment, net**

	<u>IT equipment and machinery</u>	<u>Motor vehicles</u>	<u>Total</u>
<b><u>Cost</u></b>			
Balance as of March 31, 2016	10,939,527	1,361,850	12,301,377
Additions	97,400	-	97,400
Disposals	(30,000)	(195,050)	(225,050)
Balance as of March 31, 2017	<u>11,006,927</u>	<u>1,166,800</u>	<u>12,173,727</u>
<b><u>Accumulated depreciation</u></b>			
Balance as of March 31, 2016	(9,093,121)	(1,256,335)	(10,349,456)
Charge for the year	(855,656)	(53,523)	(909,179)
Disposals	30,000	195,050	225,050
Balance as of March 31, 2017	<u>(9,918,777)</u>	<u>(1,114,808)</u>	<u>(11,033,585)</u>
<b>Book value:</b>			
<b>As of March 31, 2017</b>	<u>1,088,150</u>	<u>51,992</u>	<u>1,140,142</u>
<b>As of March 31, 2016</b>	<u>1,846,406</u>	<u>105,515</u>	<u>1,951,921</u>

- Depreciation charged to cost of revenue during the year ended March 31, 2017 is SR. 855,656 (SR. 1,034,706 : 2016).

**7- Other Payables and Accruals**

	<u>2017</u>	<u>2016</u>
Payable to sub-contractors and suppliers	11,993,330	8,757,065
Accrued projects cost	1,144,860	7,091,545
Retentions payable	462,102	3,419,357
Accrued salaries and wages	432,310	2,040,735
Provision for withholding taxes	253,309	9,500,000
Others	1,098,726	924,323
	<u>15,384,637</u>	<u>31,733,025</u>

**Dayim Punj Lloyd Construction Contracting Company Limited**  
(Mixed Limited Liability Company)  
**Notes to the special purpose financial statements**  
**for the year ended March 31, 2017**  
(Saudi Riyal)

**8- 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>

**9- Statutory Reserve**

In accordance with former Saudi companies regulations, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 50% of the share capital. The Company's partners have not taken any resolution to reduce such reserve to 30% as per the new Saudi companies regulations. However, such reserve was attained and there is no need for the deduction. Such reserve is not available for dividends distribution.

**10- General and Administrative Expenses**

	<u>2017</u>	<u>2016</u>
Salaries, wages and other benefits	<b>10,610,305</b>	11,185,077
Management charges	<b>11,025,000</b>	-
Rent	<b>5,864,419</b>	4,629,566
Insurance	<b>389,877</b>	602,052
Travel expenses	<b>674,995</b>	562,030
Professional fees	<b>375,000</b>	500,154
Consumables	<b>207,292</b>	337,606
Withholding taxes	<b>253,309</b>	-
Depreciation	<b>53,523</b>	73,048
Miscellaneous	<b>12,069,635</b>	12,329,839
	<u><b>41,523,355</b></u>	<u>30,219,372</u>

**11- Other Income**

	<u>2017</u>	<u>2016</u>
Sale of scrap	<u><b>1,427,904</b></u>	<u>90,745</u>

**12- Comparative Figures**

Certain prior year figures were reclassified to conform to the current year presentation.

**Dayim Punj Lloyd Construction Contracting Company Limited**  
(Mixed Limited Liability Company)  
**Notes to the special purpose financial statements**  
**for the year ended March 31, 2017**

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**13- 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.