

**Dayim Punj Lloyd Construction
Contracting Company Limited
(Limited Liability Company)
Riyadh – Saudi Arabia
Financial Statements and
Special Purpose Auditors' Report
For the year ended March 31, 2015**

Dayim Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Riyadh – Saudi Arabia
Financial Statements and Special Purpose Auditors' Report
for the year ended March31, 2015

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Special Purpose Auditors' Report

To, The Partners

**Dayim Punj Lloyd Construction Contracting Company Limited
Riyadh - Saudi Arabia**

We have audited the accompanying balance sheet of **Dayim Punj Lloyd Construction Contracting Company Limited (Limited Liability Company)** as of March 31, 2015, and the statements of income, cash flows and changes in partners' equity for the year then ended and the notes from 1 to 15 which are an integral part of these financial statements, which were prepared by the Company's management and presented to us together with all information and explanations that we requested. These 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. 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.

In our opinion in all material respects, the financial position of **Dayim Punj Lloyd Construction Contracting Company Limited** as of March 31, 2015 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 applicable to the Company.

Also, in our opinion, the financial statements in whole agree with:


- The requirements of the regulations for companies and the Company's Article of Association in so far as those relate to the preparation and presentation of these financial statements.
- The accounting records kept on computer system in accordance with Local Regulations.

Emphasis of matter:

- 1- The Company's current liabilities of SR. 331,541,976 exceeds its current assets by SR. 195,446,428.
- 2- The accumulated losses have exceeded 50% of the Company's share capital by SR. 125,302,450 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: April 19, 2015

Associated Accountants
Independent Member of Geneva Group International


Hamoud Ali Al-Rubian
(License No. 222)



Dayim Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)

Balance Sheet
as of March 31, 2015
(Saudi Riyal)

<u>Assets</u>	<u>Note</u>	<u>2015</u>	<u>2014</u> <u>(Restated)</u>
Current Assets:			
Cash in hand and at banks	3	4,989,908	15,636,529
Accounts receivable	2	122,355,520	12,471,918
Inventory	2	2,924,993	2,433,319
Accrued revenue		-	29,700,992
Other receivables and prepayments	4	5,825,127	9,499,992
Total current assets		136,095,548	69,742,750
Non-current assets:			
Retentions receivable / Security deposits		91,426,637	82,714,971
Due from related party	5	191,968	91,929
Property and equipment, net	2&6	3,016,936	4,375,413
Total non-current assets		94,635,541	87,182,313
Total assets		230,731,089	156,925,063
<u>Liabilities and Partners' Equity</u>			
Current liabilities:			
Short term-loans	7	33,750,000	58,125,000
Other payables and accruals	8	204,139,991	218,630,269
Unearned revenue		93,651,985	-
Provision for Zakat and income tax	2	-	-
Total current liabilities		331,541,976	276,755,269
Non-current liabilities:			
Due to related parties	5	22,073,158	18,773,501
Provision for end of service benefits	2	1,237,782	1,813,541
Total non-current liabilities		23,310,940	20,587,042
Total liabilities		354,852,916	297,342,311
Partners' equity:			
Share capital	9	2,000,000	2,000,000
Statutory reserve	10	180,623	180,623
Accumulated losses	13	(126,302,450)	(142,597,871)
Total partners' equity		(124,121,827)	(140,417,248)
Total liabilities and partners' equity		230,731,089	156,925,063

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

Dayim Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Statement of Income
for the year ended March 31, 2015
(Saudi Riyal)

	<u>Note</u>	<u>2015</u>	<u>2014</u> <u>(Restated)</u>
Revenues	2	168,146,296	278,265,735
Cost of revenues		(106,384,788)	(295,781,166)
Gross profit/(loss)		61,761,508	(17,515,431)
General and administrative expenses	2&11	(41,661,530)	(85,525,737)
Operating income / (loss)		20,099,978	(103,041,168)
Finance charges		(5,124,481)	(9,336,269)
Other income	12	1,319,924	3,940,491
Net income / (loss) for the year		16,295,421	(108,436,946)

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

Dayim Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Statement of Cash Flows
for the year ended March 31, 2015
(Saudi Riyal)

	2015	2014 (Restated)
Cash Flows from Operating Activities:		
Net income/(loss) for the year	16,295,421	(108,436,946)
Adjustments to reconcile net income/(loss) for the year to net cash flows provided by operating activities:		
Depreciation	1,448,270	2,040,232
Provision for end of service benefits	691,939	567,493
Loss on disposal of property and equipment	2,089	-
Prior year adjustments	-	(4,300,000)
	<u>18,437,719</u>	<u>(110,129,221)</u>
Changes in the components of working capital:		
(Increase)/Decrease in accounts receivable	(109,883,602)	21,086,043
Increase in inventory	(491,674)	(244,534)
Decrease in accrued revenue	29,700,992	61,854,546
Decrease in other receivables and prepayments	3,674,865	28,234,089
Increase in retentions receivable/security deposits	(8,711,666)	(3,540,576)
Net change in related parties balances	3,199,618	(228,308)
Increase in unearned revenue	93,651,985	-
(Decrease)/Increase in other payables and accruals	(14,490,278)	12,288,392
End of service benefits paid	(1,267,698)	(1,143,378)
Zakat and income tax paid	-	(41,798)
Net cash flows provided by operating activities	<u>13,820,261</u>	<u>8,135,255</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(99,004)	(532,578)
Proceeds from disposal of property and equipment	7,122	-
Net cash flows used in investing activities	<u>(91,882)</u>	<u>(532,578)</u>
Cash Flows from Financing Activities:		
Net change in short-term loans	(24,375,000)	(62,156,250)
Cash flows used in financing activities	<u>(24,375,000)</u>	<u>(62,156,250)</u>
Net cash used during the year	(10,646,621)	(54,553,573)
Cash and bank balances at the beginning of the year	15,636,529	70,190,102
Cash and bank balances at the end of the year	<u>4,989,908</u>	<u>15,636,529</u>

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

Dayim Punj Lloyd Construction Contracting Company Limited

(Limited Liability Company)

Statement of Changes in Partners' Equity

for the year ended March 31, 2015

(Saudi Riyal)

	Share Capital	Statutory reserve	Accumulated losses			Sub Total	Total
			Non-Saudi partner	Saudi partner	Sub Total		
2014 (Restated)							
Balance as of March 31, 2013	2,000,000	180,623	(17,422,072)	(16,738,853)	(34,160,925)	(31,980,302)	
Net loss for the year	-	-	(55,302,843)	(53,134,103)	(108,436,946)	(108,436,946)	
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	
Balance as of March 31, 2015	2,000,000	180,623	(64,414,250)	(61,888,200)	(126,302,450)	(124,121,827)	

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

Dayim Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2015

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 which is determined on the basis of the weighted-average costing method.

Property and equipment:

Property and equipments are 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 equipments 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
(Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2015
(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 in the estimate is recorded in the income statement, when the final assessment is approved in accordance with the disclosure standard requirements applicable to the accounting changes.

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 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>2015</u>	<u>2014</u>
Cash in hand	115,667	381,023
Cash at banks	4,874,241	15,255,506
	<u>4,989,908</u>	<u>15,636,529</u>

4- Other Receivables and Prepayments

	<u>2015</u>	<u>2014</u>
Advances to the suppliers	4,753,548	6,368,018
Prepaid expenses	735,461	2,566,022
Due from employees	336,118	565,952
	<u>5,825,127</u>	<u>9,499,992</u>

Dayim Punj Lloyd Construction Contracting Company Limited
(Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2015
(Saudi Riyal)

5- <u>Related Parties Transactions</u>	Related party	Nature of relationship	Nature of transactions	Balance 2014	Transactions during the year		Balance 2015
					Debit	Credit	
A- Due from related party:							
	Punj Lloyd Limited – Off shore	Affiliate	Exchange of services	91,929	199,530	99,491	191,968
B- Due to related parties:							
	Punj Lloyd Ltd. Abu Dhabi	Affiliate	Exchange of services	5,588,799	2,622,161	6,550,759	9,517,397
	Punj Lloyd Ltd. India	Partner	Exchange of services	3,183,761	1,467,374	313,888	2,030,275
	Dayim Holding Company	Partner	Exchange of services	1,412,212	840,000	1,444,090	2,016,302
	Punj Lloyd Limited- Mumbai	Affiliate	Exchange of services	8,456,622	-	-	8,456,622
	Punj Llyod Limited - Qatar	Affiliate	Exchange of services	132,107	79,545	-	52,562
				18,773,501	5,009,080	8,308,737	22,073,158

During the year, the Company has conducted transactions with related parties above 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
(Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2015
(Saudi Riyal)

6- Property and Equipment

	<u>IT equipments and machinery</u>	<u>Motor vehicles</u>	<u>Total</u>
Cost			
Balance as of March 31, 2014	10,936,584	1,424,300	12,360,884
Additions	6,004	93,000	99,004
Disposals	(45,800)	-	(45,800)
Balance as of March 31, 2015	<u>10,896,788</u>	<u>1,517,300</u>	<u>12,414,088</u>
Accumulated depreciation			
Balance as of March 31, 2014	(6,869,912)	(1,115,559)	(7,985,471)
Charge for the year	(1,225,092)	(223,178)	(1,448,270)
	36,589	-	36,589
Balance as of March 31, 2015	<u>(8,058,415)</u>	<u>(1,338,737)</u>	<u>(9,397,152)</u>
Book value:			
As of March 31, 2015	<u>2,838,373</u>	<u>178,563</u>	<u>3,016,936</u>
As of March 31, 2014	<u>4,066,672</u>	<u>308,741</u>	<u>4,375,413</u>

7- Bank Facilities

	<u>2015</u>	<u>2014</u>
Short-term loans	<u>33,750,000</u>	<u>58,125,000</u>

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>2015</u>	<u>2014</u>
Payable to sub-contractors and suppliers	<u>90,459,482</u>	90,233,856
Accrued project cost	<u>59,782,259</u>	69,780,235
Retentions payable	<u>25,302,244</u>	24,704,806
Advances from customers	<u>16,961,888</u>	22,996,379
Provision for withholding tax	<u>8,900,000</u>	7,600,000
Accrued salaries and wages	<u>1,618,079</u>	1,213,785
Others	<u>1,116,039</u>	2,101,208
	<u>204,139,991</u>	<u>218,630,269</u>

Dayim Punj Lloyd Construction Contracting Company Limited

(Limited Liability Company)

Notes to the financial statements**for the year ended March 31, 2015**

(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>2015</u>	<u>2014</u>
Salaries, wages and other benefits	17,837,350	31,082,233
Travel expenses	1,094,418	6,503,335
Rent	2,431,345	3,067,464
Withholding tax	1,300,000	3,300,000
Insurance	1,016,126	1,085,556
Consumables	400,721	882,326
Professional fees	197,253	362,898
Depreciation	1,448,270	269,244
Miscellaneous	15,936,047	38,972,681
	<u>41,661,530</u>	<u>85,525,737</u>

12- Other Income

	<u>2015</u>	<u>2014</u>
Sale of scraps	1,319,924	3,940,491

13- Accumulated Losses

The accumulated losses have exceeded 50% of the Company's share capital by SR. 125,302,450 which contravenes with Article 180 of Saudi Companies regulation. Accordingly, the partners shall summon a meeting to decided 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
(Limited Liability Company)
Notes to the financial statements
for the year ended March 31, 2015

14- General

The financial statements of the Company for the year ended 31 March, 2014 were restated to account for withholding taxes. The effect of such restatement was as follows:

<u>Balance sheet</u>	<u>Balance before restatement</u>	<u>Adjustments</u>	<u>Balance after restatement</u>
Assets	-	-	-
Liabilities	289,742,311	7,600,000	297,342,311
Accumulated Losses – beginning balance	<u>(29,860,925)</u>	<u>(4,300,000)</u>	<u>(34,160,925)</u>
<u>Income statement</u>			
General and administrative expense	82,225,737	3,300,000	85,525,737
Net loss for the year	<u>105,136,946</u>	<u>3,300,000</u>	<u>108,436,946</u>

15- 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 Riyals is effectively pegged to the United States dollar, the exchange risk is effectively managed.