

**INDTECH TRADING FREE ZONE ESTABLISHMENT  
JEBEL ALI**

Financial statements

Year Ended March 31, 2015

INDTECH TRADING FREE ZONE ESTABLISHMENT, JEBEL ALI

Financial statements for the year ended March 31, 2015

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## **Independent Auditors' Report**

**To the shareholder of Indtech Trading Free Zone Establishment**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Indtech Trading Free Zone Establishment, Jebel Ali ("the Establishment") which comprise the statement of financial position as at March 31, 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements, based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Indtech Trading Free Zone Establishment, Jebel Ali at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

**Independent Auditors' Report (Continued)**

**Report on Other Legal and Regulatory Requirements**

We have obtained all the information and explanations, which were necessary for the purposes of our audit and no violation of the Law No. 9 of 1992 and the Implementing Regulations No. 1/92 issued there under by the Jebel Ali Free Zone Authority (JAFZA) came to our attention which would materially affect the Establishment's financial position.

In our opinion, the Establishment maintains proper books of account and the accompanying financial statements are in agreement therewith.

**BDO CHARTERED ACCOUNTANTS & ADVISORS**

R. Krishnan  
Reg. No. 89  
April 27, 2015  
Abu Dhabi

INDTECH TRADING FREE ZONE ESTABLISHMENT, JEBEL ALI

Statement of financial position at March 31, 2015

	Note	2015 AED	2014 AED
<b>Current assets</b>			
Prepayment and other receivables	4	21,378	21,389
Due from related party	5	1,432,086	2,322
Bank balance	6	37,765	566,482
<b>Total current assets</b>		<b>1,491,229</b>	<b>590,193</b>
<b>Current liabilities</b>			
Accruals and other payables	7	70,136	44,146
<b>Total current liabilities</b>		<b>70,136</b>	<b>44,146</b>
<b>Net current assets</b>		<b>1,421,093</b>	<b>546,047</b>
<b>Non current liabilities</b>			
Provision for employees' end of service benefits		-	16,098
<b>Net assets</b>		<b>1,421,093</b>	<b>529,949</b>
<b>Equity</b>			
Share capital	8	1,000,000	1,000,000
Retained earnings / Accumulated deficit		421,093	(470,051)
<b>Total equity</b>		<b>1,421,093</b>	<b>529,949</b>

These financial statements were approved by the Director on April 27, 2015:

Shantanu Karkun  
Director

The notes on pages 7 to 15 form part of these financial statements

INDTECH TRADING FREE ZONE ESTABLISHMENT, JEBEL ALI

Statement of comprehensive income for the year ended March 31, 2015

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	Note	2015 AED	2014 AED
Service Fee	9	1,141,900	248,400
Administration, selling and general expenses	10	<u>(250,756)</u>	<u>(251,177)</u>
Net profit/(loss) for the year		<u>891,144</u>	<u>(2,777)</u>
Total comprehensive income for the year		<u><u>891,144</u></u>	<u><u>(2,777)</u></u>

The notes on pages 7 to 15 form part of these financial statements

INDTECH TRADING FREE ZONE ESTABLISHMENT, JEBEL ALI

Statement of changes in equity for the year ended March 31, 2015

	Share capital AED	Retained earnings/ Accumulated deficit AED	Total equity AED
Balance at April 1, 2013	1,000,000	(467,274)	532,726
Total comprehensive income for the year	-	(2,777)	(2,777)
Balance at March 31, 2014	1,000,000	(470,051)	529,949
Total comprehensive income for the year	-	891,144	891,144
Balance at March 31, 2015	1,000,000	421,093	1,421,093

The notes on pages 7 to 15 form part of these financial statements

INDTECH TRADING FREE ZONE ESTABLISHMENT, JEBEL ALI

Statement of cash flows for the year ended March 31, 2015

	Note	2015 AED	2014 AED
<b>Cash flows from operating activities</b>			
Net profit/(loss) for the year		891,144	(2,777)
Adjustments for :			
Provision for employees' end of service gratuities		4,881	12,168
Operating profit before working capital changes		896,025	9,391
Decrease/(increase) in prepayment and other receivables	4	11	(3,492)
Increase in due from related party	5	(1,429,764)	(2,322)
Increase in accruals and other payables	7	5,011	8,274
Decrease in due to related party		-	(242,358)
<i>Net cash used in operating activities</i>		<u>(528,717)</u>	<u>(230,507)</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(528,717)</b>	<b>(230,507)</b>
Cash and cash equivalents at beginning of year		566,482	796,989
Cash and cash equivalents at end of year	6	<u>37,765</u>	<u>566,482</u>

The notes on pages 7 to 15 form part of these financial statements



**1 Status and activity**

Indtech Trading Free Zone Establishment, Jebel Ali ("the Establishment") is a Free Zone Establishment registered with limited liability under the Law No. 9 of 1992 and the Implementing Regulations No. 1/92 issued there under by the Jebel Ali Free Zone Authority (JAFZA). The principal place of business of the Establishment is located in Jebel Ali Free Zone.

During the year, the legal ownership of the Establishment has been changed. The Establishment is now a wholly owned subsidiary of Punj Lloyd Pte. Limited ("the Parent"), a company incorporated in Singapore. Previously, the Establishment was owned by Buffalo Hills Limited incorporated in British Virgin Islands. The transfer of shares was in accordance with the sale and purchase agreement dated 1 January 2015 between the parties. The ultimate parent company is Punj Lloyd India Limited, incorporated in New Delhi, India.

The principal activities of the Establishment are trading in construction equipment and machinery spare parts.

The financial statements for the year ended March 31, 2015 were authorised for issue by the Director on April 27, 2015.

These financial statements are presented in UAE Dirhams (AED).

**2 Adoption of new and revised standards**

***New standards, interpretations and amendments effective from April 1, 2014***

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

• **IAS 32 Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after January 1, 2014)**

The amendment to IAS 32 Financial Instruments: Presentation clarifies certain aspects because of diversity in application of the requirements on offsetting, focusing on the following aspects:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realisation and settlement;
- the offsetting of collateral amounts;
- the unit of account for applying the offsetting requirements.

• **IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Effective for annual periods beginning on or after January 1, 2014)**

The amendment to IAS 36 Impairment reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

**2 Adoption of new and revised standards (Continued)**

***New standards, interpretations and amendments not yet effective***

The Establishment has not applied the following new and revised IFRSs that have been issued but are not yet effective for annual periods beginning on or after April 1, 2014.

These amendments will not impact the Establishment's financial position or comprehensive income and becomes effective for annual periods beginning on or after the respective effective dates. The Establishment is yet to assess the full impact of these amendments on its financial statements on adoption.

• **IFRS 9 'Financial instruments (2009)'**

The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

• **IFRS 9 'Financial instruments (2010)'**

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.

The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss - in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

• **IFRS 9 'Financial instruments (2013)' (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)**

A revised version of IFRS 9 incorporating revised requirements a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. It also permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss.

The revised version also removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalisation of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application.

2 Adoption of new and revised standards (Continued)

- IFRS 9 'Financial instruments (2014)'

This is a finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

**Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

**Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

**Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

**Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 (2014) was issued on July 24, 2014 and supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but this version of the standard remains available for application if the relevant date of initial application is before February 1, 2015.

- Annual Improvements to IFRSs 2010-2012 Cycle (Effective for annual periods beginning on or after July 1, 2014):

The annual improvements have not impacted the Establishment's financial position or performance on adoption.

**IFRS 13 Fair Value Measurements**

This improvement clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

**IAS 24 Related Party Disclosures**

The improvement clarifies how payments to entities providing management services are to be disclosed.

- Annual Improvements to IFRSs 2011-2013 Cycle (Effective for annual periods beginning on or after July 1, 2014):

The annual improvements have not impacted the Establishment's financial position or performance on adoption.

**IFRS 13 Fair Value Measurements**

This improvement clarifies the scope of the portfolio exception in paragraph 52.

2 Adoption of new and revised standards (Continued)

- Annual Improvements to IFRSs 2012-2014 Cycle (Effective for annual periods beginning on or after July 1, 2016):

The annual improvements have not impacted the Establishment's financial position or performance on adoption.

**IFRS 7 Financial Instruments: Disclosures**

This improvement provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

3 Significant accounting policies

These financial statements are prepared under the historical cost convention and in accordance with international Financial Reporting Standards.

The significant accounting policies adopted are as follows:

*Financial assets*

All financial assets are recognised and derecognised on trade date and are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value. The financial assets consist of due from related party, bank balance and other receivables. Bank balance consists of cash held on bank current account or on short-term deposits at variable interest rates. Any interest earned is accrued monthly and classified as interest income.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss account, held to maturity investments, loans and receivables and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

- ◆ Financial assets are classified as fair value through profit or loss when the financial asset is either a held for trading investment or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if, it has been acquired principally for the purpose of selling it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Branch manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.
- ◆ Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.
- ◆ Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment.
- ◆ Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Loans and receivables comprise of due from related party and other receivables that have fixed or determinable payments and are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment.

3 Significant accounting policies *(Continued)*

*Impairments*

The carrying amounts of the Establishment's assets are reviewed annually at each date of the statement of financial position to determine whether the assets have been impaired during the year. Where an asset has been impaired, the recoverable amount of the asset is determined. Where the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount. The resultant impairment loss is recognised as an expense in the statement of comprehensive income.

*Employees' end of service gratuities*

Provision for employees' end of service benefits is made on the basis prescribed in the UAE Labour Law, for the accumulated period of service at the date of the statement of financial position.

*Provisions*

Provisions are recognised in the statement of financial position when the Establishment has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

*Financial liabilities*

Financial liabilities are classified as either financial liabilities at fair value through profit and loss account or other financial liabilities. The Establishment's financial liabilities consist of accruals and other payables. Financial liabilities are initially measured at fair value. The subsequent measurement is at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

*Revenue*

Service fee is recognised when the services are rendered and are spread over the period of contract.

*Leasing*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

*Foreign currencies*

Transactions in foreign currencies during the year are converted into AED at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated to AED at the rates of exchange ruling at the date of statement of financial position. All gains and losses on exchange are taken to the statement of comprehensive income.

*Cash and cash equivalents*

For the purposes of the statement of cash flows, cash and cash equivalents comprises of bank balance.

INDTECH TRADING FREE ZONE ESTABLISHMENT, JEBEL ALI

Notes to the financial statements for the year ended March 31, 2015 (Continued)

4	Prepayment and other receivables	2015 AED	2014 AED
	Prepayments	8,439	8,450
	Deposits	12,939	12,939
		<u>21,378</u>	<u>21,389</u>
5	Related party disclosures		
	<p>Related parties include the ultimate parent, intermediate parent, shareholders, key management personnel, associates, joint ventures and any businesses which are controlled directly or indirectly by the Establishment or over which they exercise significant management influence. The balances due from such party, which have been disclosed separately in the financial statements, are unsecured, interest-free and are repayable on demand.</p> <p>The significant related party transactions during the year are as follows:</p>		
		2015 AED	2014 AED
	Other related parties		
	- Service Fee	<u>224,900</u>	<u>248,400</u>
	<p>Related party balances are as under :</p>		
		2015 AED	2014 AED
	Receivables:		
	- Punj Lloyd Limited, Dubai	<u>1,432,086</u>	<u>2,322</u>
6	Bank balance	2015 AED	2014 AED
	Bank current account	37,765	566,482
		<u>37,765</u>	<u>566,482</u>

INDTECH TRADING FREE ZONE ESTABLISHMENT, JEBEL ALI

Notes to the financial statements for the year ended March 31, 2015 (Continued)

7 Accruals and other payables	2014 AED	2013 AED
Accrued expenses	21,954	21,308
Provision for leave salary	27,203	22,838
Provision for employees' end of service benefits	20,979	-
	<u>70,136</u>	<u>44,146</u>

Provision for employees' end of service benefits has been classified as a current liability as the amount is likely to be paid within a period of twelve months from the date of statement of financial position.

8 Share capital	2015 AED	2014 AED
Authorised, issued and paid up capital:		
1 share of AED 1,000,000 each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

9 Service fee

Service fee amounting to AED 224,900 represents the fee earned for the services provided to a related party. It also includes consultancy income amounting to AED 917,000 earned by the Establishment from a party based in Tunisia in accordance with the agreement dated 1 August 2014 entered between the Establishment and the party. The services were rendered to assist the party in developing and identifying new businesses in various sectors mainly in the fields of infrastructure and civil construction in the Middle-East and Africa Region and to assist the party in formulating and implementing business development strategies.

10 Administration, selling and general expenses	2015 AED	2014 AED
Salaries and other benefits	147,246	168,138
Rent and license fees	73,226	69,664
Professional fees	9,000	9,000
Insurance	3,575	3,575
Bank charges	510	800
Others	17,199	-
	<u>250,756</u>	<u>251,177</u>

**11 Financial instruments - risk management**

**Capital risk management**

The capital is managed by the Establishment in a way that it is able to continue as a going concern while maximising returns to the shareholder.

The capital structure of the Establishment consists of cash and cash equivalents and equity attributable to equity holder, representing paid up capital and retained earnings.

As a risk management policy, the Establishment reviews its cost of capital and risks associated with capital. The Establishment balances its capital structure based on the above review.

**Market risk management**

The Establishment is primarily exposed to the financial risks of changes in foreign currency exchange rates (currency risk).

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

*Foreign currency risk management*

The Establishment undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuation arise. The Establishment is mainly exposed to US Dollars ("USD"). Since the AED is pegged to the USD, the Establishment is not exposed to any significant exchange rate fluctuations.

**Credit risk management**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Establishment is potentially exposed to concentration of credit risk from its financial assets which comprise principally bank balance, other receivables and amounts due from related party. The Establishment's bank accounts are placed with high credit quality financial institutions. The credit risk on due from related party is subjected to credit evaluations and an allowance is made for estimated irrecoverable amounts.

**Liquidity risk management**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Establishment has built an appropriate liquidity risk management framework for the management of its short, medium and long term funding and liquidity requirements. The Establishment manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cashflows.



INDTECH TRADING FREE ZONE ESTABLISHMENT, JEBEL ALI

Notes to the financial statements for the year ended March 31, 2015 (Continued)

11 Financial instruments - risk management (Continued)

Financial instruments by category

The carrying amounts for each class of financial instrument are listed below:

	2015	2014
	AED	AED
<b>Financial assets</b>		
- Other receivables	12,939	12,939
- Due from related party	1,432,086	2,322
Bank balance	<u>37,765</u>	<u>566,482</u>
<b>Financial liabilities</b>		
- Accruals and other payables	<u>21,954</u>	<u>21,308</u>

12 Comparative figures

Previous year's figures have been regrouped or reclassified wherever necessary to make them comparable to those of the current year. These reclassifications are immaterial.