PT Punj Lloyd Indonesia

Financial statements as of March 31, 2016 and
and for the year then ended with independent auditors' report

PT PUNJ LLOYD INDONESIA
FINANCIAL STATEMENTS
AS OF MARCH 31, 2016 AND
FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

Table of Contents

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Building a better working world

Purwantono, Sungkoro & Surja

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Independent Auditors' Report

Report No. RPC-1654/PSS/2016

The Shareholders, Commissioner and Board of Directors
PT Punj Lloyd Indonesia

We have audited the accompanying financial statements of PT Punj Lloyd Indonesia which comprise the statement of financial position as of March 31, 2016, and the statements of profit or loss and other comprehensive income, changes in capital deficiency, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of such financial statements in accordance with Indonesian Financial Accounting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on such financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether such 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 control 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 entity's internal control. 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.

Independent Auditors' Report (continued)

Report No. RPC-1654/PSS/2016 (continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PT Punj Lloyd Indonesia as of March 31, 2016, and of its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Purwantono, Sungkoro & Surja

Dagmar Zevilianty Djamal
Public Accountant Registration No. AP.0690

May 18, 2016

PT PUNJ LLOYD INDONESIA
STATEMENT OF FINANCIAL POSITION
As of March 31, 2016
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2016	2015
ASSETS			
CURRENT ASSETS			
Cash on hand and in banks	4	422,984	299,297
Trade receivables, net of allowance for impairment of US$3,443,612 (2015: US$Nil)	5	-	4,152,053
Inventories, net of allowance for impairment of US$71,026 (2015: US$Nil)	6	-	72,459
Costs and estimated earnings/loss in excess of billings on uncompleted contracts, net of allowance for impairment of US$1,423,282 (2015: US$Nil)	8	1,398,419	4,397,082
Advance payments and other receivables, net of allowance for impairment of US$4,943,330 (2014: US$Nil)	9	36,179	4,575,684
Other current assets		56,671	56,862
TOTAL CURRENT ASSETS		**1,914,253**	**13,553,437**
NON-CURRENT ASSETS			
Estimated refundable taxes	16b	-	1,005,728
Fixed assets, net	11	4,342,443	5,026,446
Prepaid tax	16a	3,015,233	3,717,427
TOTAL NON-CURRENT ASSETS		**7,357,676**	**9,749,601**
TOTAL ASSETS		**9,271,929**	**23,303,038**

The accompanying notes form an integral part of these financial statements.

PT PUNJ LLOYD INDONESIA
STATEMENT OF FINANCIAL POSITION (continued)
As of March 31, 2016
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2016	2015
LIABILITIES AND CAPITAL DEFICIENCY			
LIABILITIES			
CURRENT LIABILITIES			
Short-term bank loans	12	5,726,568	5,460,207
Trade payables	14	42,144,223	41,867,565
Taxes payable	16c	2,069,382	2,178,932
Other liabilities and accruals	15	27,051,059	23,938,634
Current maturities of long-term bank loans	13	1,218,215	292,680
TOTAL CURRENT LIABILITIES		**78,209,447**	**73,738,018**
NON-CURRENT LIABILITIES			
Provision for employee benefits	17	53,479	60,008
Interest in a joint venture	10	3,510,895	2,294,960
Long-term bank loans, net of current maturities	13	627,030	1,837,030
TOTAL NON-CURRENT LIABILITES		**4,191,404**	**4,191,998**
TOTAL LIABILITIES		**82,400,851**	**77,930,016**
CAPITAL DEFICIENCY			
Share capital			
Series A shares			
Authorized 2,000 shares, of par value Rp1,181,000 (full amount) or US$500 per share; issued and fully paid 805 shares			
Series B shares			
Authorized, issued and fully paid 7,000 shares, of par value Rp4,661,500 (full amount) or US$500 per share			
Series C shares			
Authorized, issued and fully paid 11,000 shares, of par value Rp17,338,039 (full amount) or US$1,829.10 per share	18	24,022,600	24,022,600
Other reserves	19	4,168	-
Accumulated deficit	26	(97,155,690)	(78,649,578)
CAPITAL DEFICIENCY, NET		**(73,128,922)**	**(54,626,978)**
TOTAL LIABILITIES AND CAPITAL DEFICIENCY		**9,271,929**	**23,303,038**

The accompanying notes form an integral part of these financial statements.

PT PUNJ LLOYD INDONESIA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended March 31, 2016
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2016	2015
REVENUES	20	7,890,345	17,383,766
COST OF CONTRACTS	20	(11,519,557)	(20,460,661)
GROSS LOSS		**(3,629,212)**	**(3,076,895)**
General and administrative expenses	21	(10,836,363)	(2,849,037)
Hire charges income		-	10,120
Miscellaneous, net		(3,634,558)	(277,820)
LOSS FROM OPERATIONS		**(18,100,133)**	**(6,193,632)**
Finance income		5,337	8,211
Finance costs		(174,606)	(268,414)
LOSS BEFORE CORPORATE INCOME TAX EXPENSE		**(18,269,402)**	**(6,453,835)**
CORPORATE INCOME TAX EXPENSE	16d	(236,710)	(515,733)
LOSS FOR THE YEAR		**(18,506,112)**	**(6,969,568)**
OTHER COMPREHENSIVE INCOME:			
Net actuarial gain from employee service entitlements	19	4,168	-
Other comprehensive income		4,168	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(18,501,944)**	**(6,969,568)**

The accompanying notes form an integral part of these financial statements.

PT PUNJ LLOYD INDONESIA
STATEMENT OF CHANGES IN CAPITAL DEFICIENCY
For the year ended March 31, 2016
(Expressed in United States Dollars, unless otherwise stated)

	Share Capital	Other Reserves (Note 19)	Accumulated Deficit	Capital Deficiency, net
Balance as of March 31, 2014	**24,022,600**	**-**	**(71,680,010)**	**(47,657,410)**
Loss for the year	-	-	(6,969,568)	(6,969,568)
Balance as of March 31, 2015	**24,022,600**	**-**	**(78,649,578)**	**(54,626,978)**
Loss for the year	-	-	(18,506,112)	(18,506,112)
Other comprehensive gain for the year (Note 19)	-	4,168	-	4,168
Balance as of March 31, 2016	**24,022,600**	**4,168**	**(97,155,690)**	**(73,128,922)**

The accompanying notes form an integral part of these financial statements.

PT PUNJ LLOYD INDONESIA
STATEMENT OF CASH FLOWS
For the year ended March 31, 2016
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before corporate income tax expense		(18,269,402)	(6,453,835)
Adjustments to reconcile loss before corporate income tax expense to net cash (used in)/provided by operating activities:			
Depreciation	11	487,228	854,126
Provision for employee benefits	17	(2,361)	(32,060)
Gain on disposal of fixed assets		-	(196,674)
Interest in a joint venture	10	1,215,935	14,531
Changes in operating assets and liabilities:			
Trade receivables		4,152,053	1,254,417
Inventories		72,459	11,664
Costs and estimated earnings/loss in excess of billings on uncompleted contracts		2,998,663	(1,103,696)
Advance payments and other receivables		4,539,506	325,355
Prepaid tax		702,194	1,318,684
Other current assets		191	306,744
Estimated refundable taxes		1,005,728	1,501,089
Trade payables		276,658	6,417,020
Billings in excess of cost and estimated earnings/loss on uncompleted contracts		-	(5,227,971)
Taxes payable		(109,550)	(52,747)
Other liabilities and accruals		3,112,425	(618,424)
Payment on employee benefits	17	-	(3,178)
Corporate income tax paid		(236,710)	(347,885)
Net cash (used in)/provided by operating activities		**(54,983)**	**(2,032,840)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets		196,775	196,674
Cash provided by/(used in) investing activities		**196,775**	**196,674**
CASH FLOWS FROM FINANCING ACTIVITY			
(Repayments of)/proceeds from bank loans		(284,466)	2,129,710
Cash provided by/(used in) financing activity		**(284,466)**	**2,129,710**

The accompanying notes form an integral part of these financial statements.

PT PUNJ LLOYD INDONESIA
STATEMENT OF CASH FLOWS (continued)
For the year ended March 31, 2016
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2016	2015
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(142,674)**	**293,544**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(3,610,910)	(3,904,454)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**(3,753,584)**	**(3,610,910)**
Cash and cash equivalents at end of year consist of:			
Cash on hand and in banks	4	422,984	299,297
Bank overdrafts	12	(4,176,568)	(3,910,207)
Net		**(3,753,584)**	**(3,610,910)**

The accompanying notes form an integral part of these financial statements.

1. GENERAL

PT Punj Lloyd Indonesia (the "Company") is a limited liability company established in Indonesia by virtue of Notarial Deed No. 64 dated February 28, 1997 of Notary H. Parlindungan Lumban Tobing, S.H., within the framework of laws regarding foreign investment. The Company's Articles of Association was approved by the Ministry of Justice and Human Rights of the Republic of Indonesia in its Decision Letter No. C-2-5021.HT.01.01.TH.97 dated June 12, 1997.

The Articles of Association has been amended several times, the latest amendment was notarized through Notarial Deed No. 1 of Reny Andriani, S.H., M.Kn., M.H., dated August 5, 2015, concerning the change of the Company's Commissioner and Directors. This amendment has been notified to the Minister of Law and Human Rights and was accepted through his decision letter No. AHU-AH.01.03-0955146 dated August 7, 2015.

The Company is engaged in engineering and construction in the oil and gas sector. The Company's head office is located at 17th Floor, Suite 1708, Kav. 28, Wisma GKBI, Jl. Jenderal Sudirman, Jakarta, Indonesia. The Company started its operations in 1997.

The composition of the Commissioner and Board of Directors were as follows:

<u>March 31, 2016</u>

Commissioner : Atul Punj

President Director : Chandra Kishore Thakur
Director : Manoj Soni

<u>March 31, 2015:</u>

Commissioner : Atul Punj

President Director : Rakesh Kumar Grover
Director : Chandra Kishore Thakur

As of March 31, 2016 and 2015, the Company had 5 employees, respectively (unaudited).

These financial statements were completed and authorized for issuance by the Company's management on May 18, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of the financial statements

The financial statements have been prepared and presented in accordance with Indonesian Financial Accounting Standards ("SAK") comprising the Statements of Financial Accounting Standards ("PSAK") and Interpretations to Financial Accounting Standards ("ISAK") issued by the Board of Financial Accounting Standards of the Indonesian Institute of Accountants ("DSAK").

The financial statements have been prepared on the accrual basis using the historical cost concept, except for the statement of cash flows and certain accounts which are measured on the basis as described in the related accounting policies for those accounts.

The statement of cash flows presents the receipts and payments of cash classified into operating, investing and financing activities using the indirect method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Functional and foreign currency

The Company maintains its accounting records in US Dollar, which is the functional and reporting currency of the Company.

Transactions involving currencies other than US Dollar are translated at the rates of exchange prevailing at the transaction dates. Monetary assets and liabilities denominated in other than US Dollar are translated into US Dollar at the reporting dates using middle rates of exchange quoted by Bank Indonesia on those dates. The resulting net foreign exchange gains or losses are recognized in the statement of profit or loss and other comprehensive income.

The exchange rates used as of March 31, 2016 and 2015 were as follows:

	2016	**2015**
US Dollar 1 to Rupiah	13.276	13,084
US Dollar 1 to Euro	0.88	0.92
US Dollar 1 to Singapore Dollar	1.35	1.38

c) Revenue recognition and cost of contracts

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized as income and expense using the percentage of completion method, measured by reference to the value of work performed relative to the total contract value. When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that can probably be recovered. Cost of contracts comprises actual costs incurred, including subcontractor costs, direct materials and overhead costs. An expected loss on the construction contract is recognized as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and in banks and short term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Company’s cash management.

e) Trade receivables

Trade receivables, including amounts due from related parties are classified and accounted for as loans and receivables. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, if the impact of discounting is significant, less allowance for impairment. Further details are disclosed in Note 2p.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Inventories

Inventories are stated at the lower of cost or net realizable value.

Cost is determined using the average method and comprises all purchase, conversion and other costs incurred in bringing the inventory to its present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale.

g) Work in progress

Work in progress relating to long-term contracts include all project costs plus profit recognized to date. Amounts provided for expected future losses on contracts, and progress payments received or receivable are deducted from the amount of work in progress.

The asset “costs and estimated earnings/loss in excess of billings on uncompleted contracts” represents the balance of work in progress in excess of amounts billed.

The liability “billings in excess of cost and estimated earnings/loss on uncompleted contracts” represents billings in excess of the balance of work in progress recognized.

h) Prepaid expenses

Prepaid expenses are amortized over their beneficial periods using the straight-line method.

i) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in the statement of profit or loss and other comprehensive income as incurred.

Fixed assets are depreciated using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Building	20
Jetty and skidway	20
Machinery	4 - 8
Motor vehicles	5 - 8
Furniture, fixtures and equipment	4 - 8
Software	4 - 8

An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Fixed assets (continued)

The fixed assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year end.

The recoverable amount of an asset is estimated whenever events or changes in circumstances indicate that its carrying amount may not be fully recoverable. Impairments in asset values are recognized as a loss in the current year's statement of profit or loss and other comprehensive income.

j) Transactions with related parties

The Company conducts transactions with related parties. The definition of related parties is in accordance with PSAK No. 7 (Revised 2010) "Related Party Disclosures".

The transactions are made based on terms agreed by the parties.

All material transactions and balances with related parties are disclosed in Note 7 to the financial statements.

k) Impairment of non-financial assets

The Company assesses at each annual reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of the asset's or its Cash Generating Unit's ("CGU") fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in the statements of comprehensive income as "Impairment Losses". In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the assets by the Company. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations, if any, are recognized in the statement of profit or loss and other comprehensive income under expense categories that are consistent with the functions of the impaired assets.

An assessment is made at each annual reporting period as to whether there is any indication that previously recognized impairment losses recognized for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss for an asset other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Reversal of an impairment loss is recognized in the statement of profit or loss and other comprehensive income. After such a reversal, the depreciation charge on the said asset is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Corporate income tax

Current income tax

The Company is subject to final income tax on construction services, which is computed based on a certain percentage of such revenue. Current tax expense on income not subject to final tax is provided based on the estimated taxable income for the year.

Amendments to taxation obligations are recorded when an assessment is received or, for assessment amounts appealed against by the Company, when: (1) the result of the appeal is determined, unless there is significant uncertainty as to the outcome of such appeal, in which event the impact of the amendment of tax obligations based on an assessment is recognized at the time of making such appeal, or (2) at the time based on knowledge of developments in similar cases involving matters appealed, based on rulings by the Tax Court or the Supreme Court, that a positive appeal outcome is adjudged to be significantly uncertain, in which event the impact of an amendment of tax obligations based on assessment amounts appealed is recognized.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

m) Interest in Joint Venture

Interest in Joint Venture is accounted for using the equity method of accounting whereby an interest in Joint Venture initially recorded at cost and adjusted thereafter for the post acquisition change in the Company’s share of net assets of the Joint Venture. The Company’s share of the current year’s results of operations of the Joint Venture is reflected in the Company’s current year’s statement of profit or loss and other comprehensive income. When the Company’s share of losses in a joint venture equals or exceeds its interest in the joint venture, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

o) Provision for employee benefits

The Company recognizes provision for employee benefits at the minimum in accordance with Labor Law No. 13/2003 dated March 25, 2003. The provision is based on an actuarial calculation by an independent actuary using the “Projected Unit Credit Method”. Actuarial gains or losses are recognized as income or expense when the net cumulative actuarial gains or losses at the end of the previous reporting period exceed 10% of the present value of the defined benefit obligation at that date. These gains or losses in excess of 10% threshold are recognized over the expected remaining working lives of employees.

p) Financial instruments

i. Financial assets

Initial recognition

Financial assets within the scope of PSAK No. 55 (Revised 2011) are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition and where allowed and appropriate, re-evaluates this designation at each financial year end.

When financial assets are recognized initially, they are measured at fair value, and, in the case of financial assets not at fair value through profit or loss, plus directly attributable transaction costs.

The Company’s financial assets include cash on hand and in banks, trade receivables and other receivables which are classified as loans and receivables.

Subsequent measurement

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the loans and receivables are derecognized or impaired, and through the amortization process. Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are integral part of the effective interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial instruments (continued)

i. Financial assets (continued)

De-recognition

The Company derecognizes a financial asset if, and only if, the contractual rights to receive cash flows from the asset have expired; or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each statements of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

ii. Financial liabilities

Initial recognition

Financial liabilities within the scope of the PSAK No. 55 (Revised 2011) are classified as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and in the case of loans and borrowings, inclusive of directly attributable transaction costs. The Company’s financial liabilities include short-term and long-term bank loans, trade payables, other liabilities and accruals.

Subsequent measurement

Subsequent to initial recognition, all financial liabilities classified as loans and borrowings are measured at amortized cost using the effective interest method, except for derivatives, which are measured at fair value, unless the effect of discounting would be immaterial, in which case they are stated at cost.

For financial liabilities other than derivatives, gains and losses are recognized in the statement of profit or loss and other comprehensive income when the liabilities are derecognized and through the amortization process. Any gains or losses arising from changes in fair value of derivatives are recognized in the statement of profit or loss and other comprehensive income. Net gains or losses on derivatives include exchange differences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial instruments (continued)

ii. Financial liabilities (continued)

De-recognition

A financial liability is derecognized when the obligation specified in the contract is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount are reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

iv. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price or ask price), without any deduction for transaction costs.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models.

q) New and revised accounting standards that have been published but not yet effective

The following is published accounting standards by the Indonesian Financial Accounting Standards Board ("DSAK") that is considered relevant to the financial reporting of the Company but not yet effective for 2016 financial statements as follows:

1) PSAK 1 Amendment: Presentation of Financial Statements - Disclosures initiative;
2) PSAK 16 Amendment: Property, Plant and Equipment - Clarification of the accepted method for depreciation and amortization;
3) PSAK 19 Amendment, Intangible Assets - Clarification of the accepted method for depreciation and amortization;
4) PSAK 24 Amendment: Employee Benefits - Defined benefit plans: employee contributions;
5) ISAK 30, Levies;
6) PSAK 7 (2015 improvement), Related Party Disclosures;
7) PSAK 16 (2015 improvement), Property, Plant and Equipment;
8) PSAK 19 (2015 improvement), Intangible Assets;
9) PSAK 25 (2015 improvement), Accounting Policies, Changes in Accounting Estimates and Errors;
10) PSAK 53 (2015 improvement), Share-based Payment;
11) PSAK 68 (2015 improvement), Fair value Measurement.

The Company is presently evaluating and has not determined the effects of these new and revised PSAKs on the financial statements.

3. SOURCE OF ESTIMATION UNCERTAINTY

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset and liability affected in future periods.

Judgments

The following judgments are made by management in the process of applying the Company's accounting policies that have the most significant effects on the amounts recognized in the financial statements:

<u>Classification of financial assets and financial liabilities</u>

The Company determines the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK No. 55 (Revised 2014). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's accounting policies disclosed in Note 2p.

<u>Determination of functional currency</u>

Functional currency of the Company is the currency of the primary economic environment in which the Company operates. The functional currency is a currency that affects the revenues and expenses of the services rendered. The Company determined that its functional currency is US Dollar.

Estimates and Assumptions

<u>The allowance for impairment losses of receivables</u>

The Company evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Company uses judgment, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer, quality of collateral received and the customer's current credit status based on any available third party credit reports and known market factors, to record specific provisions for customers against amounts due to reduce its receivable amounts that the Company expects to collect. These specific provisions are re-evaluated and adjusted as additional information received affects the amounts of allowance for impairment losses on trade receivables.

If the Company determines that no objective evidence of impairment exists for an individually assessed trade receivables, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The characteristics chosen are relevant to the estimation of future cash flows for groups of such trade receivables by being indicative of the customers' ability to pay all amounts due. Future cash flows in a group of trade receivables that are collectively evaluated for impairment are estimated on the basis of historical loss experience for the trade receivables with credit risk characteristics similar to those in the group.

<u>Construction contracts</u>

Construction revenue is recognized by reference to the stage of completion of the construction activity at the statements of financial position date, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to surveys of works and estimates performed by project engineer. The management is required to make judgment and estimates based on the best available facts and circumstances based on past experience and information obtained from the project engineer, on the estimated costs to completion.

(Expressed in United States Dollars, unless otherwise stated)

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Depreciation of fixed assets

Management determines the estimated useful lives and depreciation method of fixed assets. Depreciation is calculated based on the various components of the cost of fixed assets less the residual value. The costs of fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 4 to 20 years. These are common life expectancies applied in the industries where the Company conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. Further details are disclosed in Notes 2i and 11.

Provision for employee benefits

The determination of the Company's provision for employee benefits is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include, among others, discount rates, annual salary increase rate, annual employee turn-over rate, disability rate, retirement age and mortality rate. Actual results that differ from the Company's assumptions which effects are more than 10% of the defined benefit obligations are deferred and being amortized on a straight-line basis over the expected average remaining service years of the qualified employees. While the Company believes that its assumptions are reasonable and appropriate, significant differences in the Company's actual results or significant changes in the Company's assumptions may materially affect its provision for employee benefits and net employee benefits expense. Further details are discussed in Note 17.

4. CASH ON HAND AND IN BANKS

	2016	2015
Cash on hand	3,913	8,351
Cash in banks:		
US Dollar accounts	253,814	142,762
Rupiah accounts	165,257	148,184
Total	**422,984**	**299,297**

5. TRADE RECEIVABLES

	2016	2015
Related party (Note 7a)	3,443,612	4,152,053
Less: allowance for impairment	(3,443,612)	-
Total	**-**	**4,152,053**

5. TRADE RECEIVABLES (continued)

The movement in balance of allowance for impairment of receivable are as follows:

	2016	2015
Balance at beginning of period	-	-
Addition during the year (Note 21)	3,443,612	-
	3,443,612	**-**

Trade receivables were pledged as collateral for loan facilities as disclosed in Note 12. The Management believes that the allowance for impairment is adequate to cover possible losses on uncollectible accounts.

6. INVENTORIES

This account mainly consists of project materials. Certain inventories were pledged as collateral for loan facilities as disclosed in Note 12.

The Management believes that the allowance for inventory losses is adequate to cover possible losses of unusable inventories.

7. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

In the normal course of the business, the Company has transactions with related parties, which are made on terms as agreed by the parties. Summary of related parties, nature of the relationship and types of transactions are as follows:

Relationships	Related parties	Transactions
• **Ultimate parent entity**	Punj Lloyd Limited, India (“PLL India”)	Advances received, interest expense, royalty
• **Parent entity**	Punj Lloyd Pte. Ltd., Singapore (“PLPL”)	Advances received, interest expense and reimbursements of expenses
• **Other related parties**	Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd. (“PLOG Malaysia”)	Rental income, reimbursements of expenses
	Punj Lloyd Abu Dhabi (“PL Abu Dhabi”)	Reimbursements of expenses
	PT Sempec Indonesia (“PT SI”)	Subcontract engineering services for Sumpal Project, profit sharing related to Sumpal Project and reimbursements of expenses
	Punj Lloyd Ltd., Thailand (“PLL Thailand”)	Reimbursements of expenses
	Punj Lloyd International, India (“PLI India”)	Reimbursements of expenses
	Punj Lloyd Engineering Ltd. (“PLE”)	Reimbursements of expenses
• **Joint venture**	Punj Lloyd Group Joint Venture (“PLG JV”)	Overseas subcontracting work, reimbursements of expenses

(Expressed in United States Dollars, unless otherwise stated)

7. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

The summary of related parties balances and transactions are as follows:

a. Trade receivables (Note 5)

	2016	2015
Punj Lloyd Group Joint Venture	3,443,612	4,152,053
Less: allowance for impairment (Note 21)	(3,443,612)	-
Total	**-**	**4,152,053**

Receivables from Punj Lloyd Group Joint Venture represent receivables in relation with the overseas subcontracting work for the PTT Thailand Project. Trade receivables were pledged as collateral for loan facilities as disclosed in Note 12.

Management believes that the allowance for impairment is adequate to cover possible losses on uncollectible accounts.

b. Other receivables from related parties (Note 9)

	2016	2015
Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.	4,852,048	4,537,875
Punj Lloyd Abu Dhabi	91,282	1,099
	4,943,330	4,538,974
Less: allowance for impairment (Note 21)	(4,943,330)	-
Total	**-**	**4,538,974**

As of March 31, 2016 and 2015, the Company has receivables amounting to US$4,852,048 and US$4,537,875, respectively, from PLOG Malaysia, in relation to the rental income on equipment and machinery. As of March 31, 2016 and 2015, the rental income receivables have been netted off with other liabilities to PLOG Malaysia amounting to US$9,664 and US$9,806, respectively.

Management believes that the allowance for impairment is adequate to cover possible losses on uncollectible accounts.

c. Trade payables (Note 14)

	2016	2015
PT Sempec Indonesia	**5,915,827**	**5,918,431**

Trade payables to PT Sempec Indonesia represent payables in relation with the subcontracting work and profit sharing for the Sumpal Project.

(Expressed in United States Dollars, unless otherwise stated)

7. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

The summary of related parties balances and transactions are as follows: (continued)

d. Other liabilities to related parties (Note 15)

	2016	2015
Punj Lloyd Pte. Ltd., Singapore	21,646,956	18,548,450
PT Sempec Indonesia	3,118,299	3,133,884
Punj Lloyd Limited, Thailand	582,694	583,398
Punj Lloyd International, India	379,554	379,554
Punj Lloyd Group Joint Venture	142,321	143,156
Punj Lloyd Abudhabi	36,812	-
Punj Lloyd Engineering Limited	23,938	23,938
Punj Lloyd Limited, India	-	231,150
Total	**25,930,574**	**23,043,530**

During the years ended March 31, 2016 and 2015, the liabilities to PLPL and PLL India bear interest at the rate of 7% and 8% per annum, respectively.

Other liability to PT Sempec Indonesia represents payments made by PT Sempec Indonesia on behalf of the Company for PHE STC 558 and PHE STC 559 Projects.

On March 15, 2013, the Company entered into a License Agreement with PLL India. Under this agreement, PLL India grants to the Company the right to use the Trademarks in connection with the Group's business operations. The Company has to pay a royalty fee amounting to 1.5% from total revenues. The agreement was effective on April 1, 2012 and will expire in 5 years since the effective date and can be renewed.

e. Purchase and other expenses

	2016	2015
Punj Lloyd Limited, India - interest expense	20,780	88,001
Punj Lloyd Pte.Ltd., Singapore - interest expense	42,961	126,775

f. Compensation of key management personnel:

For the years ended March 31, 2016 and 2015, remunerations paid to the Company's key management personnel amounted to SGDNil (equivalent to US$Nil) and SGD35,850 (equivalent to US$26,052), respectively.

(Expressed in United States Dollars, unless otherwise stated)

8. COSTS AND BILLINGS ON UNCOMPLETED CONTRACTS

	2016	2015
Contract cost incurred	11,519,557	20,460,661
Recognized loss, net	(3,629,212)	(3,076,895)
Total	**7,890,345**	**17,383,766**
Billings on uncompleted contracts during the years	(9,465,728)	(10,735,034)
Beginning balance of work in progress	(4,397,082)	(1,934,585)
Recognition/(derecognition) of work in progress	8,794,165	(317,065)
	2,821,700	**4,397,082**
Less: allowance for impairment (Note 20)	(1,423,281)	-
Ending balance of work in progress	**1,398,419**	**4,397,082**
The balance of work in progress is presented in the statements of financial position under the following captions:		
Costs and estimated earnings/ loss in excess of billings on uncompleted contracts	2,821,700	4,397,082
Less: allowance for impairment (Note 20)	(1,423,281)	-
Work in progress, net	**1,398,419**	**4,397,082**

9. ADVANCE PAYMENTS AND OTHER RECEIVABLES

	2016	2015
Advance payments:		
Advance paid to employees	36,179	36,710
Sub total	**36,179**	**36,710**
Other receivables:		
Related parties (Note 7b)	4,943,330	4,538,974
Less: allowance for impairment (Note 21)	(4,943,330)	-
Sub total	**-**	**4,538,974**
Total	**36,179**	**4,575,684**

(Expressed in United States Dollars, unless otherwise stated)

10. INTEREST IN A JOINT VENTURE

This account represents the Company's interest in Punj Lloyd Group Joint Venture. Punj Lloyd Group Joint Venture ("the Joint Venture") was formed under the Joint Venture Agreement dated December 24, 2009. The venturers comprise of the Company, Punj Lloyd Limited and PT Sempec Indonesia. The objective of the Joint Venture is to render design and construction services of Platform Compression Facilities Project for PTT Public Company Limited under construction agreement dated April 29, 2010 with the total project value of approximately US$101.77 million and Baht735.06 million.

On April 1, 2010, the venturers amended the Joint Venture Agreement with respect to the performance of contract between PTT Public Company Limited and Punj Lloyd Group Joint Venture for Platform Compression Facilities Project at Thailand.

All benefits and liabilities of any nature whatsoever arising out of performance of contract between PTT Public Company Limited and Punj Lloyd Group Joint Venture for Platform Compression Facilities Project at Thailand will be distributed in following proportions:

- Punj Lloyd Limited	75%
- The Company	20%
- PT Sempec Indonesia	5%

The Company's shares in the Joint Venture were detailed as follows:

	2016	2015
Current assets	12,960,161	13,499,641
Non-current assets	-	3,046
Current liabilities	(16,471,056)	(15,797,647)
	(3,510,895)	**(2,294,960)**

	2016	2015
Revenue	691,444	123,232
Expenses	(2,081,593)	(141,966)
	(1,390,149)	**(18,734)**

The joint venture made no profit distribution during 2016 and 2015.

(Expressed in United States Dollars, unless otherwise stated)

11. FIXED ASSETS, NET

March 31, 2016	Beginning Balance	Additions	Disposal	Ending Balance
Cost				
Land	618,228	-	-	618,228
Building	2,169,386	-	(243,859)	1,925,527
Jetty and skidway	3,881,236	-	-	3,881,236
Machinery	17,830,648	-	(1,841,965)	15,988,683
Motor vehicles	365,531	-	(114,053)	251,478
Furniture, fixtures and equipment	1,398,237	-	(354,240)	1,043,997
Software	748,835	-	-	748,835
	27,012,101	-	(2,554,117)	24,457,984
Accumulated depreciation:				
Building	879,388	101,178	(58,717)	921,849
Jetty and skidway	1,208,255	194,606	-	1,402,861
Machinery	17,489,462	153,826	(1,841,965)	15,801,323
Motor vehicles	330,804	17,246	(102,420)	245,630
Furniture, fixtures and equipment	1,328,911	20,372	(354,240)	995,043
Software	748,835	-	-	748,835
	21,985,655	487,228	(2,357,342)	20,115,541
Net Book Value	**5,026,446**			**4,342,443**

March 31, 2015	Beginning Balance	Additions	Disposal	Ending Balance
Cost				
Land	618,228	-	-	618,228
Building	2,169,386	-	-	2,169,386
Jetty and skidway	3,881,236	-	-	3,881,236
Machinery	18,129,703	-	(299,055)	17,830,648
Motor vehicles	365,531	-	-	365,531
Furniture, fixtures and equipment	1,398,237	-	-	1,398,237
Software	748,835	-	-	748,835
	27,311,156	-	(299,055)	27,012,101
Accumulated depreciation:				
Building	770,919	108,469	-	879,388
Jetty and skidway	1,013,649	194,606	-	1,208,255
Machinery	17,300,869	487,648	(299,055)	17,489,462
Motor vehicles	294,930	35,874	-	330,804
Furniture, fixtures and equipment	1,301,382	27,529	-	1,328,911
Software	748,835	-	-	748,835
	21,430,584	854,126	(299,055)	21,985,655
Net Book Value	**5,880,572**			**5,026,446**

Certain fixed assets were pledged as collateral for loan facilities as disclosed in Note 12.

(Expressed in United States Dollars, unless otherwise stated)

12. SHORT-TERM BANK LOANS

	2016	2015
Short-term money market loan		
- Standard Chartered Bank	1,550,000	1,550,000
Bank overdraft		
- Standard Chartered Bank	4,176,568	3,910,207
Total	**5,726,568**	**5,460,207**

Standard Chartered Bank ("SCB")

On June 18, 2010, the Company obtained banking facilities from SCB which have been amended several times. Based on the latest amendment, on June 18, 2014, the Company obtained banking facilities in the form of bond and guarantee facility I and II for a maximum amount of US$4,150,000 and US$7,000,000, respectively, current account overdraft facility for a maximum amount of US$4,000,000 and import letters of credit facility I and II for a maximum amount of US$7,500,000 and US$10,000,000, respectively, short-term loans facility for a maximum amount of US$7,500,000, import invoice financing facility for a maximum amount of US$7,500,000 and export invoice financing facility for a maximum amount of US$7,500,000. The overdraft facility is subject to interest at the rate of 7.75% per annum.

These facilities are secured by fiducia agreement over machine/equipment for a total US$58,300,000, fiducia assignment over future accounts receivable from CKP, PTT and MSW Project, future inventory projects and corporate guarantee from Punj Lloyd Limited for US$40,150,000. Short-term money market loan facility for facility amounting to US$1,000,000 and US$550,000 are available until June 20, 2016, respectively. The overdraft facility is available until March 31, 2015 and automatically extended for every 12 months period basis, unless as otherwise determined by the Bank.

13. LONG-TERM BANK LOANS, NET OF CURRENT MATURITIES

	2016	2015
Bank SBI Indonesia	1,845,245	2,129,710
Less: current portion	(1,218,215)	(292,680)
Long term bank loans	**627,030**	**1,837,030**

Bank SBI Indonesia ("SBI")

On March 19, 2010, the Company obtained banking facilities from SBI which have been amended several times. Based on the latest amendment, on December 31, 2014, the Company changed the overdraft facility into term loan facility amounting to US$2,337,030. This facility is to combine overdraft facility and bank guarantees facility and available until September 30, 2017. This term loan facility bears interest at 7.5% per annum. The repayment of the term loan facility will be made in installments starting July 2015 until September 2017.

These facilities are secured by 4 (four) units Batavia apartment on behalf of the Company; fiduciary guarantee on 5 (five) units vehicles; time deposit; corporate guarantee on behalf of Punj Lloyd Limited, India ("PLL India"), ultimate parent entity, in the amount of US$2,000,000; and fiduciary guarantee on 2 units container vehicle including 3 units side booms.

(Expressed in United States Dollars, unless otherwise stated)

14. TRADE PAYABLES

	2016	2015
Related party (Note 7c)	5,915,827	5,918,431
Third parties	36,228,396	35,949,134
Total	**42,144,223**	**41,867,565**

15. OTHER LIABILITIES AND ACCRUALS

	2016	2015
Other liabilities to related parties (Note 7d)	25,930,574	23,043,530
Other liabilities to third parties	629,370	438,096
Accruals	491,115	457,008
Total	**27,051,059**	**23,938,634**

16. TAXATION

a. Prepaid tax - non current

	2016	2015
Value added tax (“VAT”)	**3,015,233**	**3,717,427**

b. Estimated refundable taxes - non current

	2016	2015
Refundable Corporate Income Tax - 2008	-	594,903
Value Added Tax - 2008	-	352,643
Prepaid Taxes 2013 (April 2012 - March 2013)	-	27,510
Prepaid Taxes 2014 (April 2013 - March 2014)	-	30,672
Total	**-**	**1,005,728**

16. TAXATION (continued)

b. Estimated refundable taxes - non current (continued)

2008

On May 25, 2010, the Company received a tax assessment for 2008 fiscal year which resulted in underpayment of corporate income tax of Rp29,681 million including tax penalties of Rp7,531 million, instead of corporate income tax refund of Rp7,502 million as reported in the Company's corporate income tax return. The Company has filed an objection letter on August 24, 2010, stating its disagreement. The Company has recorded an amount of Rp7,502 million (or equivalent to US$657,803) as estimated refundable taxes. On May 25, 2010, the Company also received several tax assessments for underpayment of tax ("SKPKB") and tax collection letter ("STP") for 2008 fiscal year in the total amount of Rp21,052 million with details as follows:

1. STP on Income tax Article 21 of RpNil
2. SKPKB on Income tax Article 23 of Rp678 million
3. SKPKB on Income tax Article 4(2) Final of Rp226 million
4. SKPKB on Income tax Article 15 Final of Rp48 million
5. SKPKB on Income tax Article 26 of Rp1,442 million
6. SKPKB on VAT domestic of Rp15,271 million
7. VAT outside custom area of Rp1,677 million
8. STP on VAT domestic of Rp1,710 million

During April 2010 - March 2011, the Company has filed objection letters to the tax authorities stating its disagreement with the tax assessment results. The Company only accepted an amount of Rp1,653 million and has charged to the 2011 statement of profit or loss and other comprehensive income and partially paid an amount of Rp16,573 million to the tax authorities.

During the year ended March 31, 2012, the Company has received the decision from the tax authorities related to its objection letter for the underpayment of Income tax Articles 23, 4(2), 26, VAT domestic, VAT outside custom area and corporate income tax for the 2008 fiscal year which resulted in total underpayment of Rp48,785 million. The Company has accepted the tax assessment for the Income tax Articles 23, 4(2), 26 and VAT outside custom area which have a total underpayment of Rp3,832 million. On these accepted tax assessments, the Company has partially paid a total amount of Rp3,550 million (included in the partially paid of Rp16,573 million as explained above) and paid the remaining of Rp282 million in January 2012.

For the underpayment tax assessment of VAT domestic and corporate income tax fiscal year 2008, the Company has filed an appeal letter to the Tax Court for the underpayments which have a total amount of Rp44,953 million. On November 7, 2011, the Company has partially paid an amount of Rp7,350 million for the underpayments of assessed corporate income tax fiscal year 2008 and has recorded it as estimated refundable taxes - non current. As of March 31, 2014, the Company still recorded corporate income tax refund for 2008 fiscal year of Rp14,852 million or equivalent to US$1,302,328 (refundable CIT 2008 submitted of Rp7,502 million or equivalent to US$657,803 and 50% partial payment of Rp7,350 million or equivalent to US$644,525) and prepaid taxes for VAT 2008 fiscal year in the amount of Rp12,974 million or equivalent to US$1,137,736 (partial payment of Rp11,264 million and STP paid on VAT domestic of Rp1,710 million). On May 21, 2015, the Company has received the decision from the tax court reflecting an overpayment of corporate income tax return in the amount of Rp433 million, instead of corporate income tax refund of Rp7,502 million as reported in the Company's corporate income tax return or coporate income tax payable of Rp29,681 million as stated in the tax assessments from the tax authorities and underpayment of VAT domestic in the amount of Rp6.650 million. The Company has accepted the decisions and recorded such underpayments and its related penalty in the total of Rp15,429 million as part of other expenses in the 2015 statement of income.

On July 9, 2015, the Company has received the claim for tax from the tax office in amount of Rp11,496 million and charged Rp902 million as tax expense under statement of profit or loss.

(Expressed in United States Dollars, unless otherwise stated)

16. TAXATION (continued)

c. Taxes payable

	2016	2015
Employee income tax - Article 21	983,969	967,290
Withholding income tax - Article 23	621,480	590,358
Withholding income tax - Article 26	197,553	312,221
Withholding income tax - Article 4 (2)	266,380	309,063
Total	**2,069,382**	**2,178,932**

d. Corporate income tax expense

	2016	2015
Current fiscal year	**236,710**	**515,733**

e. Others

Under the taxation laws of Indonesia, the Company submits tax returns on the basis of self assessment. The Directorate General of Taxes (“DGT”) may assess or amend taxes for tax years prior to 2008 within ten years from the date the tax became due, or until the end of year 2013, whichever is earlier. Based on taxation laws which are applicable starting in year 2008, the DGT may assess or amend taxes within five years from the date the tax becomes due for tax years after 2007.

Effective August 1, 2008, income tax on companies undertaking construction services is subjected to a final tax at a rate of 3% on gross revenue in accordance with the Government Regulations No. 40/2009 and No. 51/2008. Any balance of tax losses carried forward may only be utilized to compensate taxable income until 2008 fiscal year. For the years ended March 31, 2016 and 2015, the Company did not recognize deferred income tax due to there is no temporary differences between commercial and fiscal reporting purposes.

17. PROVISION FOR EMPLOYEE BENEFITS

The provision for employee benefits recognized by the Company based on a calculation performed by PT Dayamandiri Dharmakonsilindo, an independent actuary, in its reports dated April 6, 2016 (2015: April 29, 2015).

The following assumptions used in determining the estimated liability for employee benefits as of March 31, 2016 and 2015:

Discount rates	: 7.8% per annum (2015: 7.4% per annum)
Future salary increase	: 6% per annum (2015: 10% per annum)
Mortality rates	: Table of Mortality 2011 for Males (TMI-3)
Disability rate	: 10% of mortality rate
Voluntary resignation rate p.a.	: 10% per annum at age 18-29; 5% at age 30-39; 3% at age 40-44; 2% at age 45-49 and 1% at age 50-54
Normal retirement age	: 55 years of age
Method	: Projected unit credit

(Expressed in United States Dollars, unless otherwise stated)

17. PROVISION FOR EMPLOYEE BENEFITS (continued)

The details of the provision for employee benefits as of March 31, 2016 and 2015 are as follows:

	2016	2015
Present value of benefits	53,479	60,008
Provision for employee benefits	**53,479**	**60,008**

The expense recognized in the statements of profit or loss and other comprehensive income consists of the net total of the following:

	2016	2015
Current service cost	5,062	4,688
Interest costs	4,476	6,756
Net amortization for the year	-	8,358
Curtailment gain	-	(39,632)
Termination cost	-	23,147
Net expense/(gain)	**9,538**	**3,317**

The changes in the provision for employee benefits for the years ended March 31, 2016 and 2015 are as follows:

	2016	2015
Balance at beginning of year	60,008	95,246
Component of employee service entitlement expenses:		
Current service cost	5,062	4,688
Interest costs	4,476	6,756
Net amortization for the year	-	8,358
Curtailment gain	-	(39,632)
Termination cost	-	23,147
Component of expenses	9,538	3,317
Payments during the year	-	(3,178)
Gain on remeasurement of defined benefit plan	(4,168)	-
Foreign currency translation difference	(11,899)	(35,377)
Balance at end of year	**53,479**	**60,008**

A one percentage point change in the following assumptions would have the following effects to the present value of benefit obligation:

	Change in assumption	Effect on present value of benefit obligation
March 31, 2016		
Discount rate	+1%/-1%	(2,159)/2,442
Wages and salary increase	+1%/-1%	2,445/(2,245)

17. PROVISION FOR EMPLOYEE BENEFITS (continued)

The following payments are expected contributions to present value of benefit obligation in future years:

	2016
Within the next 12 months	26,590
Between 2 and 5 years	2,903
Between 5 and 10 years	23,762
Beyond 10 years	23,471
Total expected payments	**76,726**

As of March 31, 2016, the weighted average duration of the provision for employee service entitlements is 5.21 years.

18. SHARE CAPITAL

Ownership of the Company's share capital as of March 31, 2016 and 2015 are as follows:

Shareholders	Number of shares issued and fully paid	Percentage of ownership	Issued and fully paid capital	
			US Dollars	Rupiah (in million)
Punj Lloyd Limited, India				
Series A	800		400,000	945
Series B	7,000		3,500,000	32,630
	7,800	41.48%	3,900,000	33,575
Punj Lloyd Pte. Limited, Singapore				
Series C	11,000	58.50%	20,120,100	190,718
Mr. Atul Punj				
Series A	5	0.02%	2,500	6
Total	**18,805**	**100%**	**24,022,600**	**224,299**

19. OTHER RESERVES

	2016	2015
Beginning balance	-	-
Actuarial gain recognized in other comprehensive income	4,168	-
The related deferred income tax	(1,042)	-
Allowance for the related income tax	1,042	-
	4,168	**-**

Other reserves represent actuarial loss recognized in other comprehensive income during the year resulted from calculation on provision for employee service entitlements.

(Expressed in United States Dollars, unless otherwise stated)

20. REVENUES AND COST OF CONTRACTS

	2016		2015	
	Revenues	Cost of contracts	Revenues	Cost of contracts
PROJECTS:				
CKP Power Project	7,890,345	10,096,276	17,383,766	14,788,617
MSW Power Plant Project	-	-	-	2,721,084
Sumpal Project	-	1,423,281	-	3,802,990
PHE Project	-	-	-	(852,030)
	7,890,345	**11,519,557**	**17,383,766**	**20,460,661**

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
Provision for impairment - trade receivables (Note 5 and 7)	8,386,942	-
Professional fees	543,422	131,585
Depreciation	341,525	635,635
Salaries	263,645	383,564
Fees and taxes	259,682	633,313
Rental	126,040	79,527
Provision for impairment - inventories (Note 6)	71,026	-
Traveling	18,597	15,270
Others	825,484	970,143
Total	**10,836,363**	**2,849,037**

22. LEGAL CASES AND CONTINGENT LIABILITIES

The Company had various legal cases with significant exposures filed against them by several parties. The background and the progress of such legal as of March 31, 2016 are as follows:

a. Legal cases with PT Makmur Sejahtera Wisesa

On April 23, 2008, the Company and Punj Lloyd Pte. Ltd., Singapore ("PLPL Singapore") entered into a Contract with PT Makmur Sejahtera Wisesa ("MSW") for the construction of Tanjung Tabalong 2 x 30 MW Coal Fired Power Plant at South Kalimantan, Indonesia.

On July 15, 2014, the Company received a Notice of Claim letter from MSW which stated that there are Delay Liquidated Damages ("DLD") for Unit 1 and Unit 2 in the total amount of EUR3,101,386. According to the Contract, the Company was under the obligation to achieve the Provisional Acceptance Date ("PAD") for Unit 1 and Unit 2 by December 23, 2011 and January 22, 2012, respectively. PAD for Unit 1 was achieved on June 8, 2013 (533 days delay) and PAD for Unit 2 was achieved on January 27, 2014 (736 days delay). The Company has failed to comply with the aforesaid obligations and is liable to pay damages in accordance with Sub-Clause 8.7 of the Contract. MSW has claim for DLD Unit 1 in the amount of EUR1,641,446 and claim for DLD Unit 2 in the amount of EUR1,459,940. The letter also stated, that there are outstanding works and work required to remedy defects that have been taken over by MSW for completion, in the amount of Rp4,213,225,871 and MSW also claim EUR296,910 for cost of rectification works taken over by MSW from the Company and/or PLPL.

22. LEGAL CASES AND CONTINGENT LIABILITIES (continued)

The Company had various legal cases with significant exposures filed against them by several parties. The background and the progress of such legal as of March 31, 2016 are as follows: (continued)

a. Legal cases with PT Makmur Sejahtera Wisesa (continued)

At the end of August 2014, the Company received a correspondence from Bank SBI Indonesia ("SBI"), stating that MSW has requested a claim of the bank guarantee that SBI has issued on behalf of the Company, in the amount of EUR1,424,056. On September 3, 2014, the Company and PLPL Singapore have submitted a Notice of Arbitration to the Singapore International Arbitration Centre ("SIAC"). The submission of the notice of arbitration was in relation with the:

1. Equipment Supply Contract dated April 23, 2008 between MSW and PLPL Singapore, with its Amendment 1 and 2.
2. Construction Services Contract dated April 23, 2008 between MSW and the Company, with its Amendment 1 and 2.
3. Guarantee and Coordination Agreement dated April 23, 2008 between MSW, PLPL Singapore and the Company.

The claim submitted was in the amount of EUR18,790,442. An evidentiary hearing is set for October 3, 2016 - November 2, 2016, although it is currently unclear whether it will take place on those dates. Up to the completion date of these financial statements, the arbitration is still in the process and no results have been communicated to the Company.

b. Legal cases with PT Destini Marine Safety

This is a Civil Court case. The claimed amount by the Petitioner is US$266,114 and Rp1,000,000,000 including penalty and interest. The conclusive hearing took place on April 6, 2016. Up to the date of May 18, 2016, the Company has not yet received the verdict.

c. Legal cases with PT Kartini Utama

This is a Civil Court case. The claimed amount by the Petitioner is Rp625,366,000 including penalty and interest. The conclusive hearing took place on March 29, 2016. Up to the date of May 18, 2016, the Company has not yet received the verdict.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has various financial assets and liabilities such as cash on hand and in banks, trade receivables, other receivables, short-term bank loans, trade payables, other liabilities and accruals.

It is, and has been throughout the year under review, the Company's policy is not to enter any derivatives transactions.

The main risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. The Company's management oversees the risk management of these risks. Managing these risks is part of the Company's risk management process. The Directors review and agree policies for managing each of these risks which are summarized below.

(Expressed in United States Dollars, unless otherwise stated)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of interest rate risk and foreign currency risk. Financial instruments affected by market risk include cash on hand and in banks, trade receivables, other receivables, short-term bank loans, trade payables, long-term bank loans and other liabilities.

Foreign currency risk

Foreign 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. There is no formal hedging policy with respect to the foreign exchange exposure. Exposure to exchange risk is monitored on an ongoing basis.

At March 31, 2016, based on sensible simulation, had the exchange rate of other currencies against US Dollar depreciated/appreciated by 10% with all other variables held constant, loss before corporate income tax for the year ended March 31, 2016 would have been higher/lower by US$(15,379)/US$18,797) (2015:124,731/(US$152,450)), as a result of foreign exchange loss/gain on translation.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term and long-term bank loans and other liabilities to shareholders.

The Company's policies relating to interest rate risk are to evaluate the fixed to floating ratio of its bank loans and other liabilities to shareholders in line with movements of relevant interest rates in the financial markets. Based on management's assessment, the interest rate is currently at the best possible rate in the market.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans. With all other variables held constant, the loss before corporate income tax is affected through the impact on floating rate loans as follows:

	Increase/ decrease in basis point	Effect on loss before corporate income tax higher/(lower)
March 31, 2016	+100/-100	256,677
March 31, 2015	+100/-100	244,676

b. Credit risk

Credit risk represents the Company's exposure to potential loss deriving from non-performance of counterparties. Credit risk arising in the normal course of operations is monitored by the project team and the Contracts Department on the basis of periodic reporting. The Company has obtained a letter of financial support dated April 18, 2016, from Punj Lloyd Limited India ("PLL India"), the ultimate shareholder as a guarantee of the Company's going concern. In the letter, PLL India also guaranteed the Company's receivables from its related parties from any losses, for the next 12 months from the statement of financial position date. The maximum exposure is equal to the carrying amounts as disclosed in Note 24.

(Expressed in United States Dollars, unless otherwise stated)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c. Liquidity risk

In the management of liquidity risk, the Company monitors and maintains a level of cash on hand and in banks deemed adequate to finance the Company's operations and to mitigate the effects of fluctuations in cash flows. The Company also regularly evaluates the projected and actual cash flows and continuously assesses conditions in the financial markets to maintain flexibility in funding. The Company manages its liquidity profile to be able to finance the Company's operations and its construction projects. The standards and procedures in force in the Company comply in terms of project risk management with principal international risk management regulations and standards.

The Company has obtained a letter of financial support dated April 18, 2016, from PLL India, the ultimate shareholder as a guarantee of the Company's going concern. In the letter, PLL India also guaranteed payments of the Company's payables to its related parties for the next 12 months from the statement of financial position date.

The table below summarizes the maturity profile of the Company's financial liabilities at the statement of financial position date as of March 31, 2016 based on contractual payments.

	1 year or less	More than 1 year to less than 2 year	More than 2 year	Total
Financial liabilities				
Long-term bank loans	1,218,215	627,030	-	1,845,245
Short-term bank loans	5,726,568	-	-	5,726,568
Trade payables	42,144,223	-	-	42,144,223
Other liabilities and accruals	27,051,059	-	-	27,051,059
	76,140,065	**627,030**	**-**	**76,767,095**

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below are the carrying amounts of the Company's financial instruments, that are carried in the financial statements as of March 31, 2016. Those carrying amounts are approximate their fair values:

Financial assets	
Loans and receivables	
Cash on hand and in banks	422,984
	422,984
Financial liabilities	
Financial liabilities measured at amortized cost	
Long-term bank loans	627,030
Short-term bank loans	5,726,568
Trade payables	42,144,223
Other liabilities and accruals	27,051,059
	75,548,880

24. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Management has determined that the carrying amounts of cash on hand and in banks, trade receivables, other receivables, trade payables, short-term bank loans, other liabilities and accruals, which are based on their nominal amounts, reasonably approximate their fair values because these are mostly short-term in nature. Long-term bank loans represent loan with floating market interest rates, thus the carrying value approximate its fair values.

25. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2016 and 2015.

26. GOING CONCERN

The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which assumes that assets will be realized and liabilities will be settled within the normal course of business. As of March 31, 2016, the Company recognized an accumulated deficit of US$97,155,690 (2015: US$78,649,578) and capital deficiency of US$73,128,922 (2015: US$54,626,978). Furthermore, the Company's current liabilities exceed its current assets at March 31, 2016 by US$76,295,194 (2015: US$60,184,581).

The Company believes that the capital deficiency will be recovered through profit generated from ongoing projects and future projects as well through issuance of new equity to parent company, if required.

The Company has also obtained letter of financial support from Punj Lloyd Limited India, the Company's ultimate parent entity, through a letter dated April 18, 2016, which confirmed its intention to financially support the Company to enable it to meet its financial obligations as they fall due. Further, the management of the Company does not believe that there is any measurable specific impact on the recoverability of assets of the Company or on the ability of the Company to meet its financial obligations as they fall due. Based on the above letter of financial support and the Company's process for submitting the Value added tax ("VAT") refund in 2016 amounting to US$3,015,233, hence it is appropriate that the financial statements of the Company have been prepared on the basis of going concern.