

PT Punj Lloyd Indonesia

Financial statements as of March 31, 2015 and
and for the year then ended with independent auditors' report

**PT PUNJ LLOYD INDONESIA
FINANCIAL STATEMENTS
AS OF MARCH 31, 2015 AND
FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT**

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Independent Auditors' Report

Report No. RPC-7632/PSS/2015

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, 2015, and the statements of 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-7632/PSS/2015 (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, 2015, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Emphasis of matter

Without qualifying our opinion, we draw your attention to Note 25 to the accompanying financial statements, which indicates that the Company has reported an accumulated deficit, capital deficiency and its current liabilities exceeded its current assets as of March 31, 2015. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Purwantono, Suherman & Surja



Hermawan Setiadi
Public Accountant Registration No. AP.0695

June 12, 2015

PT PUNJ LLOYD INDONESIA
STATEMENT OF FINANCIAL POSITION
As of March 31, 2015
(Expressed in United States Dollars, unless otherwise stated)

	Notes	March 31	
		2015	2014
ASSETS			
CURRENT ASSETS			
Cash on hand and in banks	4	299,297	481,503
Trade receivables	5	4,152,053	5,406,470
Inventories	6	72,459	84,123
Costs and estimated earnings/loss in excess of billings on uncompleted contracts	8	4,397,082	3,293,386
Advance payments and other receivables	9	4,575,684	4,901,039
Prepaid tax	16a	3,717,427	5,036,111
Other current assets		56,862	363,606
TOTAL CURRENT ASSETS		17,270,864	19,566,238
NON-CURRENT ASSETS			
Estimated refundable taxes	16b	1,005,728	2,506,817
Fixed assets, net	11	5,026,446	5,880,572
TOTAL NON-CURRENT ASSETS		6,032,174	8,387,389
TOTAL ASSETS		23,303,038	27,953,627

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

PT PUNJ LLOYD INDONESIA
STATEMENT OF FINANCIAL POSITION (continued)
As of March 31, 2015
(Expressed in United States Dollars, unless otherwise stated)

	Notes	March 31	
		2015	2014
LIABILITIES AND CAPITAL DEFICIENCY			
LIABILITIES			
CURRENT LIABILITIES			
Short-term bank loans	12	5,460,207	5,935,957
Trade payables	14	41,867,565	35,450,545
Billings in excess of cost and estimated earnings/loss on uncompleted contracts	8	-	5,227,971
Taxes payable	16c	2,178,932	2,231,679
Other liabilities and accruals	15	23,938,634	24,389,210
Current maturities of long-term bank loans	13	292,680	-
TOTAL CURRENT LIABILITIES		73,738,018	73,235,362
NON-CURRENT LIABILITIES			
Provision for employee benefits	17	60,008	95,246
Interest in a joint venture	10	2,294,960	2,280,429
Long-term bank loans, net of current maturities	13	1,837,030	-
TOTAL NON-CURRENT LIABILITIES		4,191,998	2,375,675
TOTAL LIABILITIES		77,930,016	75,611,037
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
Accumulated deficit	25	(78,649,578)	(71,680,010)
CAPITAL DEFICIENCY, NET		(54,626,978)	(47,657,410)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY		23,303,038	27,953,627

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

PT PUNJ LLOYD INDONESIA
STATEMENT OF COMPREHENSIVE INCOME
For the year ended March 31, 2015
(Expressed in United States Dollars, unless otherwise stated)

	Notes	Year ended March 31	
		2015	2014
REVENUES	19	17,383,766	30,710,456
COST OF CONTRACTS	19	(20,460,661)	(51,947,529)
GROSS LOSS		(3,076,895)	(21,237,073)
General and administrative expenses	20	(2,849,037)	(9,684,288)
Hire charges income		10,120	897,014
Miscellaneous, net		(277,820)	2,524,936
LOSS FROM OPERATIONS		(6,193,632)	(27,499,411)
Finance income		8,211	718
Finance costs		(268,414)	(328,036)
LOSS BEFORE CORPORATE INCOME TAX EXPENSE		(6,453,835)	(27,826,729)
CORPORATE INCOME TAX EXPENSE	16d	(515,733)	(1,269,666)
LOSS FOR THE YEAR		(6,969,568)	(29,096,395)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(6,969,568)	(29,096,395)

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, 2015
(Expressed in United States Dollars, unless otherwise stated)

	<u>Notes</u>	<u>Share Capital</u>	<u>Accumulated Deficit</u>	<u>Capital Deficiency, Net</u>
Balance as of March 31, 2013		24,022,600	(42,583,615)	(18,561,015)
Total comprehensive loss for the year		-	(29,096,395)	(29,096,395)
Balance as of March 31, 2014		24,022,600	(71,680,010)	(47,657,410)
Total comprehensive 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)

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, 2015
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before corporate income tax expense		(6,453,835)	(27,826,729)
Adjustments to reconcile loss before corporate income tax expense to net cash (used in)/provided by operating activities:			
Depreciation	11	854,126	1,835,134
Provision for employee benefits	17	(32,060)	(59,315)
Gain on disposal of fixed assets		(196,674)	-
Interest in a joint venture	10	14,531	(222,971)
Write-off of prior year corporate income tax		-	348,352
Changes in operating assets and liabilities:			
Trade receivables		1,254,417	1,574,683
Inventories		11,664	39,118
Costs and estimated earnings/loss in excess of billings on uncompleted contracts		(1,103,696)	16,397,294
Advance payments and other receivables		325,355	14,475,636
Prepaid tax		1,318,684	(913,701)
Other current assets		306,744	(65,667)
Estimated refundable taxes		1,501,089	802,489
Trade payables		6,417,020	(9,670,685)
Billings in excess of cost and estimated earnings/loss on uncompleted contracts		(5,227,971)	5,227,971
Taxes payable		(52,747)	834,087
Other liabilities and accruals		(618,424)	1,488,434
Payment on employee benefits	17	(3,178)	-
Corporate income tax paid		(347,885)	(1,208,143)
Net cash (used in)/provided by operating activities		(2,032,840)	3,055,987
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets		196,674	-
Purchase of fixed assets	11	-	(33,752)
Cash provided by/(used in) investing activities		196,674	(33,752)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds/(repayments) of bank loans		2,129,710	(3,160,000)
Cash provided by/(used in) financing activity		2,129,710	(3,160,000)

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, 2015
(Expressed in United States Dollars, unless otherwise stated)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		293,544	(137,765)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>(3,904,454)</u>	<u>(3,766,689)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>(3,610,910)</u>	<u>(3,904,454)</u>
Cash and cash equivalents at end of year consist of:			
Cash on hand and in banks	4	299,297	481,503
Bank overdrafts	12	<u>(3,910,207)</u>	<u>(4,385,957)</u>
Net		<u>(3,610,910)</u>	<u>(3,904,454)</u>

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

PT PUNJ LLOYD INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2015 and for the year then ended
(Expressed in United States Dollars, unless otherwise stated)

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 February 20, 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.01.03-0017340 dated March 18, 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:

March 31, 2015

Commissioner	: Atul Punj
President Director	: Rakesh Kumar Grover
Director	: Chandra Kishore Thakur

March 31, 2014:

Commissioner	: Atul Punj
President Director	: Manoj Soni
Director	: Ashok Kumar Singh

As of March 31, 2015 and 2014, the Company had 5 and 15 employees, respectively (unaudited).

These financial statements were completed and authorized for issuance by the Company's management on June 12, 2015.

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.

PT PUNJ LLOYD INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2015 and for the year then ended
(Expressed in United States Dollars, unless otherwise stated)

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 comprehensive income.

The exchange rates used as of March 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
US Dollar 1 to Rupiah	13,084.00	11,404.00
US Dollar 1 to Euro	0.92	0.73
US Dollar 1 to Singapore Dollar	1.38	1.26

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.

PT PUNJ LLOYD INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2015 and for the year then ended
(Expressed in United States Dollars, unless otherwise stated)

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 comprehensive income as incurred.

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

	<u>Years</u>
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 comprehensive income in the year the asset is derecognized.

PT PUNJ LLOYD INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2015 and for the year then ended
(Expressed in United States Dollars, unless otherwise stated)

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 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 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 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.

PT PUNJ LLOYD INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2015 and for the year then ended
(Expressed in United States Dollars, unless otherwise stated)

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 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.

PT PUNJ LLOYD INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2015 and for the year then ended
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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 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.

PT PUNJ LLOYD INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2015 and for the year then ended
(Expressed in United States Dollars, unless otherwise stated)

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 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 comprehensive income. Net gains or losses on derivatives include exchange differences.

PT PUNJ LLOYD INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2015 and for the year then ended
(Expressed in United States Dollars, unless otherwise stated)

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 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 2015 financial statements as follows:

- 1) PSAK No. 1 (Revised 2013): "Presentation of Financial Statements", adopted from IAS 1.
- 2) PSAK No. 24 (Revised 2013): "Employee Benefits", adopted from IAS 19.
- 3) PSAK No. 46 (Revised 2014): "Income Taxes", adopted from IAS 12.
- 4) PSAK No. 48 (Revised 2014): "Impairment of Assets", adopted from IAS 36.
- 5) PSAK No. 50 (Revised 2014): "Financial Instruments: Presentation", adopted from IAS 32.
- 6) PSAK No. 55 (Revised 2014): "Financial Instruments: Recognition and Measurement", adopted from IAS 39.
- 7) PSAK No. 60 (Revised 2014): "Financial Instruments: Disclosures", adopted from IFRS 7.
- 8) PSAK No. 68: "Fair Value Measurement", adopted from IFRS 13.

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

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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:

Classification of financial assets and financial liabilities

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 2011). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's accounting policies disclosed in Note 2p.

Determination of functional currency

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

The allowance for impairment losses of receivables

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.

Construction contracts

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.

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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

	2015	2014
Cash on hand	8,351	83,971
Cash in banks:		
US Dollar accounts	142,762	201,490
Rupiah accounts	148,184	195,319
Euro account	-	723
Total	299,297	481,503

5. TRADE RECEIVABLES

	2015	2014
Related party (Note 7a)	4,152,053	4,152,053
Third parties	-	1,254,417
Total	4,152,053	5,406,470

Trade receivables were pledged as collateral for loan facilities as disclosed in Note 12.

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6. INVENTORIES

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

Based on the review of the condition of the inventories at the end of the year, management has the opinion that no allowance for inventory losses is required.

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

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

a. Trade receivables (Note 5)

	2015	2014
Punj Lloyd Group Joint Venture	4,152,053	4,152,053
Total	4,152,053	4,152,053

Receivables from Punj Lloyd Group Joint Venture represent receivables in relation with the overseas subcontracting work for the PTT Thailand Project.

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7. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

b. Other receivables from related parties (Note 9)

	<u>2015</u>	<u>2014</u>
Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.	4,537,875	4,531,909
Punj Lloyd Abu Dhabi	1,099	1,099
Total	<u>4,538,974</u>	<u>4,533,008</u>

As of March 31, 2015 and 2014, the Company has receivables amounting to US\$4,547,681 and US\$6,428,819, respectively, from PLOG Malaysia, in relation to the rental income on equipment and machinery. As of March 31, 2015 and 2014, the rental income receivables have been netted off with other liabilities to PLOG Malaysia amounting to US\$9,806 and US\$1,896,910, respectively.

c. Trade payables (Note 14)

	<u>2015</u>	<u>2014</u>
PT Sempec Indonesia	<u>5,918,431</u>	<u>939,045</u>

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

d. Other liabilities to related parties (Note 15)

	<u>2015</u>	<u>2014</u>
Punj Lloyd Pte. Ltd., Singapore	18,548,450	18,109,651
PT Sempec Indonesia	3,133,884	3,385,295
Punj Lloyd Limited, Thailand	583,398	643,415
Punj Lloyd International, India	379,554	379,554
Punj Lloyd Limited, India	231,150	419,069
Punj Lloyd Group Joint Venture	143,156	141,175
Punj Lloyd Engineering Limited	23,938	23,938
Total	<u>23,043,530</u>	<u>23,102,097</u>

During the years ended March 31, 2015 and 2014, 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.

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7. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

e. Revenue and other income

	<u>2015</u>	<u>2014</u>
Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd - rental income on equipment and machinery	-	877,446

f. Purchase and other expenses

	<u>2015</u>	<u>2014</u>
PT Sempec Indonesia - subcontract engineering services and profit sharing for Sumpal Project	-	3,523,835
Punj Lloyd Limited, India - royalty	-	674,024
Punj Lloyd Limited, India - interest expense	88,001	87,935
Punj Lloyd Pte.Ltd., Singapore - interest expense	126,775	142,625

g. Compensation of key management personnel:

For the years ended March 31, 2015 and 2014, remunerations paid to the Company's key management personnel amounted to SGD35,850 (equivalent to US\$26,052) and SGD407,475 (equivalent to US\$306,163), respectively.

8. COSTS AND BILLINGS ON UNCOMPLETED CONTRACTS

	<u>2015</u>	<u>2014</u>
Contract cost incurred	20,460,661	51,947,529
Recognized loss, net	(3,076,895)	(21,237,073)
Total	17,383,766	30,710,456
Billings on uncompleted contracts during the years	(10,735,034)	(45,959,305)
Beginning balance of work in progress	(1,934,585)	19,690,680
Derecognition of work in progress	(317,065)	(6,376,416)
Ending balance of work in progress	4,397,082	(1,934,585)
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	4,397,082	3,293,386
Billings in excess of cost and estimated earnings/loss on uncompleted contracts	-	(5,227,971)
Work in progress, net	4,397,082	(1,934,585)

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9. ADVANCE PAYMENTS AND OTHER RECEIVABLES

	2015	2014
Advance payments:		
Advance paid to employees	36,710	145,141
Advance paid to suppliers	-	222,890
Sub total	36,710	368,031
Other receivables:		
Related parties (Note 7b)	4,538,974	4,533,008
Total	4,575,684	4,901,039

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:

	2015	2014
Current assets	13,499,641	13,432,560
Non-current assets	3,046	10,392
Current liabilities	(15,797,647)	(15,723,381)
	(2,294,960)	(2,280,429)
	2015	2014
Revenue	123,232	2,054,358
Expenses	(141,966)	(2,081,378)
	(18,734)	(27,020)

The joint venture made no profit distribution during 2015 and 2014.

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11. FIXED ASSETS

March 31, 2015	Beginning Balance	Additions	Disposal	Ending Balance
<u>Cost</u>				
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
<u>Accumulated depreciation:</u>				
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
March 31, 2014	Beginning Balance	Additions	Disposal	Ending Balance
<u>Cost</u>				
Land	618,228	-	-	618,228
Building	2,169,386	-	-	2,169,386
Jetty and skidway	3,881,236	-	-	3,881,236
Machinery	18,095,951	33,752	-	18,129,703
Motor vehicles	365,531	-	-	365,531
Furniture, fixtures and equipment	1,398,237	-	-	1,398,237
Software	748,835	-	-	748,835
	27,277,404	33,752	-	27,311,156
<u>Accumulated depreciation:</u>				
Building	662,450	108,469	-	770,919
Jetty and skidway	819,046	194,603	-	1,013,649
Machinery	15,852,347	1,448,522	-	17,300,869
Motor vehicles	253,279	41,651	-	294,930
Furniture, fixtures and equipment	1,259,493	41,889	-	1,301,382
Software	748,835	-	-	748,835
	19,595,450	1,835,134	-	21,430,584
Net Book Value	7,681,954			5,880,572

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

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12. SHORT-TERM BANK LOANS

	2015	2014
Short-term money market loan		
- Standard Chartered Bank	1,550,000	1,550,000
Bank overdraft		
- Standard Chartered Bank	3,910,207	3,897,726
- Bank SBI Indonesia (Note 13)	-	488,231
	<u>3,910,207</u>	<u>4,385,957</u>
Total	<u>5,460,207</u>	<u>5,935,957</u>

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 April 15, 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 are available until June 24, 2015 (for facility amounting to US\$1,000,000) and June 30, 2015 (for facility amounting to US\$550,000). The overdraft facility is available until November 30, 2012 and has been extended to June 30, 2015.

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

	2015	2014
Bank SBI Indonesia	2,129,710	-
Less: current portion	(292,680)	-
Long term bank loans	<u>1,837,030</u>	<u>-</u>

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

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.

14. TRADE PAYABLES

	2015	2014
Related party (Note 7c)	5,918,431	939,045
Third parties	35,949,134	34,511,500
Total	41,867,565	35,450,545

15. OTHER LIABILITIES AND ACCRUALS

	2015	2014
Other liabilities to related parties (Note 7d)	23,043,530	23,102,097
Other liabilities to third parties	438,096	659,086
Accruals	457,008	628,027
Total	23,938,634	24,389,210

16. TAXATION

a. Prepaid tax - current

	2015	2014
Value added tax (“VAT”)	3,717,427	5,036,111

b. Estimated refundable taxes - non current

	2015	2014
Refundable Corporate Income Tax - 2008	594,903	1,302,328
Value Added Tax - 2008	352,643	1,137,736
Prepaid Taxes 2013 (April 2012 - March 2013)	27,510	31,562
Prepaid Taxes 2014 (April 2013 - March 2014)	30,672	35,191
Total	1,005,728	2,506,817

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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 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 corporate 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.

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16. TAXATION (continued)

c. Taxes payable

	2015	2014
Employee income tax - Article 21	967,290	930,126
Withholding income tax - Article 23	590,358	605,654
Withholding income tax - Article 26	312,221	342,213
Withholding income tax - Article 4 (2)	309,063	353,686
Total	2,178,932	2,231,679

d. Corporate income tax expense

	2015	2014
Current tax expense:		
Current fiscal year	515,733	921,314
Write-off of prior year corporate income tax	-	348,352
Total	515,733	1,269,666

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, 2015 and 2014, 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 29, 2015 (2014: April 11, 2014).

The following assumptions used in determining the estimated liability for employee benefits as of March 31, 2015 and 2014:

Discount rates	: 7.4% per annum (2014: 8.2% per annum)
Future salary increase	: 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

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17. PROVISION FOR EMPLOYEE BENEFITS (continued)

The details of the provision for employee benefits as of March 31, 2015 and 2014 are as follows:

	2015	2014
Present value of benefits	60,008	95,258
Unrecognized past service cost	-	(12)
Provision for employee benefits	60,008	95,246

The expense recognized in the statements of comprehensive income consists of the net total of the following:

	2015	2014
Current service cost	4,688	21,460
Interest costs	6,756	7,744
Net amortization for the year	8,358	(1,154)
Curtailment gain	(39,632)	(64,528)
Termination cost	23,147	-
Net expense/(gain)	3,317	(36,478)

The changes in the provision for employee benefits for the years ended March 31, 2015 and 2014 are as follows:

	2015	2014
Balance at beginning of year	95,246	154,561
Net expense/(gain)	3,317	(36,478)
Benefits payment	(3,178)	-
Foreign exchange differences	(35,377)	(22,837)
Balance at end of year	60,008	95,246

18. SHARE CAPITAL

Ownership of the Company's share capital as of March 31, 2015 and 2014 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	944
Series B	7,000		3,500,000	32,631
	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

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19. REVENUES AND COST OF CONTRACTS

	2015		2014	
	Revenues	Cost of contracts	Revenues	Cost of contracts
PROJECTS:				
CKP Power Project	17,383,766	14,788,617	6,749,290	16,661,343
MSW Power Plant Project	-	2,721,084	-	18,671,292
Sumpal Project	-	3,802,990	23,809,700	15,642,550
PHE Project	-	(852,030)	151,466	972,344
	17,383,766	20,460,661	30,710,456	51,947,529

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Depreciation	635,635	1,787,601
Fees and taxes	633,313	566,841
Salaries	383,564	925,054
Professional fees	131,585	208,735
Office expenses	43,488	3,846,998
Traveling	15,270	449,261
Royalty (Note 7)	-	674,024
Hire/lease charges	-	506,647
Others	1,006,182	719,127
Total	2,849,037	9,684,288

21. 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, 2015 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.

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21. 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, 2015 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 EUR18,790,441.69. Up to the completion date of these financial statements, the arbitration is still in the preliminary process and no results have been communicated to the Company.

b. Legal cases with PT Control Systems Arena Para Nusa

On December 22, 2014, PT Control Systems Arena Para Nusa ("CSA"), a third party, filed an application of Suspension of Payment Procedures ("PKPU") against the Company to the Commercial Court in the District Court of Central Jakarta ("Pengadilan Niaga") in connection with the outstanding bills totaling to US\$107,410 relating to PHE and Sumpal Project during 2011 - 2013. On February 9, 2015, the Company has settled the outstanding bills and its value added tax to CSA totaling to US\$107,410 and Rp89,928,424, respectively. The Company's lawyer has also submitted a letter on February 12, 2015, along with the attached bank transfer, to Pengadilan Niaga Jakarta, stating that the Company has settled their liabilities to CSA. Therefore, as of March 31, 2015, this legal case with CSA has been settled.

22. 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.

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22. 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, 2015, 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, 2015 would have been higher/lower by US\$124,731/(US\$152,450) (2014: US\$4,816,266/(US\$4,816,266)), 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, 2015	+100/-100	244,676
March 31, 2014	+100/-100	59,360

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 21, 2015, 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 23.

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22. 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 21, 2015, 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, 2015 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	292,680	1,837,030	-	2,129,710
Short-term bank loans	5,460,207	-	-	5,460,207
Trade payables	41,867,565	-	-	41,867,565
Other liabilities and accruals	23,938,634	-	-	23,938,634
	71,559,086	1,837,030	-	73,396,116

23. 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, 2015. Those carrying amounts are approximate their fair values:

Financial assets

<u>Loans and receivables</u>	
Cash on hand and in banks	299,297
Trade receivables	4,152,053
Other receivables (Note 9)	4,538,974
	8,990,324

Financial liabilities

<u>Financial liabilities measured at amortized cost</u>	
Long-term bank loans	2,129,710
Short-term bank loans	5,460,207
Trade payables	41,867,565
Other liabilities and accruals	23,938,634
	73,396,116

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23. 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.

24. 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, 2015 and 2014.

25. 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, 2015, the Company recognized an accumulated deficit of US\$78,649,578 (2014: US\$71,680,010) and capital deficiency of US\$54,626,978 (2014: US\$47,657,410). Furthermore, the Company's current liabilities exceed its current assets at March 31, 2015 by US\$56,467,154 (2014: US\$53,669,124).

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 21, 2015, 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.