

PT Sempec Indonesia

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

Purwantono, Sungkoro & Surja



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

Table of Contents

	Page
Independent Auditors' Report	
Statement of Financial Position.....	1
Statement of Profit or Loss and Other Comprehensive Income	2
Statement of Changes in Equity.....	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 23



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Independent Auditors' Report

Report No. RPC-1528/PSS/2016

The Shareholders, Commissioner and Board of Directors PT Sempec Indonesia

We have audited the accompanying financial statements of PT Sempec 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 equity, 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-1528/PSS/2016 (continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PT Sempec 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 11, 2016

PT SEMPEC INDONESIA
STATEMENT OF FINANCIAL POSITION
As of March 31, 2016
(Expressed in US Dollars, unless otherwise stated)

	Notes	2016	2015
ASSETS			
CURRENT ASSETS			
Cash on hand and in banks	4	30,745	30,973
Accounts receivable, net of allowance for impairment of US\$9,654,181 (2015: US\$286,663)	5	-	9,388,824
Unbilled revenue, net of allowance for impairment of US\$139,001 (2015: US\$Nil)	6	-	139,001
Loan to a related party	7	76	76
Prepaid tax	13a	776,792	786,262
TOTAL CURRENT ASSETS		807,613	10,345,136
NON-CURRENT ASSET			
Fixed assets, net of accumulated depreciation of US\$172,158 (2015: US\$188,112)	9	-	-
TOTAL NON-CURRENT ASSET		-	-
TOTAL ASSETS		807,613	10,345,136
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable	11	4,775,139	5,066,262
Accruals and provision	12	674,714	570,914
Taxes payable	13b	25,333	26,013
TOTAL CURRENT LIABILITIES		5,475,186	5,663,189
NON-CURRENT LIABILITIES			
Interest in a joint venture	8	877,724	573,740
TOTAL NON-CURRENT LIABILITIES		877,724	573,740
TOTAL LIABILITIES		6,352,910	6,236,929
EQUITY			
Share capital			
Authorized, issued and fully paid-up (6,684,758 shares consist of 1,000,000 A series shares at par value of Rp2,106 or equivalent to US\$1 per share and 5,684,758 B series shares at par value of Rp8,940 or equivalent to US\$1 per share)	14	6,684,758	6,684,758
Accumulated deficit		(12,230,055)	(2,576,551)
EQUITY, NET		(5,545,297)	4,108,207
TOTAL LIABILITIES AND EQUITY		807,613	10,345,136

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

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

	Notes	2016	2015
REVENUE	15	-	-
COST OF CONTRACTS	15	-	(271,597)
GROSS LOSS		-	(271,597)
Operating expenses	16	(9,652,695)	(250,860)
Foreign exchange loss, net		(76,288)	(171,717)
Miscellaneous, net		75,301	(31,740)
LOSS FROM OPERATIONS		(9,653,682)	(725,914)
Finance income		178	33
LOSS BEFORE CORPORATE INCOME TAX EXPENSE		(9,653,504)	(725,881)
CORPORATE INCOME TAX EXPENSE	13c	-	-
LOSS FOR THE YEAR		(9,653,504)	(725,881)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(9,653,504)	(725,881)

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

PT SEMPEC INDONESIA
STATEMENT OF CHANGES IN EQUITY
For the year ended March 31, 2016
(Expressed in US Dollars, unless otherwise stated)

	Share Capital	Accumulated Deficit	Equity, net
Balance as of March 31, 2014	6,684,758	(1,850,670)	4,834,088
Total comprehensive loss for 2015	-	(725,881)	(725,881)
Balance as of March 31, 2015	6,684,758	(2,576,551)	4,108,207
Total comprehensive loss for 2016	-	(9,653,504)	(9,653,504)
Balance as of March 31, 2016	6,684,758	(12,230,055)	(5,545,297)

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

PT SEMPEC INDONESIA
STATEMENT OF CASH FLOWS
For the year ended March 31, 2016
(Expressed in US Dollars, unless otherwise stated)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before corporate income tax expense		(9,653,504)	(725,881)
Adjustments for:			
Interest income		(178)	(33)
Provision for impairment of accounts receivable	16	9,512,303	(179,302)
Provision for employee benefits		-	(15,238)
Unrealized foreign exchange loss on prepaid tax		6,224	290,988
Interest in a joint venture		303,984	3,633
Gain on disposal of assets		5,273	-
Share profit distribution, net		(272,232)	-
		(98,130)	(625,833)
Changes in operating assets and liabilities:			
Accounts receivable		18,683	(4,482,015)
Unbilled revenue		-	4,783,900
Prepaid tax		(5,188)	50,542
Other current assets		-	5,037
Other non-current assets		-	192,271
Accounts payable		71,853	444,010
Accruals and provision		13,056	(363,549)
Taxes payable		(680)	13,229
		(406)	17,592
Corporate income tax paid		-	-
Net cash (used in)/provided by operating activities		(406)	17,592
CASH FLOWS FROM INVESTING ACTIVITY:			
Interest received		178	33
Cash provided by investing activity		178	33
NET (DECREASE)/INCREASE IN CASH ON HAND AND IN BANKS		(228)	17,625
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR		30,973	13,348
CASH ON HAND AND IN BANKS AT END OF YEAR	4	30,745	30,973

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

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

1. GENERAL

PT Sempec Indonesia (the "Company") is a company domiciled in Indonesia, located at Wisma GKBI 17th Floor, Suite 1708, Jl. Jenderal Sudirman No. 28, Jakarta. The Company was established by deed No. 3 of Notary Public Sugiri Kadarisman, S.H., dated January 4, 1994. This deed was approved by the Minister of Justice under No. C2-4168.HT.01.01.TH'94 on March 5, 1994, registered at the South Jakarta Court of Justice under No. 459/A.PT/HKM/1994/PN.JAK.SEL on March 23, 1994, and published in Supplement No. 6966 to State Gazette No. 75 of September 20, 1994.

The Company was established in the framework of Foreign Investment Laws No. 1 of 1967 and No. 11 of 1970. Notification of Presidential Approval has been obtained from the Investment Coordinating Board ("BKPM") through its letter No. 244//PMA/1993 dated December 21, 1993.

The Articles of Association has been amended several times, the latest amendment was notarized through Notarial Deed No. 28 of Novita Puspitarini, S.H., dated June 26, 2014, 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-21010.40.22.2014 dated July 21, 2014.

In accordance with Article 3 of the Articles of Association, the Company operates in construction service.

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

March 31, 2016 and 2015 :

Commissioner	: Atul Kumar Jain
President Director	: Enny Widiarni
Director	: Manoj Soni Ibnu Ibrahimsjahrul

The Company, through its direct shareholder, Sembawang Engineers and Constructors Pte.Ltd., Singapore, is ultimately owned by Punj Lloyd Limited, India.

As of March 31, 2016, the Company had nil employee (2015: nil employee) (unaudited).

These financial statements were completed and authorized for issuance by the Company's management on May 11, 2016.

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of the financial statements

The financial statements have been prepared in accordance with Indonesian Financial Accounting Standards ("SAK"), which comprise the Statements and Interpretations 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 statements of cash flows and certain accounts which are measured on the basis as described in the related accounting policies for those accounts.

The statements of cash flows present the receipts and payments of cash on hand and in banks classified into operating, investing and financing activities using the indirect method.

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 statement of financial position dates using middle rates of exchange quoted by Bank Indonesia on those dates. The resulting net foreign exchange gains or losses are recognized in current year's 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	13,276.00	13,084.00
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.

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Accounts receivable

Accounts receivable, including amounts due from related parties are classified and accounted for as loans and receivables. Accounts receivable 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 stated in Note 2l.

f) Unbilled revenue

Work in progress plus estimated contract margin for which has been accepted by customers but has not been billed is recorded as unbilled revenue.

g) Work in progress

Accumulated costs that have been incurred during construction which have not been supported by a signed certificate of completion by the Company and the customer as indication of approval are recorded as work in progress.

h) 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:

	<u>Years</u>
Motor vehicles	5
Office equipment	3 - 5
Furniture and fixtures	3 - 5

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income in the year the asset is derecognized.

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

i) Transactions with related parties

The Company has transactions with related parties, as defined in the Statement of Financial Accounting Standards (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 10 to the financial statements.

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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 statements 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 statements 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.

k) Interest in joint venture

Interest in Joint Venture is accounted for using the equity method of accounting whereby an interest in a 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.

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments

i. Financial assets

Initial recognition

Financial assets within the scope of PSAK No. 55 (Revised 2014) 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 after 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, loan to a related party, which are classified as loans and receivables.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, PSAK No. 55 (Revised 2014) requires such assets to be carried at amortized cost using the effective interest (EIR) method, and the related gains or losses are recognized in the statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

An allowance is made for uncollectible amounts when there is an objective evidence that the Company will not be able to collect the receivables. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are disclosed in the relevant succeeding paragraphs under this note.

Derecognition

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 reporting 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.

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments (continued)

ii. Financial liabilities

Initial recognition

Financial liabilities within the scope of the PSAK No. 55 (Revised 2014) are classified as financial liabilities at fair value through profit or loss, loans and borrowings, 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 accounts payable and accruals and provision which are classified as loans and borrowings.

Subsequent measurement

Subsequent to initial recognition, all financial liabilities 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 statements 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 statements of profit or loss and other comprehensive income. Net gains or losses on derivatives include exchange differences.

Derecognition

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 statements of profit or loss other comprehensive income.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount are reported in the statements 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.

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Provision

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.

n) Provision for employee benefits

The Company recognized an unfunded employee benefits liability in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("the Law"), based on management's estimate of such liability.

o) 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 profit or loss and other 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 statements 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 statements 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 SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) 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 financial statements in conformity with Indonesian Financial Accounting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable circumstances.

Judgments, estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are described below:

Judgments

Classification of financial assets and 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 2014). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's accounting policies disclosed in Note 21.

Determination of functional currency

The functional currency of the Company is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the revenue and cost of rendering services. Based on the Company's management assessment, the Company's functional currency is the US Dollar.

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

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 customer's 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.

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 3 to 5 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 Note 2h.

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

4. CASH ON HAND AND IN BANKS

	2016	2015
Cash on hand:		
Rupiah	447	930
	447	930
Cash in banks:		
Rupiah accounts	23,154	22,924
US Dollar accounts	4,142	4,142
Singapore Dollar account	3,002	2,977
	30,298	30,043
	30,745	30,973

5. ACCOUNTS RECEIVABLE

	2016	2015
Contract billings and retention receivables, net:		
Third parties	280,879	286,663
Less: allowance for impairment	(280,879)	(286,663)
	-	-
Related parties (Note 10a)	6,198,713	6,201,316
Less: allowance for impairment	(6,198,713)	-
	-	6,201,316
Other receivables:		
Related parties (Note 10b)	3,174,589	3,187,508
Less: allowance for impairment	(3,174,589)	-
	-	9,388,824

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

	2016	2015
Balance at beginning of period	286,663	109,640
Addition during the year (Note 16)	9,373,302	179,302
Forex	(5,784)	(2,279)
Deduction during the period	-	-
	9,654,181	286,663

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

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

6. UNBILLED REVENUE

	2016	2015
Costs incurred on incomplete contracts	3,222,509	3,222,509
Add: Estimated contract margin	367,491	367,491
	<u>3,590,000</u>	<u>3,590,000</u>
Less: Work in progress	-	-
Revenue to date	3,590,000	3,590,000
Less: Progress billings to date	(3,450,999)	(3,450,999)
	<u>139,001</u>	<u>139,001</u>
Less: allowance for impairment (Note 16)	(139,001)	-
	<u>-</u>	<u>139,001</u>

7. LOAN TO A RELATED PARTY

	2016	2015
PT Andalan Sukses Sejahtera (Note 10c)	<u>76</u>	<u>76</u>

Loan receivable provided to PT Andalan Sukses Sejahtera, a shareholder, represents an unsecured working capital loan amounting to Rp1,000,000 (full amount). The loan is non-interest bearing and according to the loan agreement dated December 12, 2008, is repayable upon demand by the Company.

8. INTEREST IN A JOINT VENTURE

	2016	2015
Interest in a joint venture	<u>(877,724)</u>	<u>(573,740)</u>

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 Punj Lloyd 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 Baht 735.06 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%
- PT Punj Lloyd Indonesia	20%
- The Company	5%

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

8. INTEREST IN A JOINT VENTURE (continued)

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

	2016	2015
Current assets	3,240,040	3,374,910
Non-current assets	-	761
Current liabilities	(4,117,764)	(3,949,411)
	<u>(877,724)</u>	<u>(573,740)</u>
Revenue	172,861	30,808
Expenses	(520,398)	(35,492)
	<u>(347,537)</u>	<u>(4,684)</u>

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

9. FIXED ASSETS

March 31, 2016	Beginning Balance	Additions	Disposal	Ending Balance
Cost:				
Motor vehicles	15,954	-	(15,954)	-
Office equipment	115,044	-	-	115,044
Furniture and fixtures	57,114	-	-	57,114
	<u>188,112</u>	<u>-</u>	<u>(15,954)</u>	<u>172,158</u>
Accumulated depreciation:				
Motor vehicles	15,954	-	(15,954)	-
Office equipment	115,044	-	-	115,044
Furniture and fixtures	57,114	-	-	57,114
	<u>188,112</u>	<u>-</u>	<u>(15,954)</u>	<u>172,158</u>
Net Book Value	<u>-</u>			<u>-</u>

March 31, 2015	Beginning Balance	Additions	Disposal	Ending Balance
Cost:				
Motor vehicles	15,954	-	-	15,954
Office equipment	115,044	-	-	115,044
Furniture and fixtures	57,114	-	-	57,114
	<u>188,112</u>	<u>-</u>	<u>-</u>	<u>188,112</u>
Accumulated depreciation:				
Motor vehicles	15,954	-	-	15,954
Office equipment	115,044	-	-	115,044
Furniture and fixtures	57,114	-	-	57,114
	<u>188,112</u>	<u>-</u>	<u>-</u>	<u>188,112</u>
Net Book Value	<u>-</u>			<u>-</u>

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Company enters into transactions with related parties which are conducted on terms and conditions agreed between the parties.

a. Contract billings and retention receivables, net (Note 5)

	2016	2015
PT Punj Lloyd Indonesia	5,915,827	5,918,431
Punj Lloyd Group Joint Venture	282,886	282,885
	6,198,713	6,201,316
Less: allowance for impairment	(6,198,713)	-
Total	-	6,201,316

Receivables from PT Punj Lloyd Indonesia represent receivables in relation with the sub contracting work and profit sharing for the Sumpal Project, and receivables from Punj Lloyd Group Joint Venture represent receivables in relation with the overseas sub contracting work for the PTT Thailand Project.

b. Other receivables from related parties (Note 5)

	2016	2015
PT Punj Lloyd Indonesia	3,120,900	3,133,884
Sembawang Engineers & Constructors Pte. Ltd., - representative office	34,062	33,997
Punj Lloyd Group Joint Venture	19,627	19,627
	3,174,589	3,187,508
Less: allowance for impairment	(3,174,589)	-
Total	-	3,187,508

Other receivable from PT Punj Lloyd Indonesia mainly represents payments made by the Company on behalf of PT Punj Lloyd Indonesia for PHE STC 558 and PHE STC 559 Projects.

c. Loan to a related party (Note 7)

	2016	2015
PT Andalan Sukses Sejahtera	76	76
	76	76

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

d. Payables to related parties (Note 11)

	2016	2015
Sembawang Engineers & Constructors Pte. Ltd., - Singapore	3,357,298	3,720,250
Punj Lloyd Limited, India	24,837	24,837
Punj Lloyd Pte.Ltd., Singapore	23,315	23,315
Total	3,405,450	3,768,402

Payables to Sembawang Engineers & Constructors Pte.Ltd., mainly represent payment of project expenses made on behalf of the Company. The payables are non-interest bearing, with no collateral or terms of repayment.

On March 31, 2013, the Company entered into a License Agreement with Punj Lloyd Limited, India ("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. Compensation of key management personnel:

For the years ended March 31, 2016 and 2015 total remuneration and other benefits given to key management personnel is amounted to US\$Nil.

The nature of transactions and relationships with related parties, are as follows:

Relationships	Related Parties	Transactions
Ultimate parent entity	Punj Lloyd Limited, India	Royalty and reimbursement of expenses
Shareholders	PT Andalan Sukses Sejahtera	Loan receivables
	Sembawang Engineers & Constructors Pte. Ltd., Singapore	Reimbursement of expenses
Other related parties	PT Punj Lloyd Indonesia	Subcontract engineering services and profit sharing related to Sumpal Project, reimbursement of expenses
	Punj Lloyd Pte.Ltd., Singapore	Reimbursement of expenses
	Sembawang Engineers & Constructors Pte.Ltd., representative office	Reimbursement of expenses
Joint venture	Punj Lloyd Group Joint Venture	Overseas subcontracting work, reimbursement of expenses

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

11. ACCOUNTS PAYABLE

	<u>2016</u>	<u>2015</u>
Third parties	1,290,073	1,231,089
Related parties (Note 10d)	3,405,450	3,768,402
Other payables	79,616	66,771
	<u>4,775,139</u>	<u>5,066,262</u>

12. ACCRUALS AND PROVISION

	<u>2016</u>	<u>2015</u>
Other accrued expenses	674,714	570,914
	<u>674,714</u>	<u>570,914</u>

Other accrued expenses mainly represents accrual for legal, tax, professional fees and wages.

13. TAXATION

a. Prepaid tax

	<u>2016</u>	<u>2015</u>
Value Added Tax ("VAT")	776.792	786,262

b. Taxes payable

	<u>2016</u>	<u>2015</u>
Income tax - Article 21	23.963	24,236
Income tax - Articles 23 and 26	1.370	1,777
	<u>25.333</u>	<u>26,013</u>

c. Corporate income tax expense

Income tax attributable to income from operations for the years ended March 31, 2016 and 2015 are detailed as follows:

	<u>2016</u>	<u>2015</u>
Income tax on income subject to final tax	-	-

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

13. TAXATION (continued)

d. 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.

14. SHARE CAPITAL

The Company's authorized, issued and fully paid-up capital and compositions by the shareholders as of March 31, 2016 and 2015 are as follows:

Shareholders	Number of Shares	Amount	%
A Series Shares			
Sembawang Engineers and Constructors Pte. Ltd., Singapore	800,000	800,000	80
PT Andalan Sukses Sejahtera	200,000	200,000	20
	<u>1,000,000</u>	<u>1,000,000</u>	<u>100</u>
B Series Shares			
Sembawang Engineers and Constructors Pte. Ltd., Singapore	2,475,531	2,475,531	44
PT Andalan Sukses Sejahtera	3,209,227	3,209,227	56
	<u>5,684,758</u>	<u>5,684,758</u>	<u>100</u>
Total	<u>6,684,758</u>	<u>6,684,758</u>	<u>100</u>

15. REVENUE AND COST OF CONTRACTS

	2016		2015	
	Contract revenues	Cost of contracts	Contract revenues	Cost of contracts
PROJECTS:				
Sumpal	-	-	-	271,597
	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,597</u>

In 2011, the Company has formed a consortium with its related parties, PT Punj Lloyd Indonesia ("PTPLI") and Punj Lloyd Limited, India ("PLL India"). The consortium has entered an Engineering, Procurement and Construction Contracts with ConocoPhillips Grissik (Ltd.), ("Sumpal Project") with a total lump sum amounting to US\$59,449,550. PTPLI has subcontracted the engineering portion to the Company, through a subcontract agreement amounting to US\$2,780,000. As of March 31, 2015 an amount of US\$3,679,595 (including VAT) is still outstanding from PTPLI. For the year ended March 31, 2015, the Company has recognized loss on margin from this contract of US\$271,597.

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

15. REVENUE AND COST OF CONTRACTS (continued)

On April 1, 2013, the Company entered into a Profit Sharing Agreement with PTPLI and PLL India, which stated that, starting in financial year 2013-2014, the parties will share the profit and loss resulting from the execution of the project with the following percentage:

- a. PT PLI - 75%
- b. The Company - 25%
- c. PLL India - nil

The total gross income from Sumpal Project during April 2013 - March 2014 is amounting to US\$10,610,701, which has been distributed to PTPLI and the Company amounting to US\$7,958,026 and US\$2,652,676, respectively. During April 2014 - March 2016 there are no profit distribution from this Project.

16. OPERATING EXPENSES

	2016	2015
Provision for impairment - trade receivables (Note 5)	9,373,302	179,302
Provision for impairment - unbilled receivables (Note 6)	139,001	-
Tax expense	90,744	-
Professional fees	37,445	65,612
Miscellaneous	12,203	5,946
Total	9,652,695	250,860

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has various financial assets and liabilities such as cash on hand and in banks, accounts receivable, unbilled revenue, loan to a related party, other non-current assets, accounts payable and accruals and provision.

It is, and has been throughout the year under review, the Company's policy 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.

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. The relevant market prices faced by the Company is foreign currency risk. Financial instruments affected by market risk include cash on hand and in banks, loan to a related party, accounts payable and accruals and provision.

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 Indonesian Rupiah and Singapore Dollar 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 US\$38,824 lower/US\$38,824 higher, as a result of foreign exchange loss/gain on translation.

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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 project. 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 the Company's payables to its related parties from obligations, 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				
Accounts payable	4,775,139	-	-	4,775,139
Accruals and provision	674,714	-	-	674,714
	5,449,853	-	-	5,449,853

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments as of March 31, 2016 that are carried in the financial statements:

	Carrying Amount	Fair Value
FINANCIAL ASSETS		
Cash on hand and in banks	30,745	30,745
Loan to a related party	76	76
	30,821	30,821
FINANCIAL LIABILITIES		
Accounts payable	4,775,139	4,775,139
Accruals and provision	674,714	674,714
	5,449,853	5,449,853

PT SEMPEC INDONESIA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2016 and for the year then ended
(Expressed in US Dollars, unless otherwise stated)

18. 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, accounts receivable, unbilled revenue, loan to a related party, other current assets, accounts payable and accruals and provision are based on their nominal amounts, reasonably approximate their fair values because these are mostly short-term in nature.

19. 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.

20. 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\$12,230,055 and capital deficiency of US\$5,545,297. Furthermore, the Company's current liabilities exceed its current assets at March 31, 2016 by US\$4,667,573.

The Company believes that the capital deficiency will be recovered through profit generated from 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.