# PT PUNJ LLOYD INDONESIA

## FINANCIAL STATEMENTS
## AS OF MARCH 31, 2017 AND
## FOR THE YEAR THEN ENDED
## AND INDEPENDENT AUDITORS' REPORT

**PT PUNJ LLOYD INDONESIA**
**FINANCIAL STATEMENTS**
**AS OF MARCH 31, 2017 AND**
**FOR THE YEAR THEN ENDED**
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**PT. Punj Lloyd Indonesia**
Sahid Sudirman Center 11th Floor Suite A,
Jl. Jendral Sudirman 86, Jakarta 10220, Indonesia
T +62 21 80 631 631 F +62 21 80 631 632
www.punjlloyd.com

Punj Lloyd

***BOARDS OF DIRECTORS' STATEMENT REGARDING THE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AS OF PT PUNJ LLOYD INDONESIA AND FOR THE YEARS ENDED 31 MARCH 2017***

*We, the undersigned :*

| | | |
|---|---|---|
| 1. Name | : | CHANDRA KISHORE THAKUR |
| Alamat kantor | : | 78 Institutional Area, Sector-32, Gurgaon-122001, India |
| Alamat domisili | : | Flat No. 273, Keshav Kunj, Plot 15A, SBI K CGSH Ltd. Sector 22, Dwarka Delhi- 110077, India |
| Telephone | : | +91 124 2620123 |
| Jabatan | : | President Director |
| 2. Name | : | AJAY KHAJANCHI |
| Alamat kantor | : | Sahid Sudirman Center 11th Floor Suite A Jl. Jend. Sudirman 86, Jakarta 10220, Indonesia |
| Alamat domisili / | : | Apartemen Batavia, Tower II, Unit 07-11 Jl. K.H. Mas Mansyur, Benhil, Jakarta 10220 Indonesia |
| Telephone | : | +62 81351053243 |
| Title | : | *Director* |

declare that:

1. *We are responsible for the preparation and presentation of the financial statements of PT Punj Lloyd Indonesia;*
2. *The financial statements of PT Punj Lloyd Indonesia have been prepared and presented in accordance with Indonesian Financial Accounting Standards;*
1. *a. All information in the financial statements of PT Punj Lloyd Indonesia have been disclosed in a complete and truthful manner;*
   *b. The financial statements of PT Punj Lloyd Indonesia a do not contain any incorrect information or material facts, nor do they omit information or materialfacts;*
3. *We are responsible for PT Punj Lloyd Indonesia internal control system.*

Thus this statement is made truthfully,

For and on behalf of the Board of Directors
Jakarta, 10 May 2017

President Director

METERAI TEMPEL
TGL. 20
848E3AEF143460788
6000
ENAM RIBU RUPIAH

PT. PUNJ LLOYD INDONESIA
Punj Lloyd

Director

jsr
Registered Public Accountants

**KANTOR AKUNTAN PUBLIK**
**JOJO SUNARJO & REKAN**

Gedung Dewan Pers Lantai 5
Jl. Kebon Sirih No. 32 - 34
Jakarta, 10110
Izin Usaha : 440/KM.1/2013
Tanggal : 19 Juni 2013

Telp/Fax. : (62-21) 3506192
E-mail : kap.jojosunarjo@gmail.com

# INDEPENDENT AUDITORS' REPORT

**Report No.:LAI-GA/47/JSR/V/17**

The Shareholders, Commissioner and Director
**PT PUNJ LLOYD INDONESIA**

We have audited the accompanying financial statements of PT Punj Lloyd Indonesia ("the Company"), which comprise the statement of financial position as of March 31, 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of 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 risk 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.

**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, 2017, 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 attention to Note 22 to the financial statements which indicated that the Company incurred total comprehensive loss of US$ 5,314,990 for the year ended March 31, 2017, and as of that date, the Company has net capital deficiency of US$ 78,443,912. These conditions as set forth in Note 22, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

**Jojo Sunarjo & Rekan**

jsr KAP Jojo Sunarjo & Rekan

**Ardian Trihartadi, Ak.,MM.,CA.,CPA.**
Public Accountant License No. AP.1203
May 10, 2017

**PT PUNJ LLOYD INDONESIA**
**STATEMENT OF FINANCIAL POSITION**
**As of March 31, 2017**
**(Expressed in United States Dollar, unless otherwise stated)**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash on hand and in banks | 2, 4 | 21,171 | 422,984 |
| Costs and estimated earnings/loss in excess of billings on uncompleted contracts – net | | - | 1,398,419 |
| Advance payments and other receivables – net | 2, 8 | 35,134 | 36,179 |
| Other current assets | | - | 56,671 |
| Total Current Assets | | 56,305 | 1,914,253 |
| **Non-current Assets** | | | |
| Fixed assets – net | 2, 10 | 2,555,090 | 4,342,443 |
| Prepaid tax | 2, 15a | 2,888,146 | 3,015,233 |
| Total Non-current Assets | | 5,443,236 | 7,357,676 |
| **Total Assets** | | **5,499,541** | **9,271,929** |

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

**PT PUNJ LLOYD INDONESIA**
**STATEMENT OF FINANCIAL POSITION (continued)**
**As of March 31, 2017**
**(Expressed in United States Dollar, unless otherwise stated)**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Short term bank loans | 2, 11 | 4,233,347 | 5,726,568 |
| Current portion of long-term bank loans | 2,12 | 1,629,915 | 1,218,215 |
| Trade payables | 2,13 | 28,479,813 | 29,140,330 |
| Advance from customers | | 12,563,988 | 13,003,893 |
| Taxes payable | 2,15b | 2,091,412 | 2,069,382 |
| Other liabilities | 2, 14 | 31,657,306 | 27,051,059 |
| Total Current Liabilities | | 80,655,781 | 78,209,447 |
| **Non-current Liabilities** | | | |
| Provision for employee benefits | | - | 53,479 |
| Interest in a joint venture | 2, 9 | 3,287,672 | 3,510,895 |
| Long-term bank loans - net of current portion | 2, 12 | - | 627,030 |
| Total Non-current Liabilities | | 3,287,672 | 4,191,404 |
| **Total Liabilities** | | **83,943,453** | **82,400,851** |
| **CAPITAL DEFICIENCY** | | | |
| Share capital | | | |
| Series A shares, Authorized 2,000 shares of par value Rp 1,181,000 (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 Rp 4,661,500 (full amount) or US$ 500 per share | | | |
| Series C shares, Authorized issued and fully paid 11,000 shares of par value Rp 17,338,039 (full amount) or US$ 1,829.10 per share | 16 | 24,022,600 | 24,022,600 |
| Other reserves | | 4,168 | 4,168 |
| Deficit | | (102,470,680) | (97,155,690) |
| **Capital Deficiency – Net** | | **(78,443,912)** | **(73,128,922)** |
| **Total Liabilities and Capital Deficiency** | | **5,499,541** | **9,271,929** |

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

**PT PUNJ LLOYD INDONESIA**
**STATEMENT OF PROFIT OR LOSS**
**AND OTHER COMPREHENSIVE INCOME**
**For The Year Ended March 31, 2017**
**(Expressed in United States Dollar, unless otherwise stated)**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **REVENUE** | 2, 17 | 446,032 | 7,890,345 |
| **COST OF CONTRACTS** | 2, 17 | (1,255,240) | (11,519,557) |
| **GROSS LOSS** | | (809,208) | (3,629,212) |
| General administrative expenses | 2, 18 | (736,387) | (10,836,363) |
| **LOSS FROM OPERATIONS** | | **(1,545,595)** | **(14,465,575)** |
| Other expenses | | (3,745,614) | (3,803,827) |
| **LOSS BEFORE COEPORATE INCOME TAX EXPENSES** | | **(5,291,209)** | **(18,269,402)** |
| **CORPORATE INCOME TAX EXPENSES** | | **(23,781)** | **(236,710)** |
| **NET LOSS** | | **(5,314,990)** | **(18,506,112)** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Net actuarial gain from employee service entitlements | | - | 4,168 |
| **TOTAL COMPREHENSIVE LOSS** | | **(5,314,990)** | **(18,501,944)** |

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, 2017**
**(Expressed in United States Dollar, unless otherwise stated)**

| | Note | Share capital | Retained earnings | Other reserves | Capital deficiency - net |
|---|---|---|---|---|---|
| **Balance as of April 1, 2015** | | **24,022,600** | **(78,649,578)** | **-** | **(54,626,978)** |
| Total comprehensive loss | | - | (18,506,112) | 4,168 | (18,501,944) |
| **Balance as of March 31, 2016** | | **24,022,600** | **(97,155,690)** | **4,168** | **(73,128,922)** |
| Total comprehensive loss | | - | (5,314,990) | - | (5,314,990) |
| **Balance as of March 31, 2017** | | **24,022,600** | **(102,470,680)** | **4,168** | **(78,443,912)** |

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, 2017**
**(Expressed in United States Dollar, unless otherwise stated)**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before corporate income tax expense | | (5,291,209) | (18,269,402) |
| Adjustments to reconcile loss before corporate income tax expense net cash (used in)/ provided by operating activties: | | | |
| Depreciation | 10 | 288,049 | 487,228 |
| Provision for employee benefits | | - | (2,361) |
| Gain on disposal of fixed assets | | (949,399) | - |
| interest in joint venture | | (223,223) | 1,215,935 |
| **Operating Cash Flows Before Changes in Working Capital** | | **(6,175,782)** | **(16,568,600)** |
| **Changes in operating assets and liabilities:** | | | |
| Trade receivables | | | 4,152,053 |
| Inventories | | | 72,459 |
| Cost and estimated earning/loss in excess of billings on uncomplete contracts | | 1,398,419 | 2,998,663 |
| Advance payments and other receivables | | 1,045 | 4,539,506 |
| Prepaid tax | | 127,087 | 702,194 |
| Other current assets | | 56,672 | 191 |
| Estimated refundable taxes | | | 1,005,728 |
| Trade payables | | 4,788,742 | 276,658 |
| Taxes payable | | 22,030 | (109,550) |
| Other liabilities and accruals | | (1,282,918) | 3,112,425 |
| Payment on employee benefits | | (53,479) | - |
| Corporate income tax paid | | (23,781) | (236,710) |
| **Net Cash Flows Used in Operating Activities** | | **(1,141,965)** | **(54,983)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of fixed assets | | 2,448,703 | 196,775 |
| **Net Cash Flows Provided by Investing Activities** | | **2,448,703** | **196,775** |

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, 2017**
**(Expressed in United States Dollar, unless otherwise stated)**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayments of bank loan | | (215,330) | (284,466) |
| **Net Cash Flows Used in Financing Activities** | | **(215,330)** | **(284,466)** |
| **NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS** | | **1,091,408** | **(142,674)** |
| **CASH ON HAND AND IN BANKS AT THE BEGINNING OF THE YEAR** | | **(3,753,584)** | **(3,610,910)** |
| **CASH ON HAND AND IN BANKS AT THE END OF THE YEAR** | | **(2,662,176)** | **(3,753,584)** |
| **Cash and cash equivalents at the end of the year consist of:** | | | |
| Cash on hand and in banks | 4 | 21,171 | 422,984 |
| Bank overdraft | 11 | (2,683,347) | (4,176,568) |
| **CASH ON HAND AND IN BANKS AT THE END OF THE YEAR** | | **(2,662,176)** | **(3,753,584)** |

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

**(Expressed in United States Dollar, unless otherwise stated)**

## 1. GENERAL

### a. The Company's establishment

PT Punj Lloyd lndonesia (the "Company") is a limited liability company established in lndonesia 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 lndonesia 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. 28 of Ny. Djumini Setyoadi, SH., M.Kn dated March 2, 2017, concerning the change of the Company's Directors. This amendment has been notified to the Minister of Law and Human Rights and was accepted through his decision letter No.AHU-AH.01.03-0115964 dated March 8, 2017.

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.

### b. Commissioner, Director and Employees

As of March 31, 2017 and 2016, the Company's Commissioner and Board of Directors are as follows:

| | | 2017 | 2016 |
|---|---|---|---|
| Commissioner | : | Atul Punj | Atul Punj |
| President Director | : | Chandra Kishore Thakur | Chandra Kishore Thakur |
| Director | : | Ajay Kajanchi | Manoj Soni |

As of March 31, 2017 and 2016, the Company has 3 and 5 permanent employees, respectively (unaudited).

### c. Completion of the Financial Statements

The management of the Company is responsible for the preparation of the accompanying financial statements that were completed and authorized for issue on May 26, 2017.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation of the Financial Statements

The financial statements have been prepared in accordance with Indonesian Financial Accounting Standards ("SAK"), which comprise the Statement of Financial Accounting Standards ("PSAK") and Interpretations of Statement of Financial Accounting Standards ("ISAK") issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants ("DSAK").

The accounting policies adopted in the preparation of the financial statements are consistent with those made in the preparation of the Company's financial statements for the year ended December 31, 2015, except for the adoption of several amended SAKs. As disclosed further in the relevant succeeding Notes, several amended and published accounting standards were adopted effective January 1, 2016.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of Preparation of the Financial Statements (continued)

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

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

The presentation currency used in the preparation of the financial statements is United States (US) Dollar, which is the Company's functional currency.

The preparation of financial statements in conformity with Indonesian Financial Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The Company applied PSAK No. 50 (Revised 2014) "Financial Instruments: Presentation", PSAK No. 55 (Revised 2014) "Financial Instruments: Recognition and Measurement" and PSAK No. 60 (2014) "Financial Instruments: Disclosures".

### Financial instruments

<u>Classification</u>

(i) Financial assets

Financial assets within the scope of PSAK No. 55 (Revised 2014) are classified as (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity investments, or (iv) 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 the designation of such assets at each financial year end.

The financial assets consist of cash on hand and in banks, other receivables and other asset classified as loans and receivables.

(ii) Financial liabilities

Financial liabilities within the scope of PSAK No. 55 (Revised 2014) are classified as (i) financial liabilities at fair value through profit or loss, (ii) financial liabilities measured at amortized cost, or (iii) as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

The financial liabilities consist of trade payables, advance to customers, other liabilities, short-term bank loans and short-term bank loans classified as financial liabilities measured at amortized cost.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

Recognition and measurement

(i) Financial assets

Financial assets are recognized initially at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of financial assets depends on their classification.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, such financial assets are carried at amortized cost using the effective interest rate method, except for those assets in which the interest calculation is not material.

Gains or losses are recognized in profit or loss when the financial assets are derecognized or impaired, as well as through the amortization process.

(ii) Financial liabilities

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, inclusive of directly attributable transaction costs.

Financial liabilities measured at amortized cost are measured, subsequent to initial recognition, at amortized cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the financial liabilities are derecognized as well as through the amortization process.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount 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.

Fair value of financial instruments

The fair values of financial instruments that are actively traded in organized financial markets, if any, are determined by reference to quoted market bid or ask prices at the close of business at the end of the reporting period.

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.

When the fair value of the financial instruments not traded in an active market cannot be reliably determined, such financial assets are recognized and measured at their carrying amounts.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Amortized cost of financial instruments

Amortized cost is computed using the effective interest rate 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 an integral part of the effective interest rate.

Impairment of financial assets

The Company assesses at the end of each reporting period 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.

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, 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. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statements of income.

When the asset becomes uncollectible, the carrying amount of the financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

Subsequent recoveries of previously written off receivables, if in the current period, are credited to the allowance accounts, but if after the reporting period, are credited to other operating income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

<u>Derecognition</u>

(i) Financial asset

A financial asset, or where applicable a part of a financial asset or part of a Company of similar financial assets, is derecognized when:

(a) the contractual rights to receive cash flows from the financial asset have expired; or
(b) the Company has transferred its contractual rights to receive cash flows from the financial asset or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement and either (i) has transferred substantially all the risks and rewards of the financial asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (i) the consideration received, including any new asset obtained less any new liability assumed; and (ii) any cumulative gain or loss that has been recognized directly in equity is recognized in the statement of profit or loss and other comprehensive income.

(ii) Financial liability

A financial liability is derecognized when the obligation specified in the contract is discharged or cancelled or expired, no collateral on the debt and not restricted.

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 profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign Currency Transactions and Balances

The accounting records of the Company are maintained in US Dollar. Transactions denominated in foreign currencies are translated into US Dollar at the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Dollar using the middle rates of exchange quoted by Bank Indonesia at such dates. Exchange gains and losses arising on foreign currency transactions and on the translation of foreign currency monetary assets and liabilities into US Dollar are recognized in the current period profit or loss.

The exchange rates used for translation into US Dollar as of March 31, 2017 and 2016 were as follows:

| | 2017 | 2016 |
|---|---|---|
| US Dollar 1 to Rupiah | 13,321 | 13,276 |
| US Dollar 1 to Euro | 0.94 | 0.88 |
| US Dollar 1 to Singapore Dollar | 1.40 | 1.32 |

### Transaction with Related Parties

A related party is a person or entity that is related to the Company:

a. A person or a close member of that person's family is related to the Company if that person:
   (i) has control or joint control over the Company;
   (ii) as significant influence over the Company; or,
   (iii) is a member of the key management personnel of the Company or of a parent of the Company.
b. An entity is related to the Company if any of the following conditions applies:
   (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   (iii) both entities are joint ventures of the same third party.
   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   (v) the entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the Company.
   (vi) the entity is controlled or jointly controlled by a person identified in a).
   (vii) a person identified in a) 1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)
   (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the entity or to the parent of the entity.

The transactions are made based on terms agreed by the parties. Such terms may not be the same as those of the transactions between unrelated parties.

All significant transactions and balances with related parties are disclosed in the relevant notes to the financial statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and any impairment loss. Such cost includes the cost of replacing part of the fixed assets when the 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 assets as a replacement if the recognition criteria are met. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in profit or loss as incurred.

Depreciation is computed, using the straight-line method over the estimated useful lives of the assets as follows:

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

The carrying value of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the assets is charged to the statement of comprehensive income in the year the assets are derecognized.

The residual values, estimated useful lives, and depreciation method are reviewed and adjusted, at year end, if necessary.

### Impairment of non-financial assets

The Company assesses at the end of each 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, Company makes an estimate of the asset’s recoverable amount.

Impairment losses are recognized in the current year’s profit or loss, unless non-financial assets are carried at revalued amounts.

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount of a non-financial asset. An impairment loss is only reversed to the extent that the non-financial asset’s carrying amount 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 year. Reversal of an impairment loss is recognized in the profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition and cost of contracts

Revenu 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.

### 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.

### Corporate income tax

The Company adopted PSAK No. 46 (Revised 2014), “Income Taxes”.

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income.

<u>Current tax</u>

Current tax expense is calculated using tax rates that have been enacted or substantively enacted at end of the reporting period, and is provided based on the estimated taxable income for the year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Interest and penalties for the underpayment or overpayment of income tax, if any, are to be presented as part of “Income Tax Benefit (Expense)” in the statement of profit or loss and other comprehensive income.

The amounts of additional tax principal and penalty imposed through a tax assessment letter (“SKP”) are recognized as income or expense in the current year in the statement of profit or loss and other comprehensive income, unless further settlement is submitted. The amounts of tax principal and penalty imposed through an SKP are deferred as long as they meet the asset recognition criteria.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred tax assets are recognized for deductible temporary differences and tax losses carry-forward to the extent that it is probable that taxable income will be available in future years against which the deductible temporary differences and tax losses carry-forward can be utilized.

### 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 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 statements of profit or loss and other comprehensive income. When the Company's share of losses in joint venture equal or exceeds its interest in the joint venture, the Company does not recognize further loss, unless it has incurred obligations or made payments on behalf of the join venture.

### 2015 Annual Improvements

The Company adopted the following 2015 annual improvements effective January 1, 2016:

- PSAK 7 (2015 Improvement) - "Related Party Disclosure"
  The improvement clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- PSAK 16 (2015 Improvement) - "Property, Plant, and Equipment"
  The improvement clarifies that in PSAK 16 the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation is the difference between the gross and carrying amount of the asset. The carrying amount of the asset is restated by the revalued amount.

- PSAK 25 (2015 Improvement) - "Accounting Policies, Changes in Accounting Estimates and Errors"
  This improvement provides editorial correction for paragraph 27 of PSAK No. 25.

- PSAK 68 (2015 Improvement) - "Fair Value Measurement"
  The improvement clarifies that the portfolio exception in PSAK No. 68 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of SFAS No. 55.

The adoption of the 2015 annual improvements has no significant impact on the financial statements.

## 3. USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

### Judgments

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

<u>Classification of financial instruments</u>

The Company determines the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK No. 55 (Revised 2011). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's accounting policies disclosed in Note 2.

<u>Determination of functional currency</u>

The functional currency of the Company is the currency of the primary economic environment in which the entity 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 in US Dollar.

<u>Allowance for impairment of trade receivables</u>

The Company evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Company uses judgment, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status based on 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 of trade receivables. Further details are disclosed in Notes 2 and 5.

### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occured.

## 3. USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

### Estimates and Assumptions

Depreciation of Fixed Assets

The cost of fixed assets are depreciated using the straight-line method over their estimated economic useful lives. Management estimates the useful lives of fixed assets to be between 4 and 20 years. This is the range of common life expectancies applied in the industry in which the Company conducts its business. Changes in the level of usage and technological developments could impact the economic useful lives and residual values of assets and therefore future depreciation charges may be revised. Further details are disclosed in Note 10.

Employee Benefits

The determination of the Company's obligations and cost for pension and employee benefits liabilities is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turn over rate, disability rate, retirement age and mortality rate. Actual results that differ from the Company's assumptions are recognized immediately in the profit or loss as and when they occurred. While the Company believes that its assumptions are reasonable and appropriate, significant differences in the Company's actual experiences or significant changes in the Company's assumptions may materially affect its estimated liabilities for employee benefits and net employee benefits expense.

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 contracts can be estimated realibly. The stage of completion is measured by reference to survey of works and estimates performed by project engineer. The management is required to make judgment and estimates based on the best available facts and circumstance based on past experience and information obtained from the project engineer, on the estimated costs to completion.

Income Tax

Significant judgment is involved in determining for the corporate income tax liability. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for expected corporate income tax issues based on estimates of whether additional corporate income tax will be due.

**(Expressed in United States Dollar, unless otherwise stated)**

## 4. CASH ON HAND AND IN BANKS

This account consists of :

| | 2017 | 2016 |
|---|---|---|
| **a. Cash on hand** | **9,620** | **3,913** |
| **b. Cash in banks** | | |
| US Dollar accounts | 11,244 | 253,814 |
| Rupiah accounts | 307 | 165,257 |
| **Total** | **21,171** | **422,984** |

## 5. TRADE RECEIVABLES

| | 2017 | 2016 |
|---|---|---|
| Related parties (Note 6) | - | 3,443,612 |
| Allowance for doubtful accounts | - | (3,443,612) |
| **Total** | **-** | **-** |

## 6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Company entered into trade and financial transactions with related parties. The concerned entities are considered related parties of the Company in view of their common ownership and management.

The details of the relationship and type of significant transactions with related parties as of March 31, 2017 and 2016 were as follows:

| Related Party | Nature of Relationship | Type of Transaction |
|---|---|---|
| Punj Lloyd Limited, India ("PLL India") | Ultimate parent entity | Advances received, interest expense, royalty |
| Punj Lloyd Pte. Ltd., Singapore ("PLPL") | Parent entity and | Advances received, interest expense, reimbursements of expenses |
| Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd. ("PLOG Malaysia") | Other related parties | Rental income and reimbursements of expenses |
| Punj Lloyd Abu Dhabi ("PL Abu Dhabi") | Other related parties | Reimbursements of expenses |

**(Expressed in United States Dollar, unless otherwise stated)**

## 6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

| Related Party | Nature of Relationship | Type of Transaction |
|---|---|---|
| PT Sempec Indonesia ("PT SI") | Other related parties | Subcontract engineering services for Sumpal Project, profit sharing related to Sumpal Project and reimbursements of expenses |
| Punj Lloyd Ltd., Thailand ("PPL Thailand") | Other related parties | Reimbursements of expenses |
| Punj Lloyd International, India ("PLI India") | Other related parties | Reimbursements of expenses |
| Punj Lloyd Engineering Ltd., ("PLE") | Other related parties | Reimbursements of expenses |
| Punj Lloyd Group Joint Venture ("PLG JV") | Other related | Overseas subcontracting work, reimbursements of expenses |

Details of transactions with related parties are as follows:

a. Trade receivables

| | 2017 | 2016 |
|---|---|---|
| Punj Lloyd Group Joint Venture | - | 3,443,612 |
| Less: | | |
| allowance for impairment (Note 18) | - | (3,443,612) |
| **Total** | **-** | **-** |

b. Other receivables

| | 2017 | 2016 |
|---|---|---|
| Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd. | - | 4,852,048 |
| Punj Lloyd Abu Dhabi | - | 91,282 |
| Total | - | 4,943,330 |
| Less | | |
| allowance for impairment (Note 18) | - | (4,943,330) |
| **Net** | **-** | **-** |

**(Expressed in United States Dollar, unless otherwise stated)**

## 6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

c. Trade payable (Note 13)

| | 2017 | 2016 |
|---|---|---|
| PT Sempec Indonesia | 7,208,110 | 5,915,827 |
| **Total** | **7,208,110** | **5,915,827** |

d. Other liabilities (Note 14)

| | 2017 | 2016 |
|---|---|---|
| Punj Lloyd Pte. Ltd., Singapore | 16,924,912 | 21,646,956 |
| PT Sempec Indonesia | 11,740,012 | 3,118,299 |
| Punj Lloyd Limited, Thailand | 582,891 | 582,694 |
| Punj Lloyd International, India | 379,554 | 379,554 |
| Punj Lloyd Abu Dhabi | 39,189 | 36,812 |
| Punj Lloyd Engineering Limited | 23,938 | 23,938 |
| Punj Lloyd Group Joint Venture | - | 142,321 |
| **Total** | **29,690,496** | **25,930,574** |

During the years ended March 31,2017 and 2016, the liabilities to PLPL and PLL India bear interest at the rate of 7o/o 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.

e. Purchase and other expenses

| | 2017 | 2016 |
|---|---|---|
| <u>Interest expenses</u> | | |
| Punj Lloyd Pte. Ltd., Singapore | - | 42,961 |
| Punj Lloyd International, India | - | 20,780 |
| **Total** | **-** | **63,741** |

f. Compensation of key management personnel:

For the years ended March 31, 2017 and 2016, no remuneration paid to the Company's key management personnel.

**(Expressed in United States Dollar, unless otherwise stated)**

## 7. COSTS AND BILLINGS ON UNCOMPLETED CONTRACTS

| | 2017 | 2016 |
|---|---|---|
| Contract cost incurred | 895,139 | 11,519,557 |
| Recognized loss – net | (2,235,534) | (3,629,212) |
| **Total** | **(1,340,395)** | **7,890,345** |
| Billings on uncompleted contracts during the years | (58,023) | (9,465,728) |
| Beginning balance of work in progress | (1,398,419) | (4,397,082) |
| Recognition/(derecognition) of work in progress | 2,796,837 | 8,794,165 |
| | - | 2,821,700 |
| Less: | | |
| Allowancefor impairment (Note 20) | - | (1,423,281) |
| **Ending balance of work in progress** | **-** | **1,398,419** |
| The balance of work in progress ispresented In the statements of financial position under the following captions: | | |
| Costs and estimated earnings/loss in excess of billings on uncompleted contracts | - | 2,821,700 |
| Allowance for impairment (Note 20) | - | (1,423,281) |
| **Work in Progress – net** | **-** | **1,398,419** |

## 8. ADVANCE PAYMENTS AND OTHER RECEIVABLES

| | 2017 | 2016 |
|---|---|---|
| Advance payments: | | |
| Advance paid to employees | 35,134 | 36,179 |
| **Sub total** | **35,134** | **36,179** |
| Other receivables | | |
| Related parties (Note 6) | - | 4,943,330 |
| Allowance for impairment (Note 18) | - | (4,943,330) |
| **Sub total** | **-** | **-** |
| **Total** | **35,134** | **36,179** |

**(Expressed in United States Dollar, unless otherwise stated)**

## 9. 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 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% |
| - The Company | 20% |
| - PT Sempec Indonesia | 5% |

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

| | **2017** | **2016** |
|---|---|---|
| Current assets | 11,838,083 | 12,960,161 |
| Non-current assets | 1,066 | - |
| Current liabilities | (15,126,821) | (16,471,056) |
| | **(3,287,672)** | **(3,510,895)** |
| Revenue | 1,600,677 | 691,444 |
| Expenses | (1,377,455) | (2,081,593) |
| **Sub total** | **223,222** | **(1,390,149)** |

The Joint Venture made no profit distribution during 2017 and2016.

**(Expressed in United States Dollar, unless otherwise stated)**

## 10. FIXED ASSETS – NET

This account consists of the following:

| | 2017 | | | |
|---|---|---|---|---|
| | **Beginning Balance** | **Additions** | **Deductions** | **Ending Balance** |
| **Cost** | | | | |
| Land | 618,228 | - | (618,228) | - |
| Building | 1,925,527 | - | (1,789,434) | 136,093 |
| Jetty and skidway | 3,881,236 | - | - | 3,881,236 |
| Machinery | 15,988,683 | - | (2,818,857) | 13,169,826 |
| Motor vehicle | 251,478 | - | (147,111) | 104,367 |
| Furniture, fixtures and equipment | 1,043,997 | - | (111,010) | 932,987 |
| Software | 748,835 | - | - | 748,835 |
| Total Cost | 24,457,984 | - | (5,484,640) | 18,973,344 |
| **Accumulated Depreciation** | | | | |
| Building | 921,849 | 6,823 | (884,936) | 43,736 |
| Jetty and skidway | 1,402,861 | 194,670 | - | 1,597,531 |
| Machinery | 15,801,323 | 77,542 | (2,865,727) | 13,013,138 |
| Motor vehicle | 245,630 | - | (142,299) | 103,331 |
| Furniture, fixtures and equipment | 995,043 | 9,014 | (92,374) | 911,683 |
| Software | 748,835 | - | - | 748,835 |
| Total Accumulated Depreciation | 20,115,541 | 288,049 | (3,985,336) | 16,418,254 |
| **Net Book Value** | **4,342,443** | | | **2,555,090** |

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

**(Expressed in United States Dollar, unless otherwise stated)**

## 10. FIXED ASSETS (continued)

In 2017 and 2016, fixed assets were used as collaterals for the related bank loans (Note 11).

Based on evaluation, the Company's management has the opinion that there were no events or changes in circumstances which might indicate an impairment in the value of fixed assets as of March 31, 2017.

## 11. SHORT-TERM BANK LOANS

This account consists of:

| | 2017 | 2016 |
|---|---|---|
| Short-term money market loan | | |
| Standard Chartered Bank | 1,550,000 | 1,550,000 |
| Bank overdraft | | |
| Standard Chartered Bank | 2,683,347 | 4,176,568 |
| **Total** | **4,233,347** | **5,726,568** |

Standard Chartered Bank ("SCB")

On June 18, 2010, the Company obtained banking facilities from SCB which have been amended several times. Based on the latest amendment, on June 18, 2014, the Company obtained banking facilities in the form of bond and guarantee facility I and ll for a maximum amount of US$ 4,150,006 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 ll 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 7.7% 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 project and corporate guarantee from Punj Lloyd Limited for US$ 40,150,000. Short-term money market loan facility for facility amounting to US$ 1,000,000 and US$ 550,000 are available until June 20, 2016 respectively. The overdraft facility is available until March 31,2015 and automatically extended for every 12 months period basis, unless as otherwise determined by the Bank.

## 12. LONG-TERM BANK LOAN – NET OF CURRENT PORTION

| | 2017 | 2016 |
|---|---|---|
| Bank SBI Indonesia | 1,629,915 | 1,845,245 |
| Less : current portion | (1,629,915) | (1,218,215) |
| **Long-term bank loan** | **-** | **627,030** |

**(Expressed in United States Dollar, unless otherwise stated)**

## 12. LONG-TERM BANK LOANS – NET OF CURRENT PORTION (continued)

Bank SBI Indonesia ("SBI")

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

This facilities are secured by 4 units Batavia apartment on behalf of the Company; fiduciary guarantee of 5 units vehicle; 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.

## 13. TRADE PAYABLES

| | 2017 | 2016 |
|---|---|---|
| Related party (Note 6) | 7,208,110 | 5,915,827 |
| Third parties | 21,271,703 | 23,224,503 |
| **Total** | **28,479,813** | **29,140,330** |

## 14. OTHER LIABILITIES AND ACCRUALS

| | 2017 | 2016 |
|---|---|---|
| Other liabilities to related parties (Note 7d) | 29,690,496 | 25,930,574 |
| Other liabilities to third parties | 1,489,009 | 629,370 |
| Accruals | 477,801 | 491,115 |
| **Total** | **31,657,306** | **27,051,059** |

## 15. TAXATION

a. Prepaid tax - non current

| | 2017 | 2016 |
|---|---|---|
| Value added tax ("VAT") | 2,888,146 | 3,015,233 |

**(Expressed in United States Dollar, unless otherwise stated)**

## 15. TAXATION (continued)

b. Taxes payable

| | 2017 | 2016 |
|---|---|---|
| Employee income tax - Article 21 | 1,028,246 | 983,969 |
| Withholding income tax - Article 23 | 600,800 | 621,480 |
| Withholding income tax - Article 26 | 196,886 | 197,553 |
| Withholding income tax - Article 4(2) | 265,480 | 266,380 |
| **Total** | **2,091,412** | **2,069,382** |

c. Corporate income tax expense

| | 2017 | 2016 |
|---|---|---|
| Current fiscal year | 23,781 | 236,710 |

d. Corporate income tax expense

Under the taxation laws of lndonesia, 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 31,2017 and 2016, the Company did not recognize deferred income tax due to there is no temporary differences between commercial and fiscal reporting purposes.

**(Expressed in United States Dollar, unless otherwise stated)**

## 16. SHARE CAPITAL

The details of the Company's shareholders as of March 31, 2017 and 2016 are as follows:

| Shareholders | Number of shares | Percentage of Ownership | Amount Rupiah | Amount US Dollar |
|---|---|---|---|---|
| Punj Lloyd Limited, India | | | | |
| Seri A | 800 | | 400,000 | 945 |
| Seri B | 7,000 | | 3,500,000 | 32,630 |
| | 7,800 | 41.48% | 3,900,000 | 33,575 |
| Punj Lloyd Pte. Limited, Singapore | | | | |
| Seri C | 11,000 | 58.50% | 20,120,100 | 190,718 |
| Mr. Atul Punj | | | | |
| Seri A | 5 | 0.02% | 2,500 | 6 |
| **Total** | **18,805** | **100%** | **24,022,600** | **224,299** |

## 17. REVENUES AND COST OF CONTRACTS

| Projects: | 2017 Revenues | 2017 Cost of contracts | 2016 Revenues | 2016 Cost of contracts |
|---|---|---|---|---|
| CKP Power Project | 446,032 | 1,255,240 | 7,890,345 | 10,096,276 |
| Sumpal Project | - | - | - | 1,423,281 |
| **Total** | **446,032** | **1,255,240** | **7,890,345** | **11,519,557** |

## 18. GENERAL AND ADMINISTRATIVE EXPENSES

| | 2017 | 2016 |
|---|---|---|
| Fees and taxes | 193,496 | 259,682 |
| Provision for impairment - trade receivables (Note 5 and 7) | 189,725 | 8,386,942 |
| Rental | 141,082 | 126,040 |
| Salaries | 118,770 | 263,645 |
| Professional fees | 39,434 | 543,422 |
| Depreciation | 9,889 | 341,525 |
| Others (each account below USD 100,000) | 43,991 | 915,107 |
| **Total** | **736,387** | **10,836,363** |

## 19. LEGAL CASES AND CONTINGENT LIABILITIES

The Company had various legal case with significant exposures filed against them by several parties. The background and the progress of such legal as of March 31,2017 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 Noticed 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 EUR 3,101,386. 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 EUR 1,641,446 and claim for DLD unit 2 in the amount of EUR 1,459,940. 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 Rp 4,213,225,871 and MSW also claim EUR 296,910 for cost rectification works taken over by MSW from the Company and/or PLPL.

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 EUR 1,424,056. 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 coordianation Agreement dated April 23, 2008 between MSW, PLPL Singapore and the Company.

The claim submitted was in the amount of EUR 18,790,442. An evidentiary hearing is set for October 3, 2016 – November 2, 2016, although it is currently unclear whether it will take place on those dates. Up to completion date of these financial statements, the arbitation is still in the process and no results have been communicated to the Company.

b. Legal cases with PT Destini Marine Safety

This is a Civil Court case. The claimed amount by the Petitioner is US$ 266,114 and Rp 1.000.000,000 including penalty and interest. The conclusive hearing took place on April 6, 2016 Up to the date of May 26, 2017. the Company has not yet received the verdict.

**(Expressed in United States Dollar, unless otherwise stated)**

## 19. LEGAL CASES AND CONTINGENT LIABILITIES (continued)

c. Legal cases with PT Kartini Utama

This is a Civil Court case. The claimed amount by the Petitioner is Rp 625,366,000 and Rp 1.000.000,000 including penalty and interest. The conclusive hearing took place on March 29, 2016 Up to the date of May 26, 2017. the Company has not yet received the verdict.

## 20. FINANCIAL RISK MANAGEMENT

In its daily business activities, the Company is exposed to risks. The main risks facing by the Company arising from its financial instruments are credit risk, market risk and liquidity risk. The Company's management oversees the risk management of this risk.

1. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities and from its financing activities, including deposits and other financial instruments. Credit risk arises mainly from trade receivables from customers from rendering services.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored by relevant business units.

2. 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 Company is exposed to market risks, in particular, foreign currency.

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

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate against other currencies, with all other variables held constant, to the Company income before tax for the years ended March 31, 2017 and 2016:

| | Increase (Decrease) Foreign Currency | Effect on income before tax |
|---|---|---|
| March 31, 2017 | 2% | (1,925) |
| | -2% | 2,352 |
| March 31, 2016 | 2% | (15,379) |
| | -2% | 15,379 |

(Expressed in United States Dollar, unless otherwise stated)

## 20. FINANCIAL RISK MANAGEMENT (continued)

3. Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due. The management evaluates and monitors cash inflows and cash outflows to ensure the availability of fund to settle the due obligation. In general, fund needed to settle the current and long-term liabilities is obtained from sales activities to customers.

The tables below summarize the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of March 31, 2017 and 2016:

| | 2017 | | | |
|---|---|---|---|---|
| | 3 to 12 Months | > 1 to 2 years | > 2 years | Total |
| **Financial Liabilities** | | | | |
| Short-term bank loans | 4,233,347 | - | - | 4,233,347 |
| Trade payables | 28,479,813 | - | - | 28,479,813 |
| Advance from customers | 12,563,987 | | | 12,563,987 |
| Other liabilities and accruals | 31,657,306 | - | - | 31,657,306 |
| **Total** | **76,934,453** | **-** | **-** | **76,934,453** |

| | 2016 | | | |
|---|---|---|---|---|
| | 3 to 12 Months | > 1 to 2 years | > 2 years | Total |
| **Financial Liabilities** | | | | |
| Long-term bank loans | 1,218,215 | 627,030 | - | 1,845,245 |
| Short-term bank loans | 5,726,568 | - | - | 5,726,568 |
| Trade payables | 29,140,330 | - | - | 29,140,330 |
| Advance from customers | 13,003,893 | | | 13,003,893 |
| Other liabilities and accruals | 27,051,059 | - | - | 27,051,059 |
| **Total** | **76,140,065** | **627,030** | **-** | **76,767,095** |

### Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder value.

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. No changes were made in the objectives, policies or processes during the periods presented.

(Expressed in United States Dollar, unless otherwise stated)

## 21. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The tables sets forth the carrying values and estimated fair values of the Company's financial instruments that are carried in the statements of financial position as of March 31, 2017 and 2016:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | **Carrying Value** | **Fair Value** |
| **Financial Assets:** | | | | |
| **Loans and receivables:** | | | | |
| Cash on hand and in banks | 21,171 | 21,171 | 422,984 | 422,984 |
| **Total financial assets** | **21,171** | **21,171** | **422,984** | **422,984** |
| **Financial liabilities:** | | | | |
| **Financial liabilities measured of amortized cost:** | | | | |
| Long-term bank loans | - | - | 627,030 | 627,030 |
| Short-term bank loans | 4,233,347 | 4,233,347 | 5,726,568 | 5,726,568 |
| Trade payables | 28,479,813 | 28,479,813 | 29,140,330 | 29,140,330 |
| Advance from customers | 12,563,987 | 12,563,987 | 13,003,893 | 13,003,893 |
| Other liabilities and accruals | 31,657,306 | 31,657,306 | 27,051,059 | 27,051,059 |
| **Total financial liabilities** | **76,934,453** | **76,934,453** | **75,548,880** | **75,548,880** |

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.

## 22. GOING CONCERN

The Company incurred total comprehensive loss of US$ 5,314,990 during the year ended March 31, 2017 and, as of that date, the Company has net capital deficiency of US$ 78,443,912. This condition indicate the existence of material uncertainty that may cast significant doubt about the Company's ability as a going concern.

In response to these adverse conditions, in 2017 and will be continued in the next years, the Entity's management has initiated to perform several actions consisting of:

a. Management will continue seeking financial supports from shareholdersand related parties to raise revenue in order to achieve the set target.
b. Implementing cost cutting program.
c. Perform cooperating within entities in the group to obtain loan.

## 23. NEW ACCOUNTING STANDARDS

New standards, amendments and interpretations issued but not yet effective for the financial year beginning January 1, 2016 that may have certain impact on the financial statements.are as follows:

Effective on or after January 1, 2017:

- Amendments to PSAK 1 (2015) - "Presentation of Financial Statements: Disclosure Initiatives".
- PSAK 60 (2016 Improvement) "Financial Instruments - Disclosure".

Effective on or after January 1, 2018:

- Amendments to PSAK 2 (2016) - "Statements of Cash Flows: Disclosure Initiatives".

The Company is still assessing the impact of these accounting standards on the Company's financial statements.