

PUNJ LLOYD AVIATION PTE. LTD.
(Incorporated in the Republic of Singapore)

**DIRECTOR'S STATEMENT AND AUDITED
FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED 31 MARCH 2016**



J. TAN & CO.
Public Accountants and Chartered Accountants

CORPORATE INFORMATION

**REGISTERED OFFICE AND
PRINCIPAL PLACE OF
BUSINESS**8 Shenton Way, #50-01
AXA Tower
Singapore 068811**DIRECTOR**

Atul Punj

COMPANY SECRETARYAbdul Jabbar Bin Karam Din
Loh Lee Eng**INDEPENDENT AUDITOR****J. TAN & CO.**
*Public Accountants and Chartered Accountants***CONTENTS****PAGES**

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DIRECTOR'S STATEMENT

for the financial year ended 31 March 2016

The director present their statement to the members together with the audited financial statements of the Company for the financial year ended 31 March 2016.

1 OPINION OF THE DIRECTOR

In the opinion of the director,

(a) the financial statements set out on pages 4 to 24 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2016, and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2 DIRECTOR

The director of the Company in office at the date of this statement is as follows:

Atul Punj

3 ARRANGEMENTS TO ENABLE DIRECTOR TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at anytime during the financial year was the Company a party to any arrangement whose object is to enable the director of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate, except for the following disclosures of director's interests in shares or debentures.

4 DIRECTOR'S INTEREST IN SHARES OR DEBENTURES

According to the register of director's shareholdings, the director holding office at the end of the financial year had no interest in the shares or debentures of the Company or its related corporations, except as follows:

	Ordinary shares			
	Shareholdings registered in the names of the director or nominee		Shareholdings in which a director is deemed to have an interest	
	At end of year	At beginning of year	At end of year	At beginning of year
Punj Lloyd Limited (Ultimate Holding Company) <i>(Ordinary shares of Rps 2 each)</i>				
Atul Punj	1,431,360	1,431,360	97,839,775	97,839,775

DIRECTOR'S STATEMENT

for the financial year ended 31 March 2016

5 SHARE OPTIONS

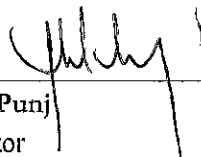
No options to take up unissued shares of the Company was granted during the financial year.

During the financial year, there were no shares of the Company issued by virtue of the exercise of an option to take up unissued shares. There were no unissued shares of the Company under option as at the end of the financial year.

6 INDEPENDENT AUDITOR

The independent auditor, **J. TAN & CO., *Public Accountants and Chartered Accountants*** has expressed its willingness to accept appointment.

The Sole Director



Atul Punj
Director

Singapore, 11 MAY 2016



INDEPENDENT AUDITOR'S REPORT

to the members of

Punj Lloyd Aviation Pte. Ltd.

for the financial year ended 31 March 2016

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Punj Lloyd Aviation Pte. Ltd.** (the "Company") set out on pages 4 to 24 for the financial year ended 31 March 2016, comprising the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap.50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that the assets are safeguarded against loss from unauthorised use or disposition, that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and statement of financial position and to maintain accountability of assets.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 auditor considers 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 financial statements of the Company are properly drawn up in accordance with the provisions of the Acts and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Company as at 31 March 2016, and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date.

Other matters

The financial statements of the Company for the financial year ended 31 March 2015, were audited by another auditor who expressed an unmodified opinion on those statements on 20 May 2015.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

J. TAN & CO.

Public Accountants and Chartered Accountants

Singapore, 11 MAY 2016

STATEMENT OF FINANCIAL POSITION*as at 31 March 2016*

	Note	2016	2015
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	4	1	1
Amount due from related companies	5	41	8,483,054
		42	8,483,055
Non-current assets			
Plant and equipment	6	35,432,638	42,659,668
Total assets		35,432,680	51,142,723
LIABILITIES			
Current liabilities			
Accruals and other payables	7	36,693	6,432
		36,693	6,432
Non-current liabilities			
Deferred tax liabilities	8	-	1,238,749
Total liabilities		36,693	1,245,181
Net assets		35,395,987	49,897,542
EQUITY			
Share capital	9	50,755,522	50,755,522
Accumulated losses		(15,359,535)	(857,980)
Total equity		35,395,987	49,897,542

STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 March 2016

	<u>Note</u>	<u>2016</u>	<u>2015</u>
		\$	\$
Revenue – Aircraft usage fee	2.2 (a)	14	7,567,661
Administrative expenses		(15,740,318)	(7,218,038)
(Loss) / Profit before income tax	10	(15,740,304)	349,623
Income tax credit / (expense)	11	1,238,749	(1,238,749)
Loss for the year		(14,501,555)	(889,126)
(Representing Total Comprehensive Income for the year)			

STATEMENT OF CHANGES IN EQUITY*for the financial year ended 31 March 2016*

	Share capital	Accumulated losses	Total
	\$	\$	\$
As at 1 April 2014	50,755,522	31,146	50,786,667
Loss for the year (Representing Total Comprehensive Income for the year)	-	(889,126)	(889,126)
As at 31 March 2015	50,755,522	(857,980)	49,897,542
Loss for the year (Representing Total Comprehensive Income for the year)	-	(14,501,555)	(14,501,555)
As at 31 March 2016	50,755,522	(15,359,535)	35,395,987

STATEMENT OF CASH FLOWS*for the financial year ended 31 March 2016*

	Note	2016 \$	2015 \$
Cash flows from operating activities			
(Loss) / Profit before income tax	10	(15,740,304)	349,623
<u>Adjustments for:</u>			
Depreciation of plant and equipment	6	7,227,030	7,207,284
Provision for doubtful debts	12	8,500,664	-
Operating cash flows before working capital changes		(12,610)	7,556,907
 <u>Change in operating assets and liabilities</u>			
Changes in amount due from related parties		(17,651)	(7,556,828)
Changes in amount due to related parties		31,331	-
Changes in accruals and other payables		(1,070)	(79)
		12,610	(7,556,907)
Net cash generated from operating activities		-	-
Changes in cash and cash equivalents during the year		-	-
Cash and cash equivalents at beginning of year		1	1
Cash and cash equivalents at end of year	4	1	1

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 CORPORATE INFORMATION

Punj Lloyd Aviation Pte. Ltd. (the "Company") (UEN: 201400284M) is incorporated and domiciled in the Republic of Singapore. The registered office and principal place of business of the Company is located at 8 Shenton Way, #50-01, AXA Tower, Singapore 068811.

The principal activities of the Company are those relating to aircraft leasing

The immediate and ultimate holding companies are Punj Lloyd Infrastructure Pte Ltd ("PLIPL"), a company incorporated in Singapore, and Punj Lloyd Limited ("PLL"), a company incorporated in India, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

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

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) which are stated at cost, are assumed to approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

At the beginning of the current financial year, the Company adopted the new or amended FRSs and interpretations of FRSs (INT FRSs) that are mandatory for application for the financial year. Changes to the Company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

Adoption of new and revised standards

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Company and had no material effect on the amounts reported for the current or prior financial years.

At the end of the reporting period, there are mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Company's accounting periods beginning on or after 1 April 2016 or later periods and which the Company has not early adopted.

The future adoption of new or revised accounting Standards and Interpretations are not expected to have a material effect on the financial statements of the Company.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The following standards that have been issued but not yet effective are as follows:

Description	Effective for annual periods beginning on or after
<i>Improvement to FRS (January 2015)</i>	
Amendments to FRS 113: Fair value Measurement	1 July 2015
Amendments to FRS 16: Property, Plant and Equipment	1 July 2015
<i>Improvements to FRSs (November 2014)</i>	
Amendments to FRS 107 Financial Instruments: Disclosures	1 Jan 2016
Amendment to FRS 19 Employee Benefits	1 Jan 2016
Amendments to FRS 1 Disclosure initiative	1 Jan 2016
Amendments to FRS 16 and FRS 38: Classification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016

The Company's management expect that the adoption of the standards and interpretations above that are relevant to the Company will have no material impact on the financial statements in the period of initial application.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Company's activities. Sales are presented, net of value-added tax, rebates and discounts

The Company recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Company's activities are met as follows:

(a) Aircraft rental income

Rental income arising from operating leases on aircraft is accounted for on a straight-line basis over the lease term.

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

2.4 Plant and equipment

(a) Measurement

All plant and equipment are initially recognised at cost and subsequently stated at cost less accumulated depreciation and accumulated impairment losses (Note 2.5).

Component of costs

The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Plant and equipment (Continued)

(b) Depreciation of plant and equipment

Depreciation on plant and equipment is calculated using the straight line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	<u>Useful Lives</u>
Aircrafts	7 years

The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in the statement of comprehensive income when the changes arise. Fully depreciated plant and equipment still in use are retained on the financial statements.

(c) Subsequent expenditure

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits will flow to the Company and the cost of the item can be reliably measured. Other subsequent expenditure is recognised as an expense in the statement of comprehensive income during the financial year in which it is incurred.

(d) Disposal

On disposal of an item of plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the statement of comprehensive income. Any amount in revaluation reserve relating to that asset is transferred to retained earnings.

2.5 Impairment of non-financial assets

Plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the statement of comprehensive income, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Impairment of non-financial assets (Continued)

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the statement of comprehensive income, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the statement of comprehensive income, a reversal of that impairment is also recognised in the statement of comprehensive income.

2.6 Financial assets

(a) Classification

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provision of the instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are classified within "other receivables" and "cash and cash equivalents" on the statement of financial position. Trade receivables are generally on 30 - 90 days terms.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flow from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in the statement of comprehensive income. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

(d) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

(e) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flow, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the statement of comprehensive income.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial positions when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.8 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method. Trade payables are normally settled on 30 to 90 days terms.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Company uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.10 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Income taxes (Continued)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the profit or loss when the changes arise.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Singapore Dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance cost". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains and losses".

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of the revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. Management is of the opinion that there is no significant judgement made in applying accounting policies and no estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

NOTES TO FINANCIAL STATEMENTS*for the financial year ended 31 March 2016***3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS
(Continued)****Critical accounting estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Property, plant and equipment (Note 6)

The annual depreciation of property, plant and equipment forms a component of total costs charged to profit or loss. The Company reviews the residual values and useful lives of property, plant and equipment at each reporting date in accordance with the accounting policy in Note 2.4. The estimation of the residual values and useful lives involves significant judgement. The net carrying amounts of property, plant and equipment at 31 March 2016 is \$35,432,638 (2015: \$42,659,668) and the annual depreciation charge for the financial year ended 31 March 2016 is \$7,227,030 (2015: \$7,207,284).

If the actual useful lives of the plant and equipment are longer or shorter than the management's estimate by one year on average, the Company's annual depreciation charge will be reduced by \$903,379 and increased by \$7,227,030 respectively.

4 CASH AND CASH EQUIVALENTS

	<u>2016</u>	<u>2015</u>
	\$	\$
Cash on hand	<u>1</u>	<u>1</u>

At the end of reporting period, the carrying amounts of cash and cash equivalent approximate their fair value.

Cash and cash equivalents were denominated in the Singapore Dollar.

5 AMOUNT DUE FROM RELATED PARTIES

	<u>2016</u>	<u>2015</u>
	\$	\$
<u>Other receivables:</u>		
Amounts due from related parties (Note 12)	<u>41</u>	<u>8,483,054</u>

At the end of reporting period, the carrying amounts of other receivables approximate their fair value.

The amounts due from related company are non-trade, interest free and repayable on demand.

Other receivables are denominated in the following currencies:

	<u>2016</u>	<u>2015</u>
	\$	\$
Singapore Dollar	-	8,483,027
United States Dollar	<u>41</u>	<u>27</u>
	<u>41</u>	<u>8,483,054</u>

NOTES TO FINANCIAL STATEMENTS*for the financial year ended 31 March 2016***6 PLANT AND EQUIPMENT**

<u>COST</u>	<u>Aircraft</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>
As at 1 April 2014	50,755,521	50,755,521
Additions	-	-
As at 31 March 2015	50,755,521	50,755,521
Additions	-	-
As at 31 March 2016	50,755,521	50,755,521
 <u>ACCUMULATED DEPRECIATION / IMPAIRMENT LOSS</u>		
As at 1 April 2014	888,569	888,569
Depreciation charge for the year	7,207,284	7,207,284
Disposals	-	-
As at 31 March 2015	8,095,853	8,095,853
Depreciation charge for the year	7,227,030	7,227,030
Disposals	-	-
As at 31 March 2016	15,322,883	15,322,883
 <u>NET CARRYING AMOUNT</u>		
As at 31 March 2015	42,659,668	42,659,668
As at 31 March 2016	35,432,638	35,432,638

7 ACCRUALS AND OTHER PAYABLES

	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
<u>Other payables:</u>		
Accrued operating expenses	5,350	6,432
Advance lease rental	12	-
Amounts due to holding company (Note 12)	964	-
Amounts due to related party (Note 12)	30,367	-
	36,693	6,432

At the end of reporting period, the carrying amounts of trade and other payables approximate their fair value.

The amounts due to holding and related companies are non-trade, interest free and repayable on demand.

NOTES TO FINANCIAL STATEMENTS*for the financial year ended 31 March 2016***7 TRADE AND OTHER PAYABLES (Continued)**

Trade and other payables are denominated in the following currencies:

	2016	2015
	\$	\$
Singapore Dollar	31,732	6,432
United States Dollar	4,961	-
	<u>36,693</u>	<u>6,432</u>

8 DEFERRED TAX LIABILITIES

	2016	2015
	\$	\$
At beginning of financial year	1,238,749	-
Tax (credit) / expense to statement of comprehensive income (Note 11)	(1,238,749)	1,238,749
At end of financial year	<u>-</u>	<u>1,238,749</u>

9 SHARE CAPITAL

	2016		2015	
	No. of shares	Amount of shares	No. of shares	Amount of shares
<u>Ordinary shares with no par value issued and fully paid</u>		\$		\$
At beginning and end of financial year	<u>50,755,522</u>	<u>50,755,522</u>	<u>50,755,522</u>	<u>50,755,522</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company.

All ordinary shares carry one vote per share without restrictions.

10 (LOSS) / PROFIT BEFORE INCOME TAX

(Loss) / Profit before income tax has been arrived at after charging / (crediting):

	2016	2015
	\$	\$
Depreciation of plant and equipment	7,227,030	7,207,284
Provision for doubtful debts	8,500,644	-
Professional expenses	<u>12,624</u>	<u>-</u>

NOTES TO FINANCIAL STATEMENTS*for the financial year ended 31 March 2016***11 INCOME TAX EXPENSE**

The major components of income tax expense for the years ended 31 March 2016 and 2015 were:

	<u>2016</u>	<u>2015</u>
	\$	\$
Deferred tax (credit) / expense (Note 8)	(1,238,749)	1,238,749
Income tax (credit) / expense recognised in statement of comprehensive income	(1,238,749)	1,238,749

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 March 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Loss before income tax	(15,740,304)	349,623
Tax calculated at tax rate of 17% (2015: 17%)	(2,675,852)	59,436
Effects of:		
Expenses not deductible for tax purposes	2,673,705	1,225,238
Tax exemption and tax rebate	-	(45,925)
Deferred tax liabilities	(1,238,749)	-
Others	2,147	-
Tax (credit) / expense	(1,238,749)	1,238,749

12 RELATED PARTY TRANSACTIONS

Related parties consist of key management of the Company, subsidiaries of the Company and entities with common direct or indirect shareholder and/or director. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Company's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest free and repayable on demand unless otherwise stated.

Some of the group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest free and repayable on demand unless otherwise stated.

Related parties are entities with common direct or indirect shareholders and/or director. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

NOTES TO FINANCIAL STATEMENTS*for the financial year ended 31 March 2016***12 RELATED PARTY TRANSACTIONS (CONTINUED)**

A related party is defined as follows:

- 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) Has significant influence over the Company; or
 - iii) Is a member of the key management personnel of the Company or of 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 Company (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 Company of which the other entity is a member);
 - iii) The entity is controlled or jointly controlled by a person identified as a related person;
 - iv) A related person 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).
 - v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - vi) The entity is controlled or jointly controlled by a person identified in (a);
 - vii) A person identified in (a) (i) 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).

During the financial year, the Company entered into significant transactions with related parties in which certain director of the Company are also director and / or shareholder.

a) Amount due from/to related parties

As at 31 March 2016, amount due from/to related parties amounted to was as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
<u>Amount due from/(to) related party</u>		
Christos Aviation Limited (Note 5)	<u>41</u>	<u>27</u>
Punj Lloyd Pte Ltd	8,470,276	8,483,027
Less: Provision for doubtful debts	(8,500,643)	-
Total amount due (from)/to Punj Lloyd Pte Ltd (Note 7)	<u>(30,326)</u>	<u>8,483,054</u>
<u>Amount due to holding company</u>		
Punj Lloyd Infrastructure Pte Ltd (Note 7)	<u>(964)</u>	<u>-</u>

Outstanding balances at 31 March 2016, arising from the sale of goods and rendering of services to and for related parties, are set out in Note 5 and Note 7 respectively.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

13 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks from its operation. The key financial risks include credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk). The Board of Director reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The following sections provide details regarding the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks. There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

The Company has no significant concentration of credit risk. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Company. Cash and cash equivalents are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulties in meeting its shortterm obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Company's operations are financed mainly through equity. The director are satisfied that funds are available to finance the operations of the Company.

NOTES TO FINANCIAL STATEMENTS*for the financial year ended 31 March 2016***13 FINANCIAL RISK MANAGEMENT (Continued)****Financial risk factors (Continued)****Liquidity risk (Continued)**Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	2016		2015	
	Less than 1 year	Between 1 to 5 years	Less than 1 year	Between 1 to 5 years
	\$	\$	\$	\$
<u>Financial assets</u>				
Other receivables	41	-	8,483,054	-
Cash and cash equivalents	1	-	1	-
Total undiscounted financial assets	42	-	8,483,055	-
<u>Financial liabilities</u>				
Accruals and other payables	36,693	-	6,432	-
Total undiscounted financial liabilities	36,693	-	6,432	-
Total net undiscounted financial assets / (liabilities)	(36,651)		8,476,623	-

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their loan to holding company, cash and cash equivalents and bank borrowings. The Company does not expect any significant effect on the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

The sensitivity analysis for changes in interest rate is not disclosed as the effect on the statement of comprehensive income is considered not significant.

(ii) Foreign currency risk

As most of the Company's transactions are carried in Singapore dollars, its exposure to foreign exchange rate is minimal.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

14 FAIR VALUE OF ASSETS AND LIABILITIES

a) Fair value hierarchy

The Company categories fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can assess at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of the financial assets and financial liabilities at the reporting date with a maturity of less than one year are assumed to approximate their fair values due to the relatively short-term maturity of these financial instruments or that they are subject to floating or fixed interest rates which in turn approximate the current market interest rate for similar instruments at the date of the statement of financial position.

15 CAPITAL MANAGEMENT

The capital structure of the Company consists of debt, which includes the borrowings, cash and cash equivalents and equity comprising issued capital and retained earnings.

The Company's objectives when managing capital are

- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk

In order to maintain or achieve an optimal capital structure so as to maximise stakeholder value, the Company may make adjustments to the capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Company does not need to comply with any externally imposed capital requirements for the financial years ended 31 March 2016 and 2015. The Company's overall strategy to capital management remains unchanged from 2015. The Company will continue to be guided by prudent financial policies of which gearing is an important aspect.

NOTES TO FINANCIAL STATEMENTS*for the financial year ended 31 March 2016***15 CAPITAL MANAGEMENT (Continued)**

Disclosure on quantitative data about what the Company manages as capital, is based on information provided internally to key management personnel and is summarised as follows:

	2016	2015
	\$	\$
Accruals and other payables	36,693	6,432
(Less): Cash and cash equivalents	(1)	(1)
Net debt	<u>36,692</u>	<u>6,431</u>
Total equity	<u>35,395,987</u>	49,897,542
Total adjusted capital	<u>35,395,987</u>	<u>49,897,542</u>
Gearing ratio	<u>0.0010</u>	<u>0.0001</u>

Consistently with others in the industry, the Company may monitor capital on the basis of the debt-to-adjusted capital ratio (gearing ratio). This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises all components of equity (ie share capital and retained earnings), other than amounts accumulated in equity relating to cash flow hedges, and includes some forms of subordinated debt.

16 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Director of Punj Lloyd Aviation Pte. Ltd. on the same date as indicated on the director's statement.