PUNJ LLOYD ENGINEERS AND CONSTRUCTORS (ZAMBIA) LIMITED

Zambia

Financial statements

Year ended March 31, 2016

PUNJ LLOYD ENGINEERS AND CONSTRUCTORS (ZAMBIA) LIMITED, ZAMBIA

Financial statements for the year ended March 31, 2016

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شقة ٦٠٢ . الطابق رقم ٦
برج ظافير - شارع النجدة
ص.ب. ٢٥٨٣٦ . أبو ظبي . ا. ع. م

Tel: +971 2 679 9361
Fax: +971 2 679 9421
info@bdo.ae
www.bdo.ae

Suite 602, 6th Floor
Dhafir Tower, Najdah Street
P O Box 25836, Abu Dhabi, UAE

Independent auditors' report

To the Shareholders of Punj Lloyd Engineers and Constructors (Zambia) Limited, Zambia

Report on the financial statements

We have audited the accompanying financial statements of Punj Lloyd Engineers and Constructors (Zambia) Limited, Zambia ("the Company"), which comprise the statement of financial position as at March 31, 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards for Small and Medium-Sized Entities, 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 these financial statements, based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls 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 internal controls. 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 aforementioned financial statements present fairly, in all material respects, the financial position of Punj Lloyd Engineers and Constructors (Zambia) Limited, Zambia as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 to the financial statements, which describes the uncertainity relating to the continuance of the Company as a going concern. These financial statements are prepared under the going concern basis, which assumes that the Company will continue to operate as a going concern in the foreseeable future. The Company incurred a net loss of AED 2,667 for the year ended March 31, 2016. At the date of statement of financial position the Company's liabilities exceeded its total assets by ZMW 277,882. This can raise doubt about the ability of the Company to continue operations as a going concern. The continuance of the Company's operations is dependent on the introduction of sufficient funds by the shareholder and its future profitability.

The shareholder of the Company has confirmed that it will financially support the future operations of the Company in the foreseeable future.

Independent auditors' report (Continued)

Restriction on distribution and use

The financial statements are prepared only for the internal use of the management and for the purpose of consolidation at the group level. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the management and should not be distributed to or used by other parties.

R. Krishnan

BDO CHARTERED ACCOUNTANTS & ADVISORS
R. Krishnan
Reg. No. 89
Abu Dhabi
May 17, 2016

P.O.Box: 25836
Abu Dhabi
U.A.E.
BDO CHARTERED ACCOUNTANTS & ADVISORS

PUNJ LLOYD ENGINEERS AND CONSTRUCTORS (ZAMBIA) LIMITED, ZAMBIA

Statement of financial position at March 31, 2016

	Note	ZMW	2015 ZMW
Current assets			
Bank balances	6	83,676	78,841
Total current assets		83,676	78,841
Current liabilities			
Other payables		21,643	19,090
Due to related party	5	339,915	334,966
Total current liabilities		361,558	354,056
Net current liabilities		(277,882)	(275,215)
Equity			
Share capital		5,000	5,000
Accumulated deficit		(282,882)	(280,215)
		(277,882)	(275,215)

These financial statements were approved by the Head Office on May 17, 2016 and are signed on its behalf by:

Shantanu Karkun
Director

The notes on pages 7 to 16 form part of these financial statements

PUNJ LLOYD ENGINEERS AND CONSTRUCTORS (ZAMBIA) LIMITED, ZAMBIA

Statement of comprehensive income for the year ended March 31, 2016

	Note	ZMW	2015 ZMW
Other income		17,508	4,673
Administrative and general expenses	7	(20,175)	(32,633)
Loss for the year		(2,667)	(27,960)
Total comprehensive income for the year		(2,667)	(27,960)

The notes on pages 7 to 16 form part of these financial statements

PUNJ LLOYD ENGINEERS AND CONSTRUCTORS (ZAMBIA) LIMITED, ZAMBIA

Statement of changes in equity for the year ended March 31, 2016

	Share capital	Accumulated deficit	Total equity
	ZMW	ZMW	ZMW
Balance at April 01, 2014	-	(252,255)	(252,255)
Capital introduced during the year	5,000	-	5,000
Total comprehensive income for the year	-	(27,960)	(27,960)
Balance at March 31, 2015	5,000	(280,215)	(275,215)
Total comprehensive income for the year	-	(2,667)	(2,667)
Balance at March 31, 2016	5,000	(282,882)	(277,882)

The notes on pages 7 to 16 form part of these financial statements

PUNJ LLOYD ENGINEERS AND CONSTRUCTORS (ZAMBIA) LIMITED, ZAMBIA

Statement of cash flows for the year ended March 31, 2016

	Note	ZMW	2015 ZMW
Cash flows from operating activities			
Net loss for the year		(2,667)	(27,960)
Increase in other payables		2,553	16,557
Increase in due to related party	5	4,949	9,151
Net cash from (used in) operating activities		4,835	(2,252)
Cash flows from financing activities			
Capital introduced		-	5,000
Net cash from financing activities		-	5,000
Net increase in cash and cash equivalents		4,835	2,748
Cash and cash equivalents at beginning of year		78,841	76,093
Cash and cash equivalents at end of year	6	83,676	78,841

The notes on pages 7 to 16 form part of these financial statements

1. Status and activity

Punj Lloyd Engineers and Constructors (Zambia) Limited ("the Company") is a private company limited by shares registered at Lusaka, Zambia. The principal place of business of the Company is located at 9th Floor, Premium House, Independence Avenue, PO Box 36040, Lusaka, Zambia.

The ultimate parent company is Punj Lloyd Limited, India.

The principal activities of the Company are road construction and related activities. The Company was incorporated with a nominal capital of ZMW 5,000 divided into 5,000 shares of ZMW 1 each.

These financial statements for the year ended March 31, 2016 were authorised for issue by the Director on May 17, 2016.

These financial statements are presented in Zambian Kwacha ("ZMW") which is the functional currency of the Company.

2. Going concern considerations

These financial statements are prepared under the going concern basis, which assumes that the Company will continue to operate as a going concern in the foreseeable future. The Company incurred a net loss of AED 2,667 for the year ended March 31, 2016. At the date of statement of financial position the Company's liabilities exceeded its total assets by AED 277,882. This can raise doubt about the ability of the Company to continue operations as a going concern. The continuance of the Company's operations is dependent on the introduction of sufficient funds by the shareholder and its future profitability.

The shareholders of the Company has confirmed that it will financially support the future operations of the Company in the foreseeable future.

3. Adoption of new and revised standards

New standards, interpretations and amendments effective from April 1, 2015

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- *IAS 19 'Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)'* **(Effective for annual periods beginning on or after July 1, 2014):**

  This amends IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient treatment if the amount of the contributions is independent of the number of years of service, in that contribution can, but are not required, to be recognized as a reduction in the service cost in the period in which the related service is rendered.

  These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after July 1, 2014.

3. Adoption of new and revised standards (Continued)

- Annual Improvements to IFRSs 2010-2012 Cycle (Effective for annual periods beginning on or after July 1, 2014):

  IFRS 13 *Fair Value Measurements*

  This improvement clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only). The amendment has not impacted the Branch's financial position or performance on adoption.

  IAS 16 *'Property, Plant and Equipment'* and IAS 38 *'Intangible Assets'*

  The improvement clarifies that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount. The amendment has not impacted the Company's financial position or performance on adoption.

  IAS 24 *Related Party Disclosures*

  The improvement clarifies how payments to entities providing management services are to be disclosed. The amendment has no impact on the Company's financial position or performance on adoption.

- *Annual Improvements to IFRSs 2011-2013 Cycle* (Effective for annual periods beginning on or after July 1, 2014):

  IFRS 13 *Fair Value Measurements*

  This improvement clarifies the scope of the portfolio exception in paragraph 52. The amendment has not impacted on the Company's financial position or performance on adoption.

New standards, interpretations and amendments not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective for annual periods beginning on or after April 1, 2015:

- *IFRS 9 'Financial instruments'*

  IFRS 9 (2009) standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  IFRS 9 (2010) incorporated the revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss - in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

3. Adoption of new and revised standards (Continued)

IFRS 9 (2013) incorporated the revised requirements in a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. It also permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss. This revised version also removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalisation of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application.

IFRS 9 'Financial instruments (2014)' is a finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements for applying to the measurement of an entity's own credit risk.

Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 (2014) was issued on July 24, 2014 and supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before February 1, 2015.

The Company is yet to determine whether it shall adopt IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), or adopt IFRS 9 (2014) at a later date. Accordingly, the Company is yet to assess the full impact on adoption of IFRS 9.

3. Adoption of new and revised standards (Continued)

- *IFRS 15 'Revenue from Contracts with Customers'* (Effective for annual periods beginning on or after January 1, 2018):

  IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

  The five steps in the model are as follows:

  - Identify the contract with the customer;
  - Identify the performance obligations in the contract;
  - Determine the transaction price;
  - Allocate the transaction price to the performance obligations in the contracts;
  - Recognise revenue when (or as) the entity satisfies a performance obligation.

  Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

  The Company is yet to assess IFRS 15's full impact and intends to adopt IFRS 15 no earlier than the accounting period beginning on or after January 1, 2018.

- *IAS 1 Presentation of Financial Statements* **(Effective for annual periods beginning on or after January 1, 2016):**

  The following narrow-scope amendments have been made to IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgments in presenting their financial reports:

  Materiality and aggregation: clarifies that an entity should not obscure useful information by aggregating or disaggregating information; and that materiality considerations apply to the primary statements, notes and any specific disclosure requirements in IFRSs, i.e. disclosures specifically required by IFRSs need to be provided only if the information is material.

  Statement of financial position and statement of profit or loss and other comprehensive income: clarifies that the list of line items specified by IAS 1 for these statements can be disaggregated and aggregated as relevant. Additional guidance has been added on the presentation of subtotals in these statements.

  Presentation of items of other comprehensive income ("OCI"): clarifies that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

  Notes: clarifies that entities have flexibility when designing the structure of the notes and provides guidance on how to determine a systematic order of the notes. Also, unhelpful examples regarding the identification of significant accounting policy have been removed.

  The Company is yet to assess the full impact of these amendments on its financial statements.

3. Adoption of new and revised standards (Continued)

- *IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)'* (Effective for annual periods beginning on or after January 1, 2016):

  This amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

  - clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment;
  - introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated;
  - add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

  These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after January 1, 2016.

- *Annual Improvements to IFRSs 2012-2014 Cycle* (Effective for annual periods beginning on or after July 1, 2016):

  IFRS 7 *Financial Instruments: Disclosures*

  This improvement provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements. The annual improvement has not impacted the Company's financial position or performance on adoption.

  IAS 19 *Employee Benefits*

  This improvement clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The amendment has no impact on the Company's financial position or performance on adoption

4. Significant accounting policies

These financial statements are prepared under the historical cost convention and in accordance with the International Financial Reporting Standards.

The significant accounting policies adopted are as follows:

Financial assets

All financial assets are recognised and derecognised on trade date and are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss account, which are initially measured at fair value. The financial assets consist of bank balances. Bank balances comprises of cash held on bank current accounts. Any interest earned is accrued monthly and classified as interest income.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss account, held to maturity investments, loans and receivables and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

- Financial assets are classified as fair value through profit or loss account when the financial asset is either a held for trading investment or it is designated as fair value through profit or loss account. A financial asset is classified as held for trading if, it has been acquired principally for the purpose of selling it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument. The Company has not designated any of the financial asset as fair value through profit or loss.
- Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. The Company has not classified any of the financial asset as held to maturity investment.
- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. The Company has not classified any of the financial asset as held as available-for-sale.

Impairments

The carrying amounts of the Company's assets are reviewed annually at each date of the statement of financial position to determine whether the assets have been impaired during the year. Where an asset has been impaired, the recoverable amount of the asset is determined. Where the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount. The resultant impairment loss is recognised as an expense in the statement of comprehensive income.

Provisions

Provisions are recognised in the statement of financial position when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4. Significant accounting policies (Continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss account or other financial liabilities. The Company's financial liabilities consist of other payables and due to related party. Financial liabilities are initially measured at fair value. The subsequent measurement is at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Foreign currencies

Transactions in foreign currencies during the year are converted into ZMW at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated to ZMW at the rates of exchange ruling at the date of the statement of financial position. All gains and losses on exchange are taken to the statement of comprehensive income.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise of bank balances.

5. Related party

Related parties include the ultimate parent company, the shareholders, key management personnel, associates, joint ventures and any businesses which are controlled directly or indirectly by the Company or over which they exercise significant management influence. The balances due to such parties, which have been disclosed separately in the financial statements, are unsecured, interest-free and are repayable on demand.

Related party balances are as under:

		2015
	ZMW	ZMW
Payables:		
- Punj Lloyd Limited, Dubai Branch	339,915	334,966

6. Bank balances

		2015
	ZMW	ZMW
Bank current accounts	83,676	78,841
Cash and cash equivalents	83,676	78,841

The carrying amount of these assets approximates to their fair value.

7. Administrative and general expenses

		2015
	ZMW	ZMW
Fees and taxes	-	14,151
Professional fees	19,109	16,556
Bank charges	1,066	1,926
	20,175	32,633

8. Financial instruments - risk management

Capital risk management

The Company intends to manage capital in a way that it is able to continue as a going concern while maximising returns to Shareholders.

The capital structure of the Company consists of cash and cash equivalents and issued share capital.

As a risk management policy, the Company reviews its cost of capital and risks associated with capital and risks associated with Capital. The Company balances its capital structure based on the above review.

Market risk management

The Company is primarily exposed to the financial risks of changes in foreign currency exchange rates (currency risk).

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.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuation arise. The Company is mainly exposed to US Dollars ("USD"). The following table details the Company's sensitivity to a 10 percent increase or decrease in the ZMW against the relevant foreign currency.

		2015
	ZMW	ZMW
Profit or loss	48,859	32,031

Credit risk management

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company is potentially exposed to concentration of credit risk from its financial assets which comprise principally bank balances. The Company's bank accounts are placed with high credit quality financial institutions.

8. Financial instruments - risk management (Continued)

Currency risk

The Company had following liabilities and assets denominated in foreign currencies at the date of the statement of financial position:

	2016		2015	
Foreign currency liabilities	Foreign currency Amount	ZMW equivalents	Foreign currency Amount	ZMW equivalents
US Dollars	45,633	508,081	43,917	334,966

	2016		2015	
Foreign currency assets	Foreign currency Amount	ZMW equivalents	Foreign currency Amount	ZMW equivalents
US Dollars	1,751	19,496	1,901	14,661

Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company has built an appropriate liquidity risk management framework for the management of its short, medium and long term funding and liquidity requirements. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows.

Financial instruments by category

The carrying amounts for each class of financial instruments are listed below:

		2015
	ZMW	ZMW
Financial assets		
- Bank balances	**83,676**	78,841
Financial liabilities		
- Other payables	**21,643**	19,090
- Due to related party	**339,915**	334,966

9. Comparative figures

Previous year's figures have been regrouped or reclassified wherever necessary to make them comparable to those of the current year. These reclassifications are immaterial.