# PUNJ LLOYD ENGINEERS AND CONSTRUCTORS (ZAMBIA) LIMITED

Zambia

Financial statements

Year ended March 31, 2015

PUNJ LLOYD ENGINEERS AND CONSTRUCTORS (ZAMBIA) LIMITED, ZAMBIA

Financial statements for the year ended March 31, 2015

---

Contents

## 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, 2015, 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*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*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, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report on other legal and regulatory requirements

In our opinion, the Company maintains proper books of account and the accompanying financial statements are in agreement therewith.

### 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.

BDO Chartered Accountants & Advisors
R. Krishnan
Reg. No. 89

Abu Dhabi
April 23, 2015

PUNJ LLOYD ENGINEERS AND CONSTRUCTORS (ZAMBIA) LIMITED, ZAMBIA

Statement of financial position at March 31, 2015

| | Note | | 2014 |
|---|---|---|---|
| | | ZMW | ZMW |
| **Current assets** | | | |
| Bank balances | 5 | 78,841 | 76,093 |
| Total current assets | | 78,841 | 76,093 |
| **Current liabilities** | | | |
| Other payables | | 19,090 | 2,533 |
| Due to related party | 4 | 334,966 | 325,815 |
| Total current liabilities | | 354,056 | 328,348 |
| Net current liabilities | | (275,215) | (252,255) |
| **Equity** | | | |
| Share capital | | 5,000 | - |
| Accumulated deficit | | (280,215) | (252,255) |
| | | (275,215) | (252,255) |

These financial statements were approved by the Head Office on April 23, 2015 and are signed on its behalf by:

Shantanu Karkun
Director

PUNJ LLOYD ENGINEERS AND CONSTRUCTORS (ZAMBIA) LIMITED, ZAMBIA

## Statement of comprehensive income for the year ended March 31, 2015

| | | | 2014 |
|---|---|---|---|
| | Note | ZMW | ZMW |
| Other income | | 4,673 | - |
| Administration and general expenses | 6 | (32,633) | (97,155) |
| Loss for the year | | (27,960) | (97,155) |
| Total comprehensive income for the year | | (27,960) | (97,155) |

The notes on pages 6 to 13 form part of these financial statements

## Statement of changes in equity for the year ended March 31, 2015

| | Share capital | Accumulated deficit | Total equity |
|---|---|---|---|
| | ZMW | ZMW | ZMW |
| **Balance at April 1, 2013 (Unaudited)** | - | (155,100) | (155,100) |
| Total comprehensive income for the year | - | (97,155) | (97,155) |
| **Balance at March 31, 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) |

The notes on pages 6 to 13 form part of these financial statements

## PUNJ LLOYD ENGINEERS AND CONSTRUCTORS (ZAMBIA) LIMITED, ZAMBIA

### Statement of cash flows for the year ended March 31, 2015

| | | | 2014 |
|---|---|---|---|
| | Note | ZMW | ZMW |
| **Cash flows from operating activities** | | | |
| Net loss for the year | | **(27,960)** | (97,155) |
| Decrease in advance | | - | 9,000 |
| Increase in other payables | | **16,557** | 2,533 |
| Increase in due to related party | 4 | **9,151** | 161,715 |
| ***Net cash (used in) from operating activities*** | | **(2,252)** | 76,093 |
| **Cash flows from financing activities** | | | |
| Capital introduced | | **5,000** | - |
| ***Net cash from financing activities*** | | **5,000** | - |
| ***Net increase in cash and cash equivalents*** | | **2,748** | 76,093 |
| Cash and cash equivalents at beginning of year | | **76,093** | - |
| **Cash and cash equivalents at end of year** | 5 | **78,841** | 76,093 |

The notes on pages 6 to 13 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 are presented in Zambian Kwacha ("ZMW").

## 2. Adoption of new and revised standards

*New standards, interpretations and amendments effective from January 1, 2014*

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 32 Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after January 1, 2014)**

The amendment to IAS 32 Financial Instruments: Presentation clarifies certain aspects because of diversity in application of the requirements on offsetting, focusing on the following aspects:

- the meaning of 'currently has a legally enforceable right of set-off';

- the application of simultaneous realisation and settlement;

- the offsetting of collateral amounts;

- the unit of account for applying the offsetting requirements.

- **IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Effective for annual periods beginning on or after January 1, 2014)**

The amendment to IAS 36 Impairment reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

2. Adoption of new and revised standards *(Continued)*

*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, 2014:

- **IFRS 9 'Financial instruments (2009)'**

The 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 as 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 'Financial instruments (2010)'**

A revised version of IFRS 9 incorporates 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.

- **IFRS 9 'Financial instruments (2013)' (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)**

A revised version of IFRS 9 incorporates revised requirements 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 at 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.

The 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.

## 2. Adoption of new and revised standards *(Continued)*

- **IFRS 9 'Financial instruments (2014)'**

  This 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 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 this version of the standard remains available for application if the relevant date of initial application is before February 1, 2015.

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

  The annual improvements have not impacted the Company's financial position or performance on adoption.

  ***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).

  ***IAS 24 Related Party Disclosures***

  The improvement clarifies how payments to entities providing management services are to be disclosed.

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

  The annual improvements have not impacted the Company's financial position or performance on adoption.

  ***IFRS 13 Fair Value Measurements***

  This improvement clarifies the scope of the portfolio exception in paragraph 52.

## 2. Adoption of new and revised standards *(Continued)*

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

  The annual improvements have not impacted the Company's financial position or performance on adoption.

  *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.

## 3. Significant accounting policies

These financial statements are prepared under the historical cost convention and in accordance with 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 or on short-term deposits at variable interest rates. 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 when the financial asset is either a held for trading investment or it is designated as fair value through profit or loss. 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.

- 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.

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment.

- 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.

## 3. Significant accounting policies (Continued)

*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.

*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.

## 4. 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:

| | | 2014 |
|---|---|---|
| | ZMW | ZMW |
| **Payables:** | | |
| - Punj Lloyd Limited, Dubai Branch | **334,966** | 325,815 |

## 5. Bank balances

| | | 2014 |
|---|---|---|
| | ZMW | ZMW |
| Bank current accounts | **78,841** | 76,093 |
| **Cash and cash equivalents** | **78,841** | 76,093 |

## 6. Administration and general expenses

| | | 2014 |
|---|---|---|
| | AED | AED |
| Travelling | - | 10,950 |
| Fees and taxes | **14,151** | 50,135 |
| Professional fees | **16,556** | 20,000 |
| Printing and stationery | - | 2,384 |
| Utilities | - | 5,470 |
| Bank charges | **1,926** | 2,811 |
| Other | - | 5,405 |
| | **32,633** | 97,155 |

## 7. Financial instruments - risk management

### Capital risk management

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

### 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.

7. Financial instruments - risk management (Continued)

| | | 2014 |
|---|---|---|
| | ZMW | ZMW |
| Profit or loss | 32,031 | 31,390 |
| | 32,031 | 31,390 |

### 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.

### Currency risk

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

| Foreign currency liabilities | Foreign currency Amount | ZMW equivalents |
|---|---|---|
| US Dollars | 43,917 | 334,966 |
| | | 334,966 |

| Foreign currency assets | Foreign currency Amount | ZMW equivalents |
|---|---|---|
| US Dollars | 1,901 | 14,661 |
| | | 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.

## 7. Financial instruments - risk management (Continued)

### Financial instruments by category

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

| | | 2014 |
|---|---|---|
| | ZMW | ZMW |
| *Financial assets* | | |
| - Bank balances | **78,841** | 76,093 |
| *Financial liabilities* | | |
| - Other payables | **19,090** | 2,534 |
| - Due to related party | **334,966** | 325,815 |

## 8. 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.