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Punj Lloyd

Punj Lloyd Kenya Limited
Financial Statements
for the year ended March 31, 2015

Corporate Information

Country of incorporation and domicile	Kenya
Date of incorporation	March 02, 2011
Directors	Atul Punj Rakesh Kumar Grover
Banker	Fidelity Commercial Bank Limited Westlands Branch P.O. Box 66092-00800 Nairobi
Registered office	Kalamu House,Waiyaki Way Westlands P.O. Box 47323 -00100 Nairobi
Auditor	Grant Thornton Certified Public Accountants (K) 5th Floor, Avocado Towers Muthithi Road, Westlands P.O. Box 46986-00100 Nairobi
Secretary	Mutual Registrars Associates Certified Public Secretaries (K) P.O. Box 45669-00100 Nairobi
Tax reference number	P 051351907Q
Company registration number	CPR/2011/42076

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The reports and statements set out below comprise the financial statements:

Directors' Report

The directors submit their report for the year ended March 31, 2015.

1. Review of activities

Main business and operations

The company is engaged in business of infrastructure development, builders and contractors for construction works of any kind and operates principally in Kenya.

The operating results and state of affairs of the company are fully set out in the attached financial statements.

The net loss of the company after taxation was K Sh 928,813 (2014: K Sh 6,662,183 loss).

2. Dividends

No dividends were declared or paid to shareholders during the year.

3. Directors

The directors of the company during the year and to the date of this report are as follows:
Atul Punj
Rakesh Kumar Grover

4. Auditor

The Auditor Messrs Grant Thornton, Certified Public Accountants (K) have indicated their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap 486).

MUTUAL REGISTRARS ASSOCIATES
COMPANY SECRETARY

Mutual Registrars Associates
Certified Public Secretaries (K)
April 06, 2015

Statement of Directors' Responsibilities on the Financial Statements

The directors are required in terms of the Kenyan Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. They are also responsible for safeguarding the assets of the company. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, appropriate standards for internal control aimed at reducing the risk of error or loss in a cost effective manner have been set. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the financial statements. They are, also, of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results as at March 31, 2015. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to March 31, 2016 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 5 to 6.The financial statements set out on pages 7 to 18, which have been prepared on the going concern basis, were approved by the board on April 06, 2015 and were signed on its behalf by:

Director

Monday, April 06, 2015

Director

Independent Auditors' Report

To the members of Punj Lloyd Kenya Limited

Report on the Financial Statements

We have audited the financial statements of Punj Lloyd Kenya Limited, which comprise the statement of financial position as at March 31, 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 18.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control 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

Auditors' responsibility is to express an opinion on financial statements. We conducted our audit in accordance with International 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 auditors' 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.

Independent Auditors' Report (continued)

Opinion

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Punj Lloyd Kenya Limited 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, and in the manner required by the Kenyan Companies Act.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the financial statements which indicate that the company had accumulated losses of K Sh (19,604,217) as at March 31, 2015 and, as at that date, the company's total liabilities exceeded its total assets by K Sh (19,594,217). The financial statements also indicate that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion proper books of accounts have been kept by the company, so far as appears from our examination of those books;

c) The company's statement of financial position is in agreement with the books of accounts.

Grant Thornton

Grant Thornton
Certified Public Accountants

14TH MAY 2015

Grant Thornton
Certified Public Accountants (K)
Nairobi
April 06, 2015

Statement of Comprehensive Income

Figures in Kenyan Shillings	Notes	2015	2014
Revenue	2	7,049,631	38,266,898
Other income		10,312,895	-
Operating expenses	3	(18,291,339)	(44,929,081)
Operating loss		**(928,813)**	**(6,662,183)**
Loss for the year		**(928,813)**	**(6,662,183)**

The accounting policies on pages 11 to 14 and the notes on pages 15 to 18 form an integral part of the financial statements.

Statement of Financial Position

Figures in Kenyan Shillings	Notes	2015	2014
Assets			
Non-Current Assets			
Property, plant and equipment	6	483,508	862,409
Current Assets			
Trade and other receivables	7	989,304	2,113,520
Cash and cash equivalents	8	374,291	878,546
		1,363,595	**2,992,066**
Total Assets		**1,847,103**	**3,854,475**
Equity and Liabilities			
Equity			
Share capital	9	10,000	10,000
Retained income (Statement of Changes in Equity)		(19,604,217)	(18,675,404)
		(19,594,217)	**(18,665,404)**
Liabilities			
Current Liabilities			
Trade and other payables	11	10,461,953	8,924,969
Related party payable	10	10,979,367	13,594,910
		21,441,320	**22,519,879**
Total Equity and Liabilities		**1,847,103**	**3,854,475**

The report, financial statements and the notes on pages 3 to 18, were approved by the board on the April 06, 2015 and were signed on its behalf by:

Director

Director

The accounting policies on pages 11 to 14 and the notes on pages 15 to 18 form an integral part of the financial statements.

Statement of Changes in Equity

Figures in Kenyan Shillings	Share capital	Retained income	Total equity
Balance at April 01, 2013	**10,000**	**(12,013,221)**	**(12,003,221)**
Changes in equity			
Total comprehensive loss for the year	-	(6,662,183)	(6,662,183)
Total changes	-	(6,662,183)	(6,662,183)
Balance at March 31, 2014	**10,000**	**(18,675,404)**	**(18,665,404)**
Balance at April 01, 2014	**10,000**	**(18,675,404)**	**(18,665,404)**
Changes in equity			
Total comprehensive loss for the year	-	(928,813)	(928,813)
Total changes	-	(928,813)	(928,813)
Balance at March 31, 2015	**10,000**	**(19,604,217)**	**(19,594,217)**
Notes	9		

The accounting policies on pages 11 to 14 and the notes on pages 15 to 18 form an integral part of the financial statements.

Statement of Cash Flows

Figures in Kenyan Shillings	Notes	2015	2014
Cash flows from operating activities			
Cash generated from operations	12	2,111,288	(5,529,692)
Cash flows from investing activities			
Cash flows from financing activities			
Movement in related party		(2,615,543)	2,728,324
Total cash movement for the year		**(504,255)**	**(2,801,368)**
Cash at the beginning of the year		878,546	3,679,914
Total cash at end of the year	8	**374,291**	**878,546**

The accounting policies on pages 11 to 14 and the notes on pages 15 to 18 form an integral part of the financial statements.

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Kenyan Companies Act. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Kenyan Shillings.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The depreciation chart of items of property, plant and equipment have been assessed as follows:

Asset class	**Rate per annum(%)**
Furniture and fixtures	12.5
Motor vehicles	25
Office equipment	12.5
Computers and peripherals	30

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

1.2 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through profit or loss
- Loans and receivables
- Financial liabilities at fair value through profit or loss

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Accounting Policies

1.2 Financial instruments (continued)

Trade and other receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for the doubtful receivables on a review of all outstanding amounts at the period-end. Bad debts are written off in the period in which they are identified.

Trade and other payables

Trade payables are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.3 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.4 Employee benefits

Retirement benefits costs

The company contributes to the statutory National Social Security Fund. This fund is a defined contribution scheme registered under the National Social Security Fund Act. The company's obligations under this scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of K Sh 200 per employee per month.

The company's obligations to the schemes are recognized in the statement of comprehensive income.

1.5 Provisions and contingencies

Provisions are recognised when:
- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Accounting Policies

1.6 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

1.7 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Kenyan Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

1.8 Financial and Business Risk Management

The company risk limits are regularly assessed to ensure alignment with the company's objectives and prevalent market conditions. The directors are closely involved in ensuring that a variety of techniques are used to assess and manage said risks.

- **Currency risk:-**
  The company is exposed to risk through transactions in foreign currencies. The company's exposures give rise to foreign currency gains and losses that are recognized in the Statement of Comprehensive Income. The company ensures that its net exposure is kept to an acceptable level by careful monitoring of exchange rates and currency hedging.

Accounting Policies

1.8 Financial and Business Risk Management (continued)

- **Interest rate risk:-**
  The company's policy is to manage its interest costs by relying primarily on shareholders' funds and borrowings. Any borrowings are negotiated on the basis of a fixed rate of interest.

1.9 Critical accounting estimates and judgements

In the process of applying the company's accounting policies, the management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

- **Critical judgment's in applying the company's accounting policies:**
  The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as when identified.

- **Key sources of estimation uncertainty:**
  The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that has a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year:

  Property, plant and equipment:
  Critical estimates are made by the directors in determining the depreciation rates on property, plant and equipment.

Notes to the Financial Statements

Figures in Kenyan Shillings	2015	2014
2. Revenue		
Rendering of services	7,049,631	38,266,898
3. Operating expenses		
The following items are included within operating expenses:		
Staff costs (Note 4)	15,100,847	40,012,938
Auditors remuneration	160,820	321,640
Bank charges	12,783	-
Professional fees	200,729	267,458
General expenses	354,565	-
Seminar expenses	-	10,100
Fines and penalties	-	216,281
Insurance	28,412	41,601
Motor vehicle expenses	819,493	63,050
Printing and stationery	1,700	-
Repairs and maintenance	138,220	120,930
Secretarial fees	20,600	42,500
Security	11,400	-
Telephone and postage	97,697	69,457
Travel - overseas	800,572	3,281,295
Water and electricity	16,660	-
Depreciation	378,901	378,901
Realised exchange differences	147,940	102,930
	18,291,339	**44,929,081**
4. Staff costs		
Total employee costs		
Indirect employee costs	15,100,847	40,012,938

The following items are included within employee benefits expense:

	2015	2014
Indirect employee costs		
Salaries and wages	15,006,735	39,709,097
Medical expenses	-	9,000
Staff Welfare	71,483	26,612
Visa and work permits charges	22,629	256,429
Staff training - DIT levy	-	11,800
	15,100,847	**40,012,938**

Notes to the Financial Statements

Figures in Kenyan Shillings	2015	2014

5. Taxation expense

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2015	2014
Accounting loss	(928,813)	(6,662,183)
Tax at the applicable tax rate of 30% (2014: 30%)	(278,644)	(1,998,655)
Tax effect of adjustments on taxable income		
Expenses not deductible for tax purposes	-	2,063,844
	(278,644)	**65,189**

6. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	479,865	(175,416)	304,449	479,865	(115,433)	364,432
Motor vehicles	1,000,000	(858,219)	141,781	1,000,000	(608,219)	391,781
Computers and peripherals	264,250	(226,972)	37,278	264,250	(158,054)	106,196
Total	**1,744,115**	**(1,260,607)**	**483,508**	**1,744,115**	**(881,706)**	**862,409**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Depreciation	Total
Furniture and fixtures	364,432	(59,983)	304,449
Motor vehicles	391,781	(250,000)	141,781
Computers and peripherals	106,196	(68,918)	37,278
	862,409	**(378,901)**	**483,508**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Depreciation	Total
Furniture and fixtures	424,415	(59,983)	364,432
Motor vehicles	641,781	(250,000)	391,781
Computers and peripherals	175,114	(68,918)	106,196
	1,241,310	**(378,901)**	**862,409**

Notes to the Financial Statements

Figures in Kenyan Shillings	2015	2014
7. Trade and other receivables		
Trade receivables	770,127	1,668,752
Other receivables	219,177	444,768
	989,304	**2,113,520**
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	-	1,999
Bank balances	374,291	876,547
	374,291	**878,546**
9. Share capital		
Authorised		
1,000 Ordinary shares of K Sh 100/= each	100,000	100,000
Issued		
100 Ordinary shares of K Sh 100/= each	10,000	10,000
10. Related party		
Due to related parties		
PLL - New Delhi	-	9,415,420
PLPL - Singapore	6,691,011	4,179,490
Punj Lloyd Ltd Abu Dhabi	508,882	-
Punj Lloyd Ltd Falcon Project -U.A.E	3,779,474	-
	10,979,367	**13,594,910**
11. Trade and other payables		
Trade payables	7,933,030	6,910,095
Other payables	2,528,923	2,014,874
	10,461,953	**8,924,969**
12. Cash generated from operations		
Loss before taxation	(928,813)	(6,662,183)
Adjustments for:		
Depreciation and amortisation	378,901	378,901
Changes in working capital:		
Trade and other receivables	1,124,216	1,277,915
Trade and other payables	1,536,984	(524,325)
	2,111,288	**(5,529,692)**

Notes to the Financial Statements

Figures in Kenyan Shillings	2015	2014

13. Risk management

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

At March 31, 2015	Less than 1 year	Between 1 and 3 years	Over 3 years	Total
Trade and other payables	10,461,953	-	-	10,461,953
	10,461,953	-	-	10,461,953

At March 31, 2014	Less than 1 year	Between 1 and 3 years	Over 3 years	Total
Trade and other payables	8,924,969	-	-	8,924,969
	8,924,969	-	-	8,924,969

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.

Financial assets exposed to credit risk at year end were as follows:

	2015	2014
Trade and other receivables	989,304	2,113,520
Total	989,304	2,113,520

14. Fair value

The directors consider that there is no material difference between the fair value and carrying value of the companys' financial assets and liabilities where fair value details have not been presented.

15. Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.