



**PUNJ LLOYD OIL & GAS (MALAYSIA)
SDN. BHD.
(778980-H)
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements
31 March 2016**

778980-H

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

Contents	Page
Directors' report	1 - 4
Statement by directors	5
Statutory declaration	5
Independent auditors' report	6 - 8
Statements of comprehensive income	9
Statements of financial position	10 - 11
Statements of changes in equity	12
Statements of cash flows	13 - 14
Notes to the financial statements	15 - 52

778980-H

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

Directors' report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2016.

Principal activity

The principal activity of the Company is the construction of pipeline. The principal activity of its wholly owned subsidiary is as set out in Note 10 to the financial statements.

There has been no significant change in the nature of the principal activity during the financial year.

Results

	Group RM	Company RM
(Loss)/profit net of tax	<u>(32,309,186)</u>	<u>5,850,773</u>

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Atul Punj
Nor Hishammuddin Bin Mohd Nordin
Praveen Kumar Chand Kaushik
Atul Kumar Jain

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 19 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interest of directors in office at the end of the financial year in shares in the Company and its related corporations during the year were as follows:

	No. of ordinary shares of RM1 each			31.3.2016
	1.4.2015	Acquired	Sold	
Direct Interest:				
Ordinary shares of the Company				
Nor Hishammuddin Bin Mohd Nordin	225,000	-	-	225,000

	No. of ordinary shares of Indian Rupees 2 each			31.3.2016
	1.4.2015	Acquired	Sold	
Direct Interest:				
Ordinary shares of the ultimate holding company				
Atul Punj	1,431,360	-	-	1,431,360

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or make any provision for doubtful debts in the financial statements of the Group and of the Company; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

Other statutory information (contd.)

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 May 2016.



Praveen Kumar Chand Kaushik



Nor Hishammuddin Bin Mohd Nordin

778980-H

Punj Lloyd Oil Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Statement by directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Praveen Kumar Chand Kaushik and Nor Hishammuddin Bin Mohd Nordin, being two of the directors of Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 52 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2016 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 May 2016.

Praveen Kumar Chand Kaushik

Nor Hishammuddin Bin Mohd Nordin

Statutory declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Praveen Kumar Chand Kaushik, being the director primarily responsible for the financial management of Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 52 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Praveen Kumar Chand Kaushik
at Petaling Jaya in Selangor
on 18 May 2016

Praveen Kumar Chand Kaushik

Before me,

778980-H

**Independent auditors' report to the members of
Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd., which comprise statements of financial position as at 31 March 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 52.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine 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 approved standards on auditing in Malaysia. 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 our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 the accounting policies used and the reasonableness of accounting estimates made by the directors, 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.

778980-H

**Independent auditors' report to the members of
Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd. (contd.)
(Incorporated in Malaysia)**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 ("Act") in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

778980-H

**Independent auditors' report to the members of
Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd. (contd.)
(Incorporated in Malaysia)**

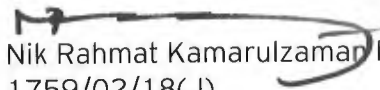
Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
18 May 2016



Nik Rahmat Kamarulzaman Bin Nik Ab. Rahman
1759/02/18(J)
Chartered Accountant

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 March 2016

	Note	Group		Company	
		2016	2015	2016	2015
		RM	RM	RM	RM
Contract revenue	3	63,973,944	72,522,446	53,724,965	71,640,536
Contract cost	4	(52,631,250)	(135,369,372)	(47,720,138)	(136,547,979)
Gross profit/(loss)		<u>11,342,694</u>	<u>(62,846,926)</u>	<u>6,004,827</u>	<u>(64,907,443)</u>
Other items of income					
Other income		6,886,487	5,871,638	5,885,564	2,706,101
Other items of expense					
Administrative expenses		(42,132,433)	(18,650)	-	-
Operating expenses		(7,209,773)	(5,283,242)	(5,585,030)	(3,339,749)
Other expenses		(855)	-	(650,049)	-
(Loss)/profit before tax	5	<u>(31,113,880)</u>	<u>(62,277,180)</u>	<u>5,655,312</u>	<u>(65,541,091)</u>
Income tax expense	8	<u>(1,195,306)</u>	<u>8,849,591</u>	<u>195,461</u>	<u>9,504,276</u>
(Loss)/profit net of tax, representing total comprehensive income for the year		<u>(32,309,186)</u>	<u>(53,427,589)</u>	<u>5,850,773</u>	<u>(56,036,815)</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Statements of financial position
As at 31 March 2016

		Group		Company	
	Note	2016	2015	2016	2015
		RM	RM	RM	RM
Assets					
Non-current assets					
Plant and equipment	9	27,602,637	44,660,502	27,282,267	44,660,502
Investment in a subsidiary	10	-	-	1,000,000	1,000,000
		<u>27,602,637</u>	<u>44,660,502</u>	<u>28,282,267</u>	<u>45,660,502</u>
Current assets					
Inventories	11	4,118,386	4,448,770	4,107,154	4,448,770
Trade and other receivables	12	42,304,870	26,104,918	26,031,783	13,386,455
Due from customer on contract	13	81,635,130	86,692,970	81,635,130	86,692,970
Cash and bank balances	14	16,888,524	94,425,432	16,755,149	16,937,566
		<u>144,946,910</u>	<u>211,672,090</u>	<u>128,529,216</u>	<u>121,465,761</u>
Total assets		<u>172,549,547</u>	<u>256,332,592</u>	<u>156,811,483</u>	<u>167,126,263</u>
Equity and liabilities					
Current liabilities					
Trade and other payables	15	46,925,137	89,498,473	70,998,733	86,968,830
Due to customer on contract	13	73,199,286	83,243,798	-	-
Tax payable		717,641	333,342	106,016	301,472
		<u>120,842,064</u>	<u>173,075,613</u>	<u>71,104,749</u>	<u>87,270,302</u>
Net current assets		<u>24,104,846</u>	<u>38,596,477</u>	<u>57,424,467</u>	<u>34,195,459</u>
Non-current liabilities					
Deferred tax liabilities	16	1,382,505	622,815	-	-
Total liabilities		<u>122,224,569</u>	<u>173,698,428</u>	<u>71,104,749</u>	<u>87,270,302</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Statements of financial position
As at 31 March 2016 (contd.)

		Group		Company	
	Note	2016	2015	2016	2015
		RM	RM	RM	RM
Equity attributable to owners of the parent					
Share capital	17	750,000	750,000	750,000	750,000
Retained earnings	18	49,574,978	81,884,164	84,956,734	79,105,961
Total equity		<u>50,324,978</u>	<u>82,634,164</u>	<u>85,706,734</u>	<u>79,855,961</u>
Total equity and liabilities		<u>172,549,547</u>	<u>256,332,592</u>	<u>156,811,483</u>	<u>167,126,263</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 March 2016

	Share capital RM	Retained earnings RM	Total equity RM
Group			
At 1 April 2014	750,000	135,311,753	136,061,753
Total comprehensive income	-	(53,427,589)	(53,427,589)
At 31 March 2015	<u>750,000</u>	<u>81,884,164</u>	<u>82,634,164</u>
At 1 April 2015	750,000	81,884,164	82,634,164
Total comprehensive income	-	(32,309,186)	(32,309,186)
At 31 March 2016	<u>750,000</u>	<u>49,574,978</u>	<u>50,324,978</u>
Company			
At 1 April 2014	750,000	135,142,776	135,892,776
Total comprehensive income	-	(56,036,815)	(56,036,815)
At 31 March 2015	<u>750,000</u>	<u>79,105,961</u>	<u>79,855,961</u>
At 1 April 2015	750,000	79,105,961	79,855,961
Total comprehensive income	-	5,850,773	5,850,773
At 31 March 2016	<u>750,000</u>	<u>84,956,734</u>	<u>85,706,734</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 March 2016

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cash flows from operating activities				
(Loss)/profit before tax	(31,113,880)	(62,277,180)	5,655,312	(65,541,091)
<u>Adjustments for:</u>				
Interest income	(441,732)	(1,257,349)	(441,732)	(1,205,887)
Interest expense	650,049	-	650,049	-
(Gain)/loss on disposal of plant and equipment	(782,608)	1,645,150	(782,608)	1,645,150
Depreciation of plant and equipment	15,066,248	16,695,404	15,041,403	16,695,404
Impairment loss on amount due from related companies	42,039,750	-	-	-
Unrealised exchange (gain)/loss	(3,553,133)	3,159,584	(789,376)	6,273,659
Operating (loss)/profits before working capital changes	21,864,694	(42,034,391)	19,333,048	(42,132,765)
<u>Changes in working capital:</u>				
Decrease in inventories	330,384	1,017,600	341,616	1,017,600
Increase in trade and other receivables	(55,800,523)	(14,808,330)	(12,969,901)	(2,374,800)
Decrease in amount due from customer on contract	5,057,840	46,342,311	5,057,840	46,342,311
(Decrease)/increase in amount due to customer on contract	(10,044,512)	83,243,798	-	-
Decrease in payables	(41,661,747)	(79,338,172)	(15,058,508)	(82,984,571)
Cash flows used in operations	(80,253,864)	(5,577,184)	(3,295,905)	(80,132,225)
Interest paid	(650,049)	-	(650,049)	-
Tax paid	(51,317)	(3,256,513)	-	(3,230,044)
Net cash flows used in operating activities	(80,955,230)	(8,833,697)	(3,945,954)	(83,362,269)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 March 2016 (contd.)

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cash flows from investing activities				
Purchase of plant and equipment	(350,075)	-	(4,860)	-
Proceeds from disposal of plant and equipment	3,124,300	6,986,646	3,124,300	6,986,646
Net withdrawal/(placement) of fixed deposits	65,894,475	(51,521,995)	(1,374,175)	15,746,655
Interest received	441,732	1,257,349	441,732	1,205,887
Net cash flows generated from/(used in) investing activities	69,110,432	(43,278,000)	2,186,997	23,939,188
Net decrease in cash and cash equivalents	(11,844,798)	(52,111,697)	(1,758,957)	(59,423,081)
Effect of foreign exchange rates changes	202,365	2,842,830	202,365	13,688
Cash and cash equivalents at beginning of year	17,042,661	66,311,528	6,823,445	66,232,838
Cash and cash equivalents at end of year (Note 14)	5,400,228	17,042,661	5,266,853	6,823,445

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

**Notes to the financial statements
For the financial year ended 31 March 2016**

1. Corporate information

The Company is a private limited company incorporated and domiciled in Malaysia. The registered office of the Company is located at Lot 6.05 Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor.

The immediate and ultimate holding companies are Punj Lloyd Pte. Ltd. and Punj Lloyd Limited (India), which are incorporated in Singapore and Republic of India respectively. Related companies refer to companies within the Punj Lloyd Limited (India) Group.

The principal activity of the Company is the construction of pipeline. The principal activity of the subsidiary is as set out in Note 10.

There has been no significant change in the nature of the principal activity during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 May 2016.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have also been prepared on the historical cost basis, except as otherwise stated in the accounting policies below and are presented in Ringgit Malaysia (RM).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group and the Company adopted all the standards and interpretations which are effective for annual financial periods beginning on or after 1 January 2015.

The adoption of the above standards did not have any material effect on the financial performance or position of the Company.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.3 Standards and interpretations issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Descriptions	Effective for annual periods beginning on or after
Annual improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

Annual Improvements to MFRSs 2012–2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle which is relevant to the Company is summarised as below:

(i) MFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.3 Standards and interpretations issued but not yet effective (contd.)

Annual Improvements to MFRSs 2012–2014 Cycle (contd.)

(i) MFRS 7 Financial Instruments: Disclosures (contd.)

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- (a) Materiality
- (b) Disaggregation and subtotals
- (c) Notes structure
- (d) Disclosure of accounting policies
- (e) Presentation of items of other comprehensive income arising from equity accounted investments

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFR 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.3 Standards and interpretations issued but not yet effective (contd.)

MFRS 15 Revenue from Contracts with Customers (contd.)

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the reporting date. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Group. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Group controls an investee if and only if the Group has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Group, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The subsidiary is consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in the subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

Business combinations

Acquisitions of a subsidiary is accounted for using the acquisition method.

Under the acquisition method of accounting, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

2.5 Plant and equipment

All items of plant and equipment are initially recorded at cost. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation respectively. Likewise, when a major inspection is performed its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.5 Plant and equipment (contd.)

Depreciation of plant and equipment is computed on a straight-line over the estimated useful lives of the assets as follows:

Furniture and fittings	10%
Office and computer equipment	10% - 40%
Plant and machineries	14%
Motor vehicles	20%

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.6 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.6 Impairment of non-financial assets (contd.)

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.7 Subsidiary

In the Company's separate financial statements, investment in a subsidiary is accounted for at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.8 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition. Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loan and receivables. All financial assets of the Group and of the Company are classified as loans and receivables. All loans and receivables are classified as current assets.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.8 Financial assets (contd.)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.9 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.9 Impairment of financial assets (contd.)

(a) Trade and other receivables and other financial assets carried at amortised cost (contd.)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.10 Cash and cash equivalents

For the purpose of the cash flow, cash and cash equivalents include cash in hand, bank balances and demand deposits with original maturities of 3 months or less.

2.11 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of raw materials comprises costs of purchase.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2.14 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

The Group's other financial liabilities include trade payables and other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.14 Financial liabilities (contd.)

Other financial liabilities (contd.)

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.15 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.16 Employee benefits

(a) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial period in which the associated services are rendered by employees of the Group.

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Company makes contributions to the Employee Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed. The subsidiary makes contributions to its respective country's statutory pension schemes.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.17 Leases as lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.18 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company’s functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value 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 the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.19 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.19 Income taxes (contd.)

(b) Deferred tax (contd.)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.20 Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.20 Fair value measurement (contd.)

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.20 Fair value measurement (contd.)

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussion with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.21 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2.22 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

(a) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.11.

(b) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

2.23 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.24 Significant accounting judgements and estimates

(a) Critical judgements made in applying accounting policies

There were no critical judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements during the current financial year.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (contd.)

2.24 Significant accounting judgements and estimates (contd.)

(b) Key sources of estimation uncertainty (contd.)

(i) Construction contracts

The Group recognises construction contract revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the stage of completion, the extent of the construction costs incurred, the estimated total construction revenue and costs, as well as the recoverability of the construction project. In making the judgement, the Group evaluates based on experience and by relying on the work of specialists.

(ii) Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expenses are disclosed in Note 8.

(iii) Deferred tax assets

Deferred tax assets have not been recognised for all unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences. Deferred tax assets are only recognised to the extent that it is probable that taxable profit will be available against which the tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. Contract revenue

This represents revenue from contract recognised based on the stage of completion method.

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

4. Contract cost

This represents contract costs incurred.

5. (Loss)/profit before tax

The following amounts have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration	179,576	168,630	129,707	149,980
Employee benefits expense (Note 6)	23,026,804	32,576,698	21,351,112	30,644,982
Directors' remuneration (Note 7)	1,371,790	669,395	1,371,790	669,395
Consultation fees paid to directors	(1,395,850)	(1,124,844)	(25,000)	(1,019,844)
Depreciation on plant and equipment (Note 9)	15,066,248	16,695,404	15,041,403	16,695,404
Rent of premises	712,654	461,170	96,455	421,069
Rent of equipment	678,580	6,058,073	678,580	6,058,073
Rent of motor vehicles	589,493	2,694,077	589,493	2,694,077
(Gain)/loss on disposal of plant and equipment	(782,608)	1,645,150	(782,608)	1,645,150
Net foreign exchange losses/(gains):				
- realised	840,253	(7,773,873)	(765,697)	(7,773,873)
- unrealised	(3,553,133)	3,159,584	(789,376)	6,273,659
Interest income	(441,732)	(1,257,349)	(441,732)	(1,205,887)
Impairment loss on amount due from related companies (Note 12)	42,039,750	-	-	-
Bank guarantee fee	120,998	11,266	-	-

6. Employee benefits expense

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Wages and salaries	21,871,461	30,674,779	20,371,820	28,962,153
Contributions to defined contribution plan	505,090	415,928	341,256	215,261
Social security costs	70,546	51,657	58,329	33,234
Other staff related expenses	579,707	1,434,334	579,707	1,434,334
	<u>23,026,804</u>	<u>32,576,698</u>	<u>21,351,112</u>	<u>30,644,982</u>

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

7. Directors' remuneration

	Group/Company	
	2016	2015
	RM	RM
Executive:		
Salaries and other emoluments	<u>1,371,790</u>	<u>669,395</u>

8. Income tax expense

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Current income tax				
- Malaysian income tax	717,641	333,343	106,016	301,473
- Overprovision in prior years	(282,025)	(896,729)	(301,477)	(896,729)
	<u>435,616</u>	<u>(563,386)</u>	<u>(195,461)</u>	<u>(595,256)</u>
Deferred income tax (Note 16):				
- Relating to origination and reversal of temporary differences	663,735	(8,183,067)	-	(8,805,882)
- Under/(over) provision in previous years	95,955	(103,138)	-	(103,138)
	<u>759,690</u>	<u>(8,286,205)</u>	<u>-</u>	<u>(8,909,020)</u>
Income tax expense/ (income)	<u>1,195,306</u>	<u>(8,849,591)</u>	<u>(195,461)</u>	<u>(9,504,276)</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

8. Income tax expense (contd.)

A reconciliation of income tax expense applicable to (loss)/profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:

	2016	2015
	RM	RM
Group		
Loss before tax	<u>(31,113,880)</u>	<u>(62,277,180)</u>
Taxation at statutory Malaysian tax rate of 24% (2015: 25%)	(7,467,331)	(15,569,295)
Effect of different tax rates	-	(163,196)
Expenses not deductible for tax purposes	10,633,394	3,454,328
Deferred tax assets not recognised	-	4,428,439
Deferred tax assets recognised on unutilised business losses	(1,784,687)	-
Under/(over) provision of deferred income tax in prior years	95,955	(103,138)
Overprovision of income tax in prior years	<u>(282,025)</u>	<u>(896,729)</u>
Income tax expense/(income) recognised in profit or loss	<u>1,195,306</u>	<u>(8,849,591)</u>
Company		
Profit/(loss) before tax	<u>5,655,312</u>	<u>(65,541,091)</u>
Taxation at statutory Malaysian tax rate of 24% (2015: 25%)	1,357,275	(16,385,273)
Expenses not deductible for tax purposes	533,428	3,452,425
Deferred tax assets not recognised	-	4,428,439
Deferred tax assets recognised on unutilised business losses	(1,784,687)	-
Overprovision of deferred income tax in prior years	-	(103,138)
Overprovision of income tax in prior years	<u>(301,477)</u>	<u>(896,729)</u>
Income tax expense recognised in profit or loss	<u>(195,461)</u>	<u>(9,504,276)</u>

The statutory tax rate for the subsidiary of the Group for the years ended 31 March 2016 is 24% (31 March 2015: 24%).

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

9. Plant and equipment

	Furniture and fittings RM	Office and computer equipment RM	Plant and machineries RM	Motor vehicles RM	Total RM
Group					
Cost					
At 1 April 2014	689,915	1,230,089	118,992,364	17,704,584	138,616,952
Disposals	(2,590)	-	(14,901,606)	(3,329,785)	(18,233,981)
At 31 March 2015					
/1 April 2015	687,325	1,230,089	104,090,758	14,374,799	120,382,971
Additions	34,531	-	315,544	-	350,075
Disposals	-	-	(7,402,439)	(717,500)	(8,119,939)
At 31 March 2016	721,856	1,230,089	97,003,863	13,657,299	112,613,107
Accumulated depreciation					
Cost	309,836	1,179,554	53,705,257	13,434,603	68,629,250
Charge for the year (Note 5)	68,768	10,526	15,255,286	1,360,824	16,695,404
Disposals	(1,181)	-	(7,428,432)	(2,172,572)	(9,602,185)
At 31 March 2015					
/1 April 2015	377,423	1,190,080	61,532,111	12,622,855	75,722,469
Charge for the year (Note 5)	69,265	8,648	14,181,075	807,260	15,066,248
Disposals	-	-	(5,122,700)	(655,547)	(5,778,247)
At 31 March 2016	446,688	1,198,728	70,590,486	12,774,568	85,010,470
Net carrying amount					
At 31 March 2016	275,168	31,361	26,413,377	882,731	27,602,637
At 31 March 2015	309,902	40,009	42,558,647	1,751,944	44,660,502

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

9. Plant and equipment (contd.)

Company	Furniture and fittings RM	Office and computer equipment RM	Plant and machineries RM	Motor vehicles RM	Total RM
Cost					
At 1 April 2014	689,915	1,230,089	118,992,364	17,704,584	138,616,952
Disposals	(2,590)	-	(14,901,606)	(3,329,785)	(18,233,981)
At 31 March 2015					
/1 April 2015	687,325	1,230,089	104,090,758	14,374,799	120,382,971
Addition	-	-	4,860	-	4,860
Disposals	-	-	(7,402,439)	(717,500)	(8,119,939)
At 31 March 2016	687,325	1,230,089	96,693,179	13,657,299	112,267,892
Accumulated depreciation					
At 1 April 2014	309,836	1,179,554	53,705,257	13,434,603	68,629,250
Charge for the year (Note 5)	68,768	10,526	15,255,286	1,360,824	16,695,404
Disposals	(1,181)	-	(7,428,432)	(2,172,572)	(9,602,185)
At 31 March 2015					
/1 April 2015	377,423	1,190,080	61,532,111	12,622,855	75,722,469
Charge for the year (Note 5)	68,733	8,648	14,156,762	807,260	15,041,403
Disposals	-	-	(5,122,700)	(655,547)	(5,778,247)
At 31 March 2016	446,156	1,198,728	70,566,173	12,774,568	84,985,625
Net carrying amount					
At 31 March 2016	241,169	31,361	26,127,006	882,731	27,282,267
At 31 March 2015	309,902	40,009	42,558,647	1,751,944	44,660,502

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

10. Investment in a subsidiary

	Company	
	2016	2015
	RM	RM
Unquoted shares, at cost	1,000,000	1,000,000

The details of the subsidiary which is incorporated in Malaysia, are as follows:

Name	Principal activity	% of ownership interest held by the Group*	
		2016	2015
		%	%
Punj Lloyd Sdn Bhd ¹	To provide engineering, procurement and construction services.	100	100

¹ Audited by Ernst & Young, Malaysia

* Equals to proportion of voting rights held

11. Inventories

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
At cost:				
Spare parts and materials	4,118,386	4,448,770	4,107,154	4,448,770

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

12. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade receivables				
Third parties	-	4,838,982	-	4,838,982
Other receivables				
Deposits	393,447	660,032	159,650	628,032
Advances to suppliers	956,211	2,272,231	956,211	2,272,231
Other receivables	1,003,695	992,270	810,607	938,008
Amount due from ultimate holding company	15,841,282	12,627,281	-	-
Amount due from immediate holding company	19,717,024	-	19,717,024	-
Loan to a related company	32,281,500	-	-	-
Amounts due from related companies	14,151,461	4,714,122	4,388,291	4,709,202
	84,344,620	21,265,936	26,031,783	8,547,473
Less: Allowance for impairment	(42,039,750)	-	-	-
Total trade and other receivables	42,304,870	26,104,918	26,031,783	13,386,455
Add: Cash and bank balances (Note 14)	16,888,524	94,425,432	16,755,149	16,937,566
Total loans and receivables	59,193,394	120,530,350	42,786,932	30,324,021

(a) Trade receivables

In the previous year, trade receivables are non-interest bearing. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2016	2015
	RM	RM
Neither past due nor impaired	-	4,838,982

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

12. Trade and other receivables (contd.)

(b) Other receivables that are impaired:

	Group	
	2016	2015
	RM	RM
Movement in allowance accounts:		
At 1 January	-	-
Charge for the year (Note 5)	42,039,750	-
At 31 December	<u>42,039,750</u>	<u>-</u>

(c) Amounts due from ultimate holding company, immediate holding company and related companies

The amounts due from ultimate holding company, immediate holding company and related companies are unsecured, non-interest bearing and repayable on demand.

(d) Loan to a related company

Loan to a related company bears interest at 6% per annum (2015: Nil), is unsecured and repayable on 11 May 2016.

13. Due from/(to) customer on contracts

	Group	
	2016	2015
	RM	RM
Construction contract costs incurred to date	2,483,061,331	2,425,768,858
Attributable profits	271,055,928	264,374,453
	<u>2,754,117,259</u>	<u>2,690,143,311</u>
Add: Costs incurred relating to future activity	20,578,090	20,782,556
	<u>2,774,695,349</u>	<u>2,710,925,867</u>
Less: Progress billings	(2,766,259,505)	(2,707,476,695)
	<u>8,435,844</u>	<u>3,449,172</u>

Presented as:

Current

Due from customer on contract	81,635,130	86,692,970
Due to customer on contract	(73,199,286)	(83,243,798)
	<u>8,435,844</u>	<u>3,449,172</u>

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

13. Due from/(to) customer on contracts (contd.)

	Company	
	2016	2015
	RM	RM
Construction contract costs incurred to date	2,472,671,522	2,424,951,384
Attributable profits	270,314,848	264,310,016
	<u>2,742,986,370</u>	<u>2,689,261,400</u>
Less: Progress billings	(2,661,351,240)	(2,602,568,430)
	<u>81,635,130</u>	<u>86,692,970</u>

Presented as:

Current

Due from customer on contract	<u>81,635,130</u>	<u>86,692,970</u>
-------------------------------	-------------------	-------------------

The costs incurred to date on construction contracts include the following charges made during the financial year:

	Group/Company	
	2016	2015
	RM	RM
Hire of plant and machineries	678,580	6,058,073
Depreciation of plant and equipment	<u>15,041,403</u>	<u>16,695,404</u>

14. Cash and bank balances

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cash on hand and at banks	4,044,792	11,913,193	3,911,417	1,693,977
Short term deposits with a licensed banks	12,843,732	82,512,239	12,843,732	15,243,589
	<u>16,888,524</u>	<u>94,425,432</u>	<u>16,755,149</u>	<u>16,937,566</u>
Deposits with maturities of three months or more	(11,488,296)	(77,382,771)	(11,488,296)	(10,114,121)
Cash and cash equivalents	<u>5,400,228</u>	<u>17,042,661</u>	<u>5,266,853</u>	<u>6,823,445</u>

The deposits with licensed banks are pledged as securities against bank guarantees provided to the Group and the Company.

The weighted average effective interest rates as of 31 March 2016 for the Company was 3.19% (2015: 2.09%). The weighted average maturity period as of 31 March 2016 for the Group was 327 days (2015: 349 days)

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

15. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade payables				
Third parties	15,045,285	43,156,188	14,151,557	39,439,688
Amount due to ultimate holding company	664,527	1,272,729	664,527	1,272,729
Amount due to immediate holding company	-	21,934,837	-	21,934,837
Amount due to related companies	24,408,539	18,280,645	24,406,208	18,280,351
Amount due to a subsidiary	-	-	26,475,173	1,456,917
	<u>40,118,351</u>	<u>84,644,399</u>	<u>65,697,465</u>	<u>82,384,522</u>
Other payables				
Accruals	1,583,885	121,900	121,181	103,900
Other payables	5,222,901	4,732,174	5,180,087	4,480,408
	<u>6,806,786</u>	<u>4,854,074</u>	<u>5,301,268</u>	<u>4,584,308</u>
Total financial liabilities carried at amortised cost	<u>46,925,137</u>	<u>89,498,473</u>	<u>70,998,733</u>	<u>86,968,830</u>

(a) Trade payables

The normal trade credit terms granted to the Group ranges from 30 to 60 days (2015: 30 to 60 days).

(b) Amounts due to ultimate holding company, immediate holding company, related companies and subsidiary

The amounts due to ultimate holding company, immediate holding company, related companies and subsidiary are trade in nature, unsecured, non-interest bearing and repayable on demand.

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

16. Deferred tax liabilities

The Group's deferred tax as at 31 March 2016 relates to the following:

Group	As at 31 March 2014 RM	Recognised in profit or loss RM	As at 31 March 2015 RM	Recognised in profit or loss RM	As at 31 March 2016 RM
Deferred tax liabilities:					
Plant and equipment	(12,092,055)	2,248,984	(9,843,071)	3,827,207	(6,015,864)
Unrealised foreign exchange gains	-	(622,815)	(622,815)	(948,858)	(1,571,673)
	<u>(12,092,055)</u>	<u>1,626,169</u>	<u>(10,465,886)</u>	<u>2,878,349</u>	<u>(7,587,537)</u>
Deferred tax assets:					
Unutilised business losses	-	9,843,071	9,843,071	(3,656,649)	6,186,422
Others	3,183,035	(3,183,035)	-	18,610	18,610
	<u>3,183,035</u>	<u>6,660,036</u>	<u>9,843,071</u>	<u>(3,638,039)</u>	<u>6,205,032</u>
	<u>(8,909,020)</u>	<u>8,286,205</u>	<u>(622,815)</u>	<u>(759,690)</u>	<u>(1,382,505)</u>

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

16. Deferred tax liabilities (contd.)

The Company's deferred tax as at 31 March 2016 relates to the following:

Company	As at 31 March 2014 RM	Recognised in profit or loss RM	As at 31 March 2015 RM	Recognised in profit or loss RM	As at 31 March 2016 RM
Deferred tax liability:					
Plant and equipment	(12,092,055)	2,248,984	(9,843,071)	3,846,099	(5,996,972)
Unrealised foreign exchange gains	-	-	-	(189,450)	(189,450)
	<u>(12,092,055)</u>	<u>2,248,984</u>	<u>(9,843,071)</u>	<u>3,656,649</u>	<u>(6,186,422)</u>
Deferred tax assets:					
Unutilised business losses	-	9,843,071	9,843,071	(3,656,649)	6,186,422
Others	3,183,035	(3,183,035)	-	-	-
	<u>3,183,035</u>	<u>6,660,036</u>	<u>9,843,071</u>	<u>(3,656,649)</u>	<u>6,186,422</u>
	<u>(8,909,020)</u>	<u>8,909,020</u>	<u>-</u>	<u>-</u>	<u>-</u>
		Group	2015	Company	2015
		2016	RM	2016	RM
Presented after appropriate offsetting as follows:					
Deferred tax assets	6,205,032		9,843,071	6,186,422	9,843,071
Deferred tax liabilities	(7,587,537)		(10,465,886)	(6,186,422)	(9,843,071)
	<u>(1,382,505)</u>		<u>(622,815)</u>	<u>-</u>	<u>-</u>

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

16. Deferred tax liabilities (contd.)

Deferred tax assets have not been recognised in respect of the following items:

	Group/Company	
	2016	2015
	RM	RM
Unutilised tax losses	7,605,653	15,041,847

Deferred tax assets have not been recognised for the items above as the Company and the Group could not anticipate their realisation.

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

17. Share capital

	Number of ordinary shares of RM1 each		Amount	
	2016	2015	2016	2015
			RM	RM
Authorised share capital:				
At beginning of the year/ end of year	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:				
At beginning of the year/ end of year	750,000	750,000	750,000	750,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

18. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 March 2016 and 31 March 2015 under the single tier system.

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

19. Related party transactions

In addition to the related party transactions disclosed elsewhere in the financial statements, the Group and the Company had the following significant transactions with related parties during the financial year:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Subsidiary				
Consultancy fee payable	-	-	(1,151,436)	(1,996,080)
Consultancy fee receivable	-	-	4,661,224	-
Loan interest payable	-	-	(650,049)	-
Ultimate holding company				
Sale of fixed assets	(174,940)	-	(174,940)	-
Rental of equipment	-	(318,556)	-	(318,556)
License fees payable	(906,073)	(701,944)	(803,583)	(701,944)
Related companies				
Consultancy fee payable	-	(375,225)	-	(375,225)
Sale of fixed assets	(1,333,464)	-	(1,333,464)	-
Related parties				
Consultancy fee paid to Directors	(1,395,850)	(1,124,844)	(25,000)	(1,019,844)

These transactions were undertaken at mutually agreed terms between the companies in the normal course of business.

The remuneration of the key management personnel who are the directors of the Group are disclosed in Note 7.

20. Fair value of financial instruments

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and bank balances, receivables and payables based on their notional amounts, reasonably approximate their fair values either due to their short-term nature or repayable on demand term.

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

21. Financial risk management objectives and policies

The Group is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks. It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including fixed deposits and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's entire trade receivables is due from one debtor which represents the Group's significant concentration of credit risk. Given the customer's high credit rating, management does not expect the counterparty to fail in meeting their obligations.

Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. The Group also maintains sufficient levels of cash to meet its working capital requirement.

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

21. Financial risk management objectives and policies (contd.)

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to United States Dollar ("USD"), Euro, Great Britain Pound ("GBP"), Singapore Dollar ("SGD"), Indian Rupee ("IDR"), Indonesian Rupiah ("INR") and Thai Bhat ("THB").

Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The net unhedged financial assets and financial liabilities of the Group and the Company that are not denominated in their functional currencies are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cash and cash equivalents				
- USD	222,596	77,225,284	202,895	89,315
Trade receivables				
- USD	-	3,148,559	-	3,148,559
Other receivables				
- USD	196,438	621,648	196,438	621,648
- Euro	-	8,593	-	8,593
- GBP	-	887	-	887
Amount due from holding company				
- USD	16,643,399	12,627,281	-	-
Amount due from related companies				
- THB	4,388,291	4,709,202	4,388,291	4,709,202
- USD	45,238,603	4,920	-	-
- SGD	19,717,024	-	19,717,024	-

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

21. Financial risk management objectives and policies (contd.)

(c) Foreign currency risk (contd.)

The net unhedged financial assets and financial liabilities of the Group and the Company that are not denominated in their functional currencies are as follows: (contd.)

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade payables				
- USD	(1,657,714)	(2,843,392)	(1,657,714)	(2,843,392)
- Euro	-	(31,298)	-	(31,298)
- GBP	(23,106)	(26,925)	(23,106)	(26,925)
- INR	(2,587)	(1,495)	(2,587)	(1,495)
- SGD	(1,219)	(16,584)	(1,219)	(16,584)
- IDR	(1,553)	-	(1,553)	-
Amount due to holding companies				
- SGD	-	(21,934,837)	-	(21,934,837)
- IDR	-	(1,272,729)	-	(1,272,729)
Amount due to related companies				
- USD	(980,500)	(929,125)	(980,500)	(929,125)
- AED	(4,357,983)	(489,430)	(4,357,983)	(489,136)
- IDR	(19,067,725)	-	(19,067,725)	-
- INR	(498,956)	(16,862,090)	(498,956)	(16,862,090)

Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

21. Financial risk management objectives and policies (contd.)

(c) Foreign currency risk (contd.)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company's profit net of tax to a reasonable possible change in USD, GBP, EURO, SGD, THB, IDR and INR exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
	Loss	Profit	Profit	Profit
	net of tax	net of tax	net of tax	net of tax
USD/RM				
- strengthened 3%	1,894,088	2,921,742	91,126	228,961
- weakened 3%	(1,894,088)	(2,921,742)	(91,126)	(228,961)
GBP/RM				
- strengthened 3%	693	(834)	693	(834)
- weakened 3%	(693)	834	(693)	834
EURO/RM				
- strengthened 3%	-	(1,197)	-	(1,197)
- weakened 3%	-	1,197	-	1,197
SGD/RM				
- strengthened 3%	591,547	(658,543)	591,547	(658,543)
- weakened 3%	(591,547)	658,543	(591,547)	658,543
THB/RM				
- strengthened 3%	131,649	141,276	131,649	141,276
- weakened 3%	(131,649)	(141,276)	(131,649)	(141,276)
IDR/RM				
- strengthened 3%	572,078	(38,182)	572,078	(38,182)
- weakened 3%	(572,078)	38,182	(572,078)	38,182
AED/RM				
- strengthened 3%	130,739	(14,674)	130,739	(14,674)
- weakened 3%	(130,739)	14,674	(130,739)	14,674
INR/RM				
- strengthened 3%	15,046	(505,908)	15,046	(505,908)
- weakened 3%	(15,046)	505,908	(15,046)	505,908

**Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)**

22. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2015 and 31 March 2016.

The Group monitors capital using the net tangible asset value of the Group, which is total tangible assets less total liabilities of the Group. The net tangible assets values of the Group as at 31 March 2016 and 31 March 2015 were RM50,324,978 and RM82,634,164 respectively.