



PUNJ LLOYD SDN. BHD.
(888132-D)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2016

888132-D

**Punj Lloyd Sdn. Bhd.
(Incorporated in Malaysia)**

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Punj Lloyd Sdn. Bhd.
(Incorporated in Malaysia)

Directors' report

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

Principal activity

The principal activities of the Company are to provide engineering, procurement and construction services.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	RM
Loss net of tax	<u>(38,159,959)</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 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:

Praveen Kumar Chand Kaushik
Nor Hishammuddin Bin Mohd Nordin
Dato' Norazman Bin Haji Hamidun
Mohd Affandi Bin Yusuf
Atul Kumar Jain

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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 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 financial 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	250,000	-	-	250,000
Ordinary shares of the holding				
Company, Punj Lloyd Oil & Gas				
(Malaysia) Sdn Bhd				
Nor Hishammuddin Bin Mohd				
Nordin	225,000	-	-	225,000

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.

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Other statutory information

- (a) Before the statement of comprehensive income and statement of financial position 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 adequate provision had been made for doubtful debts; 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 the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements 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 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 Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets 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 in respect of the Company which has arisen since the end of the financial year.

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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 Company to meet its 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 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

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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 Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 8 to 33 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 Company as at 31 March 2016 and of the financial performance and the cash flows of the Company for the financial 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

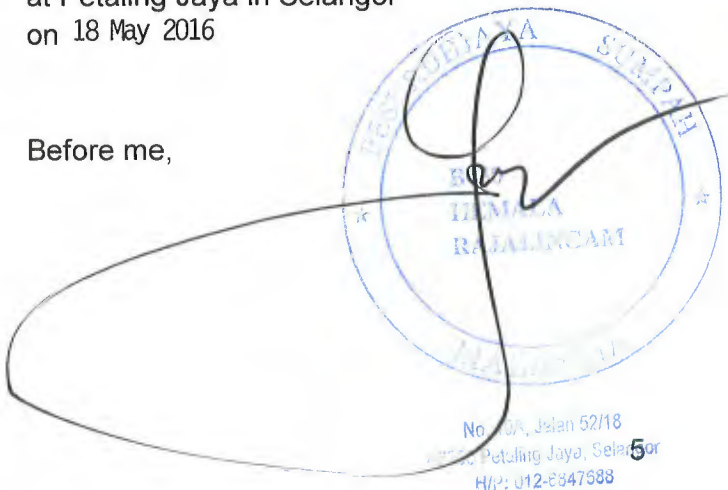
I, Praveen Kumar Chand Kaushik, being the director primarily responsible for the financial management of Punj Lloyd Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 33 are in my opinion correct, and I make this solemn declaration conscientiously 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,



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

Report on the financial statements

We have audited the financial statements of Punj Lloyd Sdn. Bhd., which comprise the statement of financial position as at 31 March 2016, 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 information, as set out on pages 8 to 33.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that 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 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.

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**Independent auditors' report to the members of
Punj Lloyd 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 Company as at 31 March 2016 and of its 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 that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

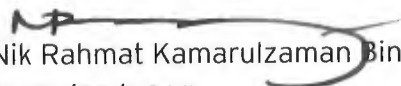
Other matters

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 Sdn. Bhd.
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Statement of comprehensive income
For the financial year ended 31 March 2016

	Note	2016 RM	2015 RM
Contract revenue	4	10,248,979	881,910
Contract cost	5	<u>(9,572,336)</u>	<u>(817,473)</u>
Gross profit		676,643	64,437
Other items of income			
Other income	6	7,463,632	5,161,617
Other items of expense			
Administrative expenses		(42,132,433)	(18,650)
Operating expenses		(2,776,179)	(1,943,493)
Finance cost	7	<u>(855)</u>	-
(Loss)/profit before tax	8	<u>(36,769,192)</u>	3,263,911
Income tax expense	10	<u>(1,390,767)</u>	<u>(654,685)</u>
(Loss)/profit net of tax, representing total comprehensive income for the year		<u>(38,159,959)</u>	<u>2,609,226</u>

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

Punj Lloyd Sdn. Bhd.
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Statement of financial position
As at 31 March 2016

	Note	2016 RM	2015 RM
Assets			
Non-current Asset			
Plant and equipment	11	320,370	-
Current assets			
Other receivables	12	42,748,260	14,175,380
Inventory		11,232	-
Cash and bank balances	13	133,375	77,487,866
		<u>42,892,867</u>	<u>91,663,246</u>
Total assets		<u>43,213,237</u>	<u>91,663,246</u>
Equity and liabilities			
Current liabilities			
Trade and other payables	14	2,401,577	3,986,559
Due to customer on contract	15	73,199,286	83,243,799
Income tax payable		611,625	31,870
		<u>76,212,488</u>	<u>87,262,228</u>
Net current (liabilities)/assets		<u>(32,999,251)</u>	<u>4,401,018</u>
Non-current liability			
Deferred tax liability	16	1,382,505	622,815
Total liabilities		<u>77,594,993</u>	<u>87,885,043</u>
Net (liabilities)/assets		<u>(34,702,126)</u>	<u>3,778,203</u>
Equity attributable to owners of the parent			
Share capital	17	1,000,000	1,000,000
Retained earnings	18	(35,381,756)	2,778,203
Total equity		<u>(34,381,756)</u>	<u>3,778,203</u>
Total equity and liabilities		<u>43,213,237</u>	<u>91,663,246</u>

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

Punj Lloyd Sdn. Bhd.
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Statement of changes in equity
For the financial year ended 31 March 2016

	Share capital RM	Retained earnings RM	Total equity RM
At 1 April 2014	1,000,000	168,977	1,168,977
Total comprehensive income for the year	-	2,609,226	2,609,226
At 31 March 2015	<u>1,000,000</u>	<u>2,778,203</u>	<u>3,778,203</u>
At 1 April 2015	1,000,000	2,778,203	3,778,203
Total comprehensive loss for the year	-	(38,159,959)	(38,159,959)
At 31 March 2016	<u>1,000,000</u>	<u>(35,381,756)</u>	<u>(34,381,756)</u>

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

Punj Lloyd Sdn. Bhd.
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Statement of cash flows
For the financial year ended 31 March 2016

	2016	2015
	RM	RM
Cash flows from operating activities		
(Loss)/profit before tax	(36,769,192)	3,263,911
<u>Adjustments for:</u>		
Interest income	(2,548,439)	(51,462)
Unrealised exchange gain	(2,763,757)	(3,114,075)
Impairment loss on amount due from related companies	42,039,750	-
Depreciation	24,845	-
Operating (losses)/profits before working capital changes	(16,793)	98,374
<u>Changes in working capital:</u>		
Increase in other receivables	(67,848,873)	(12,463,548)
Increase in inventory	(11,232)	-
(Decrease)/increase in trade and other payables	(1,584,982)	3,676,416
(Decrease)/increase in amount due to customer on contract	(10,044,513)	83,243,799
Cash flows (used in)/generated from operations	(79,506,393)	74,555,041
Tax paid	(51,322)	(26,469)
Net cash flows (used in)/generated from operating activities	(79,557,715)	74,528,572
Cash flows from investing activities		
Interest received	2,548,439	51,462
Net Withdrawal/(Placement) of fixed deposit	67,268,650	(67,268,650)
Purchase of property, plant & equipment	(345,215)	-
Net cash flows generated from/(used in) investing activities	69,471,874	(67,217,188)
Net (decrease)/increase in cash and cash equivalents	(10,085,841)	7,311,384
Effect of foreign exchange rates changes	-	2,829,142
Cash and cash equivalents at beginning of year	10,219,216	78,690
Cash and cash equivalents at end of year (Note 13)	133,375	10,219,216

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

Punj Lloyd Sdn. Bhd.
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Notes to the financial statements - 31 March 2016

1. Corporate information

Punj Lloyd Sdn Bhd ("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 holding company is Punj Lloyd Oil & Gas (Malaysia) Sdn. Bhd., a private limited company incorporated and domiciled in Malaysia. The penultimate 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 activities of the Company are to provide engineering, procurement and construction services.

There have been no significant changes in the nature of the principal activities 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 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).

As at 31 March 2016, the Company's current liabilities and total liabilities exceeded its current assets and total assets by RM32,999,251 and RM34,702,126 respectively. The financial statements have, however, been prepared on a going concern basis as its immediate holding company has agreed to provide financial support to enable the Company to meet its obligations when they arise.

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 Company adopted all the standards and interpretations which are effective for annual financial periods beginning on or after 1 April 2015.

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

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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 Company's financial statements are disclosed below. The Company intends 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.

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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.)

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

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.

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2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

MFRS 15 Revenue from Contracts with Customers (contd.)

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

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 Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

2.4 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes 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 Company determines 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 loans and receivables. All financial assets 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. A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

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2. Summary of significant accounting policies (contd.)

2.5 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.

2.6 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.

2.7 Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Receivables 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 of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments past the average credit period and observable changes in economic conditions.

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.

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2. Summary of significant accounting policies (contd.)

2.7 Impairment of financial assets (contd.)

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

If in a subsequent period, the amount of the impairment loss decreases as a result of 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.

2.8 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 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 Company'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.

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.

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2. Summary of significant accounting policies (contd.)

2.9 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of 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.

2.10 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 using tax rates and tax laws that are enacted or substantively enacted by the reporting date. Current tax is recognised in profit or loss.

(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 and 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.

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.

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2. Summary of significant accounting policies (contd.)

2.10 Income taxes (contd.)

(b) Deferred tax (contd.)

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.

2.11 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value at 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 2.6.

(b) Consultancy fees

Consultancy fees are recognised when services are rendered.

(c) Interest income

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

2.12 Foreign currency

(i) Functional and presentation currency

The financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

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2. Summary of significant accounting policies (contd.)

2.12 Foreign currency (contd.)

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company 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.

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.

2.13 Employee benefits

(i) Short term 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 Company.

(ii) Defined contribution plans

The Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Company make 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.

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2. Summary of significant accounting policies (contd.)

2.14 Fair value measurement

The Company 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

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

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 Company 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

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2. Summary of significant accounting policies (contd.)

2.14 Fair value measurement (contd.)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company 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.

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 Company 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.

2.15 Current versus non-current classification

The Company 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.

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2. Summary of significant accounting policies (contd.)

2.15 Current versus non-current classification (contd.)

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 Company classifies all other liabilities as non-current.

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

3. Significant accounting judgements and estimates

(a) Judgements made in applying accounting policies

There were no significant judgements made in applying the accounting policies of the Company which may have significant effects on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

The key assumption 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 is discussed below.

(i) Construction contract

The Company 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 Company evaluates based on experience and by relying on the work of specialists.

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4. Contract revenue

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

5. Contract cost

This represents contract costs incurred.

6. Other income

	2016	2015
	RM	RM
Consultancy fee	2,151,436	1,996,080
Interest income	2,548,439	51,462
Unrealised foreign exchange gain	2,763,757	3,114,075
	<u>7,463,632</u>	<u>5,161,617</u>

7. Finance cost

This represents bank charges incurred.

8. Profit before tax

The following items have been included in arriving at profit before tax:

	2016	2015
	RM	RM
Auditors' remuneration	49,869	18,650
Employee benefits expense (Note 9)	1,675,692	1,931,716
Consultation fees paid to directors	105,000	105,000
Rental of premises	616,199	40,101
Bank guarantee fee	120,998	11,266
Impairment loss on amount due from related companies (Note 12)	42,039,750	-
Depreciation (Note 11)	24,845	-
	<u>44,295,353</u>	<u>2,006,733</u>

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9. Employee benefits expense

	2016	2015
	RM	RM
Wages and salaries	1,499,641	1,712,626
Social security contributions	12,217	18,423
Contributions to defined contribution plan	163,834	200,667
	<u>1,675,692</u>	<u>1,931,716</u>

10. Income tax expense

	2016	2015
	RM	RM
Current income tax		
- Malaysian income tax	611,625	31,870
- Underprovision in respect of previous years	19,452	-
	<u>631,077</u>	<u>31,870</u>
Deferred income tax (Note 16):		
- Relating to origination and reversal of temporary differences	663,735	622,815
- Under provision of deferred tax in prior financial year	95,955	-
	<u>759,690</u>	<u>622,815</u>
Income tax expense	<u>1,390,767</u>	<u>654,685</u>

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

A reconciliation between tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	2016	2015
	RM	RM
(Loss)/profit before tax	<u>(36,769,192)</u>	<u>3,263,911</u>
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	(8,824,606)	652,782
Expenses not deductible for tax purposes	10,099,966	1,903
Underprovision of income tax in respect of previous years	19,452	-
Underprovision of deferred tax in prior year	95,955	-
Income tax expense recognised in profit or loss	<u>1,390,767</u>	<u>654,685</u>

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11. Plant and equipment

	Furniture and fittings RM	Plant and machineries RM	Total RM
Cost			
At 1 April 2015	-	-	-
Addition	34,531	310,684	345,215
At 31 March 2016	<u>34,531</u>	<u>310,684</u>	<u>345,215</u>
Accumulated depreciation			
At 1 April 2015	-	-	-
Charge for the year (Note 8)	532	24,313	24,845
At 31 March 2016	<u>532</u>	<u>24,313</u>	<u>24,845</u>
Net carrying amount			
At 31 March 2016	<u>33,999</u>	<u>286,371</u>	<u>320,370</u>

12. Other receivables

	2016 RM	2015 RM
Deposits	233,797	32,000
Sundry receivables	193,088	54,262
Amounts due from ultimate holding company	15,841,282	12,627,281
Amounts due from immediate holding company	13,990,673	1,456,917
Loan to immediate holding company	12,484,500	-
Loan to a related company	32,281,500	-
Amounts due from related companies	9,763,170	4,920
	<u>84,788,010</u>	<u>14,175,380</u>
Less: Allowance for impairment	(42,039,750)	-
	<u>42,748,260</u>	<u>14,175,380</u>
Add: Cash and bank balances (Note 13)	133,375	77,487,866
Total loans and receivables	<u>42,881,635</u>	<u>91,663,246</u>
<u>Other receivables that are impaired:</u>		
Movement in allowance accounts:		
At 1 January	-	-
Charge for the year (Note 8)	42,039,750	-
At 31 December	<u>42,039,750</u>	<u>-</u>

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12. Other receivables (contd.)

Amounts due from ultimate holding, immediate holding and related companies

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

Loan to immediate holding company

Loans to immediate holding company bears interest at 6% per annum (2015: Nil), is unsecured and repayable on 18 May 2016.

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. Cash and bank balances

	2016	2015
	RM	RM
Cash on hand and at banks	133,375	10,219,216
Short term deposits with licensed bank	-	67,268,650
	<u>133,375</u>	<u>77,487,866</u>
Deposits with maturities of three months or more	-	(67,268,650)
Cash and cash equivalents	<u>133,375</u>	<u>10,219,216</u>

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

The short term deposits with licensed banks earn interest at rate of 1% per annum and have average maturity period of 365 days.

14. Trade and other payables

	2016	2015
	RM	RM
Trade payables		
Third party	893,728	3,716,500
Amount due to related companies	2,331	294
	<u>896,059</u>	<u>3,716,794</u>
Other payable		
Accruals	1,505,518	269,765
Total financial liabilities carried at amortised cost	<u>2,401,577</u>	<u>3,986,559</u>

(a) Trade payables

The normal trade credit terms granted to the Company ranges from 30 to 60 days.

(b) Amount due to related companies

The amount due to related companies is unsecured, non-interest bearing and is repayable on demand.

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15. Due to customer on contract

	2016	2015
	RM	RM
Construction costs incurred to date	10,389,809	817,473
Attributable profits	741,080	64,437
	<u>11,130,889</u>	<u>881,910</u>
Add: Costs incurred relating to future activity	20,578,090	20,782,556
	<u>31,708,979</u>	<u>21,664,466</u>
Less: Progress billings	(104,908,265)	(104,908,265)
	<u>(73,199,286)</u>	<u>(83,243,799)</u>

Presented as:

Current

Due to customer on contract	<u>(73,199,286)</u>	<u>(83,243,799)</u>
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16. Deferred tax liability

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

	Unrealised foreign exchange gains RM	Plant and equipment RM	Unutilised capital allowances RM	Total RM
At 1 April 2015	622,815	-	-	622,815
Recognised in statement of comprehensive income (Note 10)	759,407	18,893	(18,610)	759,690
At 31 March 2016	<u>1,382,222</u>	<u>18,893</u>	<u>(18,610)</u>	<u>1,382,505</u>

The Company's deferred tax as at 31 March 2015 relates to the following:

	Unrealised foreign exchange gains RM
At 1 April 2014	-
Recognised in statement of comprehensive income (Note 10)	622,815
At 31 March 2015	<u>622,815</u>

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17. Share capital

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

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.

19. Related party transactions

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

	2016 RM	2015 RM
Immediate holding company:		
Consultancy fee receivable	1,151,436	1,996,080
Consultancy fee payable	(4,661,824)	-
Interest income receivable	<u>650,049</u>	<u>-</u>
Related parties:		
Consultancy fee paid to directors	(105,000)	(105,000)
License fees payable to ultimate holding company	<u>(102,490)</u>	<u>(8,819)</u>

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

There is no compensation for key management personnel who are the Directors of the Company.

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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 the Company's financial assets and liabilities based on their notional amounts, reasonably approximate their fair values either due to their short-term nature or repayable on demand term.

21. Financial risk management objectives and policies

The Company is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate 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 Company's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Company does not apply hedge accounting.

The following sections provide details regarding the Company'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 Company's exposure to credit risk arises primarily from the amounts due from the ultimate holding, immediate holding and related companies. For other financial assets (including fixed deposits and cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

Exposure to credit risk

At the reporting date, the Company'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.

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

(b) Liquidity risk

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

The Company 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 Company also maintains sufficient levels of cash to meet its working capital requirement.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rate.

The Company's exposure to interest rate risk arises from its interest-bearing financial assets which are short-term in nature and placed in fixed deposits at agreed fixed rates. As the interest-bearing financial assets are at fixed rates, the Company's profit and reserves are not sensitive to the market movement in interest rates.

(d) 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 Company is exposed to United States Dollar ("USD"), United Arab Emirates Dirham ("AED") and Kuwaiti Dinar ("KWD").

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

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

(d) Foreign currency risk (contd.)

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

	2016	2015
	RM	RM
Cash and cash equivalents		
- USD	19,127	77,135,969
Amount due from holding company		
- USD	15,841,282	12,627,281
Amount due from related company		
- AED	(311)	(294)
Amount due from related company		
- KWD	<u>(2,021)</u>	<u>-</u>

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's profit net of tax to a reasonable possible change in USD exchange rate against the respective functional currencies of the Company entities, with all other variables held constant.

		2016	2015
		RM	RM
		Profit	Profit
		net of tax	net of tax
USD/RM	- strengthened 3%	1,802,962	2,692,781
	- weakened 3%	<u>(1,802,962)</u>	<u>(2,692,781)</u>

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22. Capital management

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company 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 Company monitors capital using the net tangible asset value of the Company, which is total tangible assets less total liabilities of the Company. The net tangible (liabilities)/assets values of the Company as at 31 March 2016 and 31 March 2015 were (RM34,702,126) and RM3,778,203 respectively.