INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF M/S PUNJ LLOYD UPSTREAM LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **M/s Punj Lloyd Upstream Ltd** ("the Company"), which comprise the Balance Sheet as at 31st March, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company'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 whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2015, and its loss and its cash flows for the year ended on that date.

Other Matter

We did not audit total assets of Rs. 56,77,04,671/- as at March 31, 2015, total revenues of Rs. 81,58,39,104/- and net cash outflows amounting to Rs. 83,59,254/- for the year then ended, included in the accompanying consolidated financial statements in respect of Libya & Gabon Branch, whose financial statements and other financial information have been audited by other auditors and whose report(s) has been furnished to us. Our opinion, in so far as it relates to the affairs of such branches, is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by 'the Companies (Auditor's Report) Order, 2015', issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by Section 143 (3) of the Act, we report that:

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

    b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

    c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

    d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

e) On the basis of the written representations received from the directors as on 31st March, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.

f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company does not have any pending litigations which would impact its financial position.

   ii. The Company has not required to made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

FOR G.S. MATHUR & CO.
Chartered Accountants
Firm Registration Number: 8744N.

K.K.Gangopadhyay.
Partner
Membership No. 013442.

Place: Gurgaon
Date: May 18, 2015

Annexure to Independent Auditors' Report

Referred to in paragraph 1 of the Independent Auditors' Report of even date to the members of **Punj Lloyd Upstream Limited** on the financial statements as of and for the year ended March 31, 2015

i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

b) The Fixed assets have been physically verified by the management during the year, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

ii. (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedure of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

iii. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a) and (iii)(b) of the said Order are not applicable to the Company.

iv. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under to the extent notified.

vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including income tax, service tax, duty of customs, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities except Rs. 1,31,72,019/- on account of TDS for FY 2013-14 which have remained outstanding as at March 31, 2015 for a period of more than six months from the date they became payable, which has since been paid.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, service-tax, duty of customs, and or value added tax or cess which have not been deposited on account of any dispute.

c) There are no amounts required to be transferred by the Company to the Investor Education and Protection Fund in accordance with the provisions of the Companies Act, 2013 and the rules made thereunder.

viii. The Company has no accumulated losses which are more than fifty percent of its net worth at the end of the financial year and it has incurred cash losses in the current and immediately preceding financial year.

ix. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any Indian financial institution or bank as at the balance sheet date.

x. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 3(x) of the Order are not applicable to the Company.

xi. In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.

xii. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

FOR G.S. MATHUR & CO.
Chartered Accountants
Firm Registration Number: 8744N.

K.K.Gangopadhyay.
Partner
Membership No. 013442.

Place: Gurgaon
Date: May 18, 2015

Punj Lloyd Upstream Limited
Balance Sheet as at March 31, 2015
(All amounts in INR, unless otherwise stated)

	Notes	As at March 31, 2015	As at March 31, 2014
Equity and liabilities			
Shareholders' funds			
Share capital	3	626,940,000	626,940,000
Reserves and surplus	4	(221,047,428)	(20,050,143)
Non-current liabilities			
Long-term borrowings	5	150,309,503	292,571,408
Deferred tax liabilities (net)	6	16,373,366	31,417,368
Long-term provisions	7	10,275,180	9,864,379
Current liabilities			
Short-term borrowings	8	897,747,914	897,097,914
Trade payables	9	71,051,873	57,638,004
Other current liabilities	9	955,407,547	694,087,917
Short-term provisions	7	1,068,619	743,340
		2,508,126,574	**2,590,310,187**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	10	1,933,559,000	2,009,407,388
Intangible assets	10	-	-
Current assets			
Inventories	16	74,721,907	134,285,466
Trade receivables	11	470,416,841	399,518,369
Cash and bank balance	12	9,301,915	32,513,463
Loans and advances	13	20,126,912	14,585,501
		2,508,126,574	**2,590,310,187**
Summary of significant accounting policies	2.1		

The accompanying notes form an integral part of the financial statements
This is the balance sheet referred to in our report of even date

For **G. S. Mathur & Co**
Chartered Accountants
Firm registration number: 8744N

For and on behalf of the Board of Directors of
Punj Lloyd Upstream Limited

per **K. K. Gangopadhyay**
Partner
Membership No. : 013442

Rahul Maheshwari
Chief Financial Officer

Priyanka Khatri
Company Secretary

Vikram Walia
Director

Atul Punj
Director

Place: Gurgaon
Date: May 18, 2015

Punj Lloyd Upstream Limited
Statement of profit and loss for the year ended March 31, 2015
(All amounts in INR, unless otherwise stated)

	Notes	Year ended March 31, 2015	Year ended March 31, 2014
Income			
Revenue from operations	14	815,839,103	984,985,108
Other Income	15	-	8,856,697
Total Income (I)		**815,839,103**	**993,841,806**
Expenses			
Cost of raw material and components consumed	16	278,064,887	290,733,487
Employee benefits expense	17	148,675,114	244,642,729
Other expenses	18	331,784,479	309,049,050
Total expenses (II)		**758,524,480**	**844,425,266**
Earning before interest, tax, depreciation and amortization (EBITDA) (I)-(II)		**57,314,624**	**149,416,540**
Depreciation and amortization expense	9	81,724,474	77,729,540
Finance costs	19	154,251,184	160,400,902
Loss before tax		**(178,661,034)**	**(88,713,902)**
Tax expenses			
Deferred tax charge /(credit)		(15,044,002)	23,809,439
Total tax expensse		**(15,044,002)**	**23,809,439**
Loss for the period		**(163,617,032)**	**(112,523,341)**
Earnings per equity share [nominal value per share Rs.10 each (previous year Rs. 10)]			
Basic and diluted earning per share	20	(2.61)	(1.79)
Summary of significant accounting policies	2.1		

The accompanying notes form an integral part of the financial statement

This is the statement of profit and loss referred to in our report of even date

For **G. S. Mathur & Co**
Chartered Accountants
Firm registration number: 8744N

For and on behalf of the Board of Directors of
Punj Lloyd Upstream Limited

per **K. K. Gangopadhyay**
Partner
Membership No. : 013442

Rahul Maheshwari
Chief Financial Officer

Priyanka Khatri
Company Secretary

Vikram Walia
Director

Atul Punj
Director

Place: Gurgaon
Date: May 18, 2015

Punj Lloyd Upstream Limited
Cash flow statement for the year ended March 31, 2015

	Year ended March 31, 2015	Year ended March 31, 2014
Cash flow from operating activities		
Loss before tax	**(178,661,034)**	**(88,713,902)**
Non-cash adjustment to reconcile loss before tax to net cash flows		
Depreciation/ amortization	81,724,474	77,729,540
Unrealised foreign exchange loss/ (profit) (net)	-	
Interest expense	148,400,122	154,013,038
Operating profit before working capital changes	**51,463,562**	**143,028,676**
Movement in working capital:		
Increase/ (decrease) in trade payables	13,413,869	(116,627,890)
Increase/ (decrease) in provisions	736,080	(8,537,515)
Increase/ (decrease) in other current liabilities	87,756,784	63,619,803
Decrease/ (increase) in trade receivables	(70,898,472)	662,821,276
Decrease/ (increase) in inventories	59,563,559	(54,239,435)
Decrease/ (increase) in loans and advances	(5,551,109)	624,750
Cash generated from operations	136,484,273	690,689,665
Direct taxes paid (net of refunds)	9,698	9,099,776
Net cash flow from operating activities (A)	**136,493,971**	**699,789,441**
Cash flow used in investing activities		
Purchase of fixed assets, including CWIP and capital advances	8,325,783	(54,248,219)
Net cash flow used in investing activities (B)	**8,325,783**	**(54,248,219)**
Cash flow used in financing activities		
Proceeds from long-term borrowings	.	
Repayment of long-term borrowings	-	(401,721,352)
Proceeds/ (Repayment) from short-term borrowings (net)	650,000	(57,000,000)
Interest paid	(131,182,514)	(147,574,620)
Net cash flow used in financing activities (C)	**(130,532,514)**	**(606,295,972)**
Net increase /(decrease) in cash and cash equivalents (A + B + C)	**14,287,240**	**39,245,250**
Exchange difference	(37,498,789)	(26,643,099)
Cash and cash equivalents at the beginning of the year	32,513,463	19,911,312
Cash and cash equivalents at the end of the year	**9,301,915**	**32,513,463**
Components of cash and cash equivalents		
Cash on hand	99,231	1,340,751
With banks		
- on current account	9,202,683	31,172,712
Total cash and cash equivalents (also refer note 12)	**9,301,915**	**32,513,463**

The accompanying notes form an integral part of the financial statements
This is the cash flow statement referred to in our report of even date

For **G. S. Mathur & Co**
Chartered Accountants
Firm registration number: 8744N

For and on behalf of the Board of Directors of
Punj Lloyd Upstream Limited

per **K. K. Gangopadhyay**
Partner
Membership No. : 13442

Rahul Maheshwari
Chief Financial Officer

Priyanka Khatri
Company Secretary

Vikram Walia
Director

Atul Punj
Director

Place: Gurgaon
Date: May 18, 2015

Punj Lloyd Upstream Limited
Notes to financial statements for the year ended March 31, 2015
(All amounts in INR, unless otherwise stated)

3. Share capital

Particulars	As at March 31, 2015	As at March 31, 2014
Authorized shares		
100,000,000 (Previous year 100,000,000) equity shares of Rs. 10 each	**1,000,000,000**	**1,000,000,000**
Issued, subscribed and fully paid-up shares		
62,694,000 (Previous year 62,694,000) equity shares of Rs. 10 each	626,940,000	626,940,000
	626,940,000	**626,940,000**

a. Reconciliation of the shares oustanding at the beginning and at the end of the reporting period

Particulars	As at March 31, 2015		As at March 31, 2014	
	Nos.	Amount	Nos.	Amount
Equity shares outstanding at the beginning of the year	62,694,000	626,940,000	62,694,000	626,940,000
Add: Equity shares issued during the year	-	-	-	-
Outstanding at the end of the year	**62,694,000**	**626,940,000**	**62,694,000**	**626,940,000**

b. Terms and rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.
In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Shares held by holding company

Out of equity shares issued, subscribed and fully paid up by the Company, shares held by its holding company is as below:

	As at March 31, 2015	As at March 31, 2014
Punj Lloyd Limited, the holding company 36,397,350 (Previous year 36,397,350) equity shares of Rs. 10 each fully paid	363,973,500	363,973,500

d. Details of shareholders holding more than 5% of the equity share capital of the Company

Name of Shareholder	As at March 31, 2015		As at March 31, 2014	
	Nos.	% of Holding	Nos.	% of Holding
Punj Lloyd Limited	36,397,350	58.06%	36,397,350	58.06%
Mr. Vikram Walia	14,686,650	23.43%	14,686,650	23.43%
International Finance Corporation	11,610,000	18.52%	11,610,000	18.52%

e. No bonus shares or shares issued for consideration other than cash or shares bought back over the last five years immediately preceding the reporting date.

4. Reserves and surplus

Particulars	As at March 31, 2015	As at March 31, 2014
Foreign currency translation reserve		
Balance as per last financial statements	78,262,411	105,316,287
Add: Exchange difference during the year on net investment in non-integral operation	(37,380,253)	(27,053,876)
Closing Balance	**40,882,158**	**78,262,411**
Surplus/ (deficit) in the statement of profit and loss		
Balance as per last financial statements	(98,312,554)	14,210,787
Loss for the year	(163,617,032)	(112,523,341)
Closing balance	**(261,929,586)**	**(98,312,554)**
Total reserves and surplus	**(221,047,428)**	**(20,050,143)**

5. Long Term Borrowings

Particulars	Non Current Portion		Current Maturities	
	As at March 31, 2015	**As at March 31, 2014**	**As at March 31, 2015**	**As at March 31, 2014**
Term Loan				
From a financial institution (secured)				
5.39% (previous year 5.39%) loan repayable in 20 half yearly installments, beginning at the end of 2 years from the date of its origination i.e. April 01, 2010. The loan is secured by way of pari passu charge on the fixed assets purchased out of the proceeds of the loan. Further, the loan has been guaranteed by the corporate guarantee of Punj Lloyd Limited, the holding company	150,309,503	292,571,408	375,773,809	219,428,571
	150,309,503	292,571,408	375,773,809	219,428,571
The above amount includes				
Secured borrowings	150,309,503	292,571,408	375,773,809	219,428,571
Amount disclosed under the head "other current liabilities" (note 9)	-	-	(375,773,809)	(219,428,571)
	150,309,503	**292,571,408**	**-**	**-**

6. Deferred Tax Liabilities

Particulars	As at March 31, 2015	As at March 31, 2014
Deferred tax liability		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	310,183,765	277,477,689
Gross deferred tax liability	**310,183,765**	**277,477,689**
Deferred tax asset		
Impact of expenditure charged to the statement of profit and loss in current year but allowed for tax purposes on payment basis	750,376	513,510
Unrealised foreign exchange on purchase of tangible assets	69,029,201	66,147,592
Unabsorbed losses/carried forward losses	224,030,822	179,399,219
Gross deferred tax asset	**293,810,399**	**246,060,321**
Net Deferred Tax Liability	**16,373,366**	**31,417,368**

7. Provisions

Particulars	Long-term		Short-term	
	As at March 31, 2015	**As at March 31, 2014**	**As at March 31, 2015**	**As at March 31, 2014**
Provision for employee benefits				
Provision for gratuity	1,163,646	752,845	-	-
Provision for compensated absences	-	-	1,068,619	743,340
	1,163,646	**752,845**	**1,068,619**	**743,340**
Other provisions				
Provision for current tax	9,111,534	9,111,534		
	9,111,534	**9,111,534**	**-**	**-**
	10,275,180	**9,864,379**	**1,068,619**	**743,340**

8. Short-term borrowings

Particulars	As at March 31, 2015	As at March 31, 2014
From Banks	-	-
Unsecured		
(a) Loans and advances to related parties	897,747,914	897,097,914
	897,747,914	**897,097,914**
Loans and advances to related parties include		
Punj Lloyd Ltd - India	168,100,000	168,100,000
Interest rate is 11%		
PLN Construction Ltd	337,047,914	336,397,914
Interest rate is 11%		
Spectra Punj Lloyd Ltd	386,000,000	386,000,000
Interest rate is 14%		
Punj Lloyd Industries Ltd	6,600,000	6,600,000
Interest rate is 11%	**897,747,914**	**897,097,914**

9. Other current liabilities

Particulars	As at March 31, 2015	As at March 31, 2014
Trade payables (refer not 22 for details of dues to micro and small enterprises)	71,051,873	57,638,004
Other liabilities		
Current maturities of long term borrowings (note 5)	375,773,809	219,428,571
Interest accrued but not due on borrowings	39,074,085	21,856,477
Others	2,370,693	744,326
Tax deducted at source payable	29,862,897	30,443,428
Due to related parties	465,403,134	352,348,175
Bonus Payables	80,498	86,523
Salary Payables	42,842,432	69,180,417
	955,407,547	694,087,917
	1,026,459,420	**751,725,921**

10. Fixed assets : Tangible assets

Particulars	Plant and equipment	Furniture and fixtures	Office equipment	Total
Cost				
At April 01, 2013	2,483,022,537	1,767,631	2,515,709	2,487,305,877
Additions during the year	51,329,907	226,347		51,556,254
Other adjustments				-
Exchange differences	61,792,582	-	-	61,792,582
Foreign exchange translation adjustment	2,295,018	179,041	217,906	2,691,965
At March 31, 2014	**2,598,440,044**	**2,173,019**	**2,733,615**	**2,603,346,678**
Additions during the year				-
Other adjustments				
Exchange differences	14,083,333	-	-	14,083,333
Foreign exchange translation adjustment	(9,159,116)			-9,159,116
As at March 31, 2015	**2,603,364,261**	**2,173,019**	**2,733,615**	**2,608,270,895**
Depreciation				
At April 01, 2013	514,577,516	234,242	987,213	515,798,971
Charge for the year	77,155,441	132,386	441,713	77,729,540
Foreign exchange translation adjustment	409,806	187	786	410,779
At March 31, 2014	**592,142,763**	**366,815**	**1,429,712**	**593,939,290**
Charge for the year	80,281,492	451,645	991,337	81,724,474
Foreign exchange translation adjustment	(950,015)	(115)	(1,739)	-951,869
As at March 31, 2015	**671,474,240**	**818,345**	**2,419,310**	**674,711,895**
Net block				
At March 31, 2014	**2,006,297,281**	**1,806,204**	**1,303,903**	**2,009,407,388**
As at March 31, 2015	**1,931,890,021**	**1,354,674**	**314,305**	**1,933,559,000**

Punj Lloyd Upstream Limited
Notes to financial statements for the year ended March 31, 2015
(All amounts in INR, unless otherwise stated)

10. Fixed assets : Intangible assets

Particulars	Computer softwares	Total
Cost		
At April 01, 2013	90,940	90,940
At March 31, 2014	**90,940**	**90,940**
As at March 31, 2015	**90,940**	**90,940**
Amortization		
At April 01, 2013	90,940	90,940
Charge for the year		-
At March 31, 2014	**90,940**	**90,940**
Charge for the year	-	-
As at March 31, 2015	**90,940**	**90,940**
Net block		
At March 31, 2014	-	-
As at March 31, 2015	**-**	**-**

11. Trade Receivables

Particulars	As at March 31, 2015	As at March 31, 2014
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	470,416,841	284,525,212
	470,416,841	284,525,212
Other receivables		
Unsecured, considered good		114,993,157
	-	114,993,157
	470,416,841	**399,518,369**

12. Cash and bank balances

Particulars	As at March 31, 2015	As at March 31, 2014
Cash and cash equivalents		
Balances with banks:		
On current accounts	9,202,683	31,172,712
Cash on hand	99,231	1,340,751
	9,301,915	**32,513,463**

13. Loans & Advances

Particulars	As at March 31, 2015	As at March 31, 2014
Security deposits		
Unsecured, considered good	6,877,239	1,367,725
	6,877,239	1,367,725
Advances recoverable in cash or kind		
Unsecured, considered good	1,338,993	1,297,398
	1,338,993	1,297,398
Other loans and advances		
Unsecured, considered good		
Advance income-tax (net of provision for taxation)	11,910,680	11,920,378
	11,910,680	11,920,378
	20,126,912	**14,585,501**

Punj Lloyd Upstream Limited
Notes to financial statements for the year ended March 31, 2015
(All amounts in INR, unless otherwise stated)

14. Revenue from operations

Particulars	Year ended March 31, 2015	Year ended March 31, 2014
Contract Revenue	815,839,103	984,985,108
	815,839,103	**984,985,108**

15. Other Income

Particulars	Year ended March 31, 2015	Year ended March 31, 2014
Exchange difference (net)		8,856,697
	-	**8,856,697**

16. Raw Material Details

Particulars	Year ended March 31, 2015	Year ended March 31, 2014
1) Op. stock	134,285,466	80,046,031
Add : Purchases	218,501,328	344,972,922
Less: Cl. Stock	74,721,907	134,285,466
Consumption	278,064,887	290,733,487
Total	**278,064,887**	**290,733,487**

17. Employee benefit expense

Particulars	Year ended March 31, 2015	Year ended March 31, 2014
Salaries, wages and bonus	113,049,738	193,208,036
Compensated absences	325,279	238,842
Gratuity	410,801	335,177
Staff welfare expenses	34,889,295	50,860,674
	148,675,114	**244,642,729**

18. Other Expenses

Particulars	Year ended March 31, 2015	Year ended March 31, 2014
Site expenses	26,691,060	24,986,107
Power and fuel	49,510,221	14,881,484
Repair and maintenance		
Plant and machinery	117,811,896	94,125,809
Freight and cartage	103,381,654	86,389,090
Rates and taxes	148,809	7,048,210
Payment to auditors (refer below)	112,360	112,360
Travelling and conveyance	16,206,009	42,710,202
Consultancy and professional charges	1,247,213	4,137,896
Branding Fees	9,166,768	16,600,939
Office expenses	538,585	3,029,986
Rent	3,959,915	5,171,532
Miscellaneous expenses	1,095,881	1,902,336
Other expenses	-	7,386,607
Insurance	1,812,609	566,491
Exchange difference (net)	101,497	
	331,784,479	**309,049,050**

Payment to auditors:		
As auditors:		
Audit fees	112,360	112,360
Reimbursement of expenses		
	112,360	112,360

19. Finance costs

Particulars	Year ended March 31, 2015	Year ended March 31, 2014
Interest	148,400,122	154,013,038
Bank charges	2,932,336	3,213,880
Other borrowing cost	2,918,726	3,173,984
	154,251,184	**160,400,902**

20 Earnings per share

Basic and diluted earnings

		March 31, 2015	March 31, 2014
a)	Calculation of weighted average number of equity shares of Rs. 10 each		
	Number of equity shares at the end of the year	62,694,000	62,694,000
	Weighted average number of equity shares outstanding during the year	62,694,000	62,694,000
b)	Net loss after tax available for equity share holders (Rs.)	(163,617,032)	(112,523,341)
c)	Basic and diluted earnings per share (Rs.)	(2.61)	(1.79)
d)	Nominal value of share (Rs.)	10	10

21 Un-hedged foreign currency exposures

a) Particulars of Un-hedged foreign currency exposures of the India Operations as at the Balance Sheet date

Particulars	Currency	March 31, 2015			March 31, 2014		
		Amount in foreign currency	Exchange rate	Amount	Amount in foreign currency	Exchange rate	Amount
Loans Taken	USD	8,333,333	63.13	526,083,312	8,333,333	61.44	511,999,979

22 Earnings in foreign currency (accrual basis)

Particulars	2014-15	2013-14
Contract Revenue	815,839,103	984,985,108
	815,839,103	**984,985,108**

23 Segment Reporting

Business Segment:

The Company's business activity falls within a single business segment. Therefore, segment reporting in terms of Accounting Standard 17 on Segmental Reporting is not applicable.

Geographical Segment

The Company's operations are based in Africa only and the company does not operate in any other Country and hence there are no geographical segments.

24 In the opinion of the management, the current assets, loan and advances appearing in the balance sheet have a value equivalent to the amount stated therein if realized during the ordinary course of business and all known liabilities have been provided.

25 Balances of sundry debtors, sundry creditors, loans and advances and deposits are subject to balance confirmation and reconciliation thereof.

26 Provision for impairment loss as required under Accounting Standard – 28 on impairment of Assets is not necessary as in the opinion of management there is no impairment of the company’s assets in terms of AS – 28.

27 In view of there not being any virtual certinity, at the balance sheet date, of the realisation of unadjusted losses under the Income Tax Act 1961 against sufficient future taxable income, the defered tax asset (net) has not been recogonised in the book of account.

28 **Related party disclosures**

Names of related parties and related party relationship

Related parties where control exists irrespective of whether transactions have occurred or no

Holding company	Punj Lloyd Limited

Related parties with whom transactions have taken place during the year

Holding company	Punj Lloyd Limited
Fellow subsidiaries	PLN Construction Limited
	Spectra Punj Lloyd Limited
	Punj Lloyd Industries Limited

Key Managerial Personnel

Atul Punj	Director
Vikram Walia	CEO/Director
Jayarama Prasad Chalasani	Director

Related party transactions

Particulars	Holding Company		Fellow Subsidiaries		Total	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
EXPENSES						
Rent						
Punj Lloyd Limited	2,600,235	3,343,161	-	-	2,600,235	3,343,161
Corporate Bank Guarantee Commission						
Punj Lloyd Limited	2,918,726	3,173,984	-	-	2,918,726	3,173,984
Branding Fees						
Punj Lloyd Limited	9,166,768	16,600,939	-	-	9,166,768	16,600,939
Interest						
Punj Lloyd Limited	20,741,000	20,926,836	-	-	20,741,000	20,926,836
PLN Construction Limited	-	-	37,072,136	38,427,743	37,072,136	38,427,743
Spectra Punj Lloyd Limited	-	-	54,040,000	54,040,000	54,040,000	54,040,000
Punj Lloyd Industries Limited	-	-	726,000	726,000	726,000	726,000
Balance outstanding as at end of the year						
Receivable/(payable)						
Punj Lloyd Limited	(353,582,411)	(318,682,229)	-	-	(353,582,411)	(318,682,229)
PLN Construction Limited	-	-	(456,963,429)	(422,948,507)	(456,963,429)	(422,948,507)
Spectra Punj Lloyd Limited	-	-	(545,351,807)	(496,715,807)	(545,351,807)	(496,715,807)
Punj Lloyd Industries Limited	-	-	(6,600,000)	(7,253,400)	(6,600,000)	(7,253,400)
Corporate Guarantees given by Holding Company	526,083,312	511,999,979	-	-	526,083,312	511,999,979

29 **Impact due to change in accounting policy**

With effects from April 01, 2014 the company has changed the method of providing depreciation based on the useful life of the fixed assets as prescribed in schedule II to the companies Act, 2013, as against the rates prescribed in schedule XIV of the erstwhile companies Act, 1956.

As a result of the change, the depreciation for the financial year 2014-15 is increased by Rs. 32,83,202/-

30 The Micro and Small Enterprises have been identified by the Company from the available information, which has been relied upon by the auditors. According to such identification, there were no dues to Micro and Small Enterprise that are reportable as per Micro, Small and Medium Enterprise Development Act, 2006 outstanding as at March 31, 2015.

31 Previous year figures

Previous year figures have been regrouped/reclassified, where necessary, to conform to this year's classification.

As per our report of even date.

For **G. S. Mathur & Co**
Chartered Accountants
Firm registration number: 8744N

For and on behalf of the Board of Directors of
Punj Lloyd Upstream Limited

per **K. K. Gangopadhyay**
Partner
Membership No. : 013442

Rahul Maheshwari	Priyanka Khatri	Vikram Walia	Atul Punj
Chief Financial Officer	Company Secretary	Director	Director

Place: Gurgaon
Date: May 18, 2015

1. Corporate information

Punj Lloyd Upstream Limited ("The Company") is a public Limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956 .The Company is engaged in the business of charter hiring of onshore drilling rigs for exploration of oil and gas.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) and complied in all material respects with the Accounting Standards notified under section 133 read with rule 7 of Companies (Account) Rule 2014 and the relevant provisions of the Companies Act, 2013 ("The Act"). The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements have been consistently applied by the Company and are consistent with those of previous year, except Schedule II

2.1. Summary of significant accounting policies

(a) **Use of estimates:**

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring an adjustment to the carrying amounts of assets or liabilities in future periods.

(b) Tangible fixed assets

Tangible assets are stated at cost, net off accumulated depreciation and impairment losses, if any. The cost comprises the purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the assets to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the Purchase Price.

Subsequent expenditure related to an item of tangible asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing tangible assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

The Company adjusts exchange differences arising on translation/settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset. In accordance with Ministry of Corporate Affairs circular dated August 09, 2012, exchange differences adjusted to the cost of fixed assets are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the period. In other words, the Company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.

Gains or losses arising from de-recognition of tangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

(c) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

(d) Depreciation on tangible assets

Depreciation on tangible assets is calculated on a straight line basis, at the rates prescribed under Schedule Schedule II to the Companies Act, 2013 except for Rigs which is being depreciated @ 2.97% on revision of useful life of the assets as per AS-6, which are based on the estimated useful life of the assets.

Individual assets costing upto Rs. 5,000 are depreciated @ 100% in the year of purchase.

(e) Impairment of tangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows 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. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(f) Inventories

i) Stock in trade (Equipments), Stores and Spares are valued at lower of cost and net realizable value. Cost is determined on weighted average basis.

ii) Scrap is valued at net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(g) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

i. Revenue from hiring contracts is accounted for in accordance with the terms of agreements with the customer's recognised pro-rata over the period of the contract as and when services are rendered.

ii. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

(h) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(i) Foreign currency transaction

i. Initial recognition
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii. Conversion
Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are carried at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

iii. Exchange differences

The Company accounts for exchange differences arising on translation/settlement of foreign currency monetary items as below:

a. Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non-integral foreign operation is accumulated in the foreign currency translation reserve until the disposal of the net investment. On the disposal of such net investment, the cumulative amount of the exchange differences which have been deferred and which relate to that investment is recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.
b. Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.
c. Exchange differences arising on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary item.
d. All other exchange differences are recognized as income or as expenses in the period in which they arise

(j) Translation of non integral foreign operations

The Company classifies all its foreign operations as non integral foreign operation.

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. Items of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average quarterly rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve. On disposal of a non-integral foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

(k) Employee benefits

i) **Short Term Employee Benefits**

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit and are recognized as an expense on an undiscounted basis in the Statement of Profit & Loss Account of the year in which the related service is rendered.

ii) **Post Employment Benefits**

Gratuity liability is a defined benefit obligation .The amount paid/ payable in respect of present value of liability for past services is charged to the statement of profit and loss on the basics of actuarial valuation on the projected unit credit method made at the end of each financial year. Actuarial gains/losses are recognized in full in the period in which they occur in the statement of profit and loss. The Gratuity scheme is non funded by the company.

iii) In respect to overseas branches and unincorporated joint venture operations, provision for retirement and other employees' benefits are made on the basis prescribed in the local labour laws of the respective country, for the accumulated period of service at the end of the financial year.

(l) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdiction where the company operates. . The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in Shareholders' funds is recognised in Shareholders' funds and not in the statement of profit and loss.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of earlier years. Deferred tax is measured using the tax rates and tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in Shareholders' funds is recognised in Shareholders' funds and not in the statement of profit and loss.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of Profit and Loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

(m) Segment reporting

Identification of segments

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Unallocated items

Unallocated items include general corporate income and expense items which are not allocated to any business segment.

Segment accounting policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

(n) Earnings per share:

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for the events of bonus issue and share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(o) Provisions

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

(p) Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. A disclosure is made for a contingent liability when there is a:

a) possible obligation, the existence of which will be confirmed by the occurrence/non-occurrence of one or more uncertain events, not fully with in the control of the Company;
b) present obligation, where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
c) present obligation, where a reliable estimate cannot be made.

(r) Operating cycle

The operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents and the same is considered as project period.

(s) Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. In its measurement, the Company does not include depreciation and amortization expense, finance costs and tax expense.