

COUDRIGLOL

**KALPATARU IBN OMAIRAH COMPANY LIMITED
(LIMITED LIABILITY COMPANY)**

FINANCIAL STATEMENT

AND

**AUDITORS' REPORT FOR THE PERIOD FROM
JUNE 01, 2015 TO MARCH 31, 2016**



INDEPENDENT AUDITORS' REPORT

**To the Partners' of
KALPATARU IBN OMAIRAH COMPANY LIMITED
(A limited Liability Company)
Riyadh – Saudi Arabia**

We have audited the accompanying financial statements of KALPATARU IBN OMAIRAH COMPANY LIMITED (A limited Liability Company ("Company"), which comprise the balance sheet as of March 31, 2016 and the statements of income, cash flows and changes in Partner's equity for the period from June 01, 2015 to March 31, 2016, together with notes 1-14 which are an integral part of these financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statement and in accordance with requirements of International Financial Reporting Standard (IFRS) and in accordance with article 175 of the Company laws. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstance.

Upon our request, the Company had provided us with all the necessary information and data needed to carry out the audit process.

Auditors' responsibility

- Our responsibility is to express an opinion on financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in the Kingdom of Saudi Arabia. These 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 statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements taken as a whole:

- present fairly, in all material respects, financial position of the Company as of March 31, 2016 in accordance with the international financial reporting standards appropriate to the circumstances of the Company; and
- comply with the requirements of the regulations for companies and the Company's Article of Association with respect to the preparation and presentation of the financial statements.

Emphasis of matter

- As disclosed in note 1 to the accompanying financial statements, the Company has accumulated losses amounting to SR 994,008 as of 31 March 2016. Further, as of that date the Company has negative equity of SR 494,008. These conditions indicate that the Company may not be able to continue in a foreseeable future. However, companies' partners held a meeting on 26 May 2016 and they believe that the Company has favorable prospects and will have profitable operations in future. Accordingly, these financial statements have been prepared following going concern assumption.

**Aldar Audit Bureau
Abdullah Al Basri & Co.**



**Abdullah M. AlBasri
Certified Public Accountant
(License No.171)**

Riyadh, 19 Shaaban 1437 H
Corresponding to 26 May 2016



BALANCE SHEET
AS AT MARCH 31, 2016

	<u>Notes</u>	<u>2016</u> <u>SR</u>
ASSETS		
Current assets		
Cash	3	1,141,665
Debit balances	4	2,316,467
Due from related party	5	5,115,102
Total current assets		<u>8,573,234</u>
Non-current assets		
Fixed assets	6	18,034
Total assets		<u>8,591,268</u>
Liabilities and Partners' equity		
Liabilities		
Current liabilities		
Credit balances	7	8,350,614
Due to related parties	5	734,662
Total current liabilities		<u>9,085,276</u>
Total liabilities		<u>9,085,276</u>
Partners' equity		
Capital	8	500,000
Accumulated Loss		(994,008)
Total partners' equity		<u>(494,008)</u>
Total liabilities and partners' equity		<u>8,591,268</u>

Finance Manager

General Manager

The attached notes 1-14 are an integral part of these financial statements

INCOME STATEMENT**FROM THE PERIOD JUNE 01, 2015 TO MARCH 31, 2016**

	<u>Notes</u>	<u>2016</u>
		<u>SR</u>
Revenues	9	3,174,461
Cost of revenues	10	<u>(2,700,895)</u>
Gross profit		473,566
Operating expenses:		
General and administrative expenses	11	<u>(1,467,574)</u>
Net Loss for the period		<u>(994,008)</u>

Finance Manager

General Manager

The attached notes 1-14 are an integral part of these financial statements

STATEMENT OF CASH FLOWS
FROM THE PERIOD JUNE 01, 2015 TO MARCH 31, 2016

	<u>Notes</u>	<u>2016</u>
		SR
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period		(994,008)
Adjustments to reconcile loss for the period to net cash from operating activities		
Depreciation	6	4,210
Operating profit before changes in working capital		(989,798)
Changes in working capital		
Debit balances		(2,316,467)
Due from related party		(5,115,102)
Credit balances		8,350,614
Due to related parties		734,662
		<u>1,653,707</u>
Net cash flows from operating activities		<u>663,909</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for additions to fixed assets		(22,244)
Net cash flows used in investing activities		<u>(22,244)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital		500,000
Net cash flows from financing activities		<u>500,000</u>
Net increase in cash flows		1,141,665
Cash at beginning of the period		-
Cash at end of the period	3	<u><u>1,141,665</u></u>

Finance Manager

General Manager

The attached notes 1-14 are an integral part of these financial statements

**STATEMENT OF SHAREHOLDER'S EQUITY
FROM THE PERIOD JUNE 01, 2015 TO MARCH 31, 2016**

	Capital	Accumulated losses	Total partners' equity
	SR	SR	SR
Balance as of June 01, 2015	500,000	—	500,000
Loss for the period	—	(994,008)	(994,008)
Balance as of March 31, 2016	500,000	(994,008)	(494,008)

Finance Manager

General Manager

The attached notes 1-14 are an integral part of these financial statement

NOTES TO THE FINANCIAL STATEMENTS**For the period from JUNE 01, 2015 TO March 31, 2016****1 LEGAL STATUS AND ACTIVITY**

Kalpataru IBN Omairah Company Limited is a limited liability company established under (CR: 1010434363) issued in Riyadh dated 13/08/1436 H. (In Correspondence 01/06/2015)

The Company is engaged in activities related to do electrical works and construction works of electrical energy conversion substations and the OHTL. These activities are approved under General Investment Authority No. 10219360553467 dated 17/05/1436 H. The duration of the Company shall be five years.

As at the reporting date, the Company has accumulated losses amounting to SR 994,008 as at 31 March 2016. Further, as of that date the Company has negative equity of SR 494,008 the continuation of the Company's operations is dependent on future profitable operations.

Management is optimistic in improving the results of operations in future years. Further, In compliance with Article No. 181 of the companies' regulations, partners held a meeting on 26 May 2016 and they believe that the Company has favorable prospects and will have profitable operations in future. Accordingly, these financial statements have been prepared on a 'going concern' basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

The accompanying financial statements have been prepared based on the historical cost convention using accrual basis of accounting and in compliance with International accounting standards promulgated by International Financial Reporting framework's ("IFRS").

Use of estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standard (IFRS) requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Cash and cash equivalents

Cash and cash equivalents include balances in current accounts and demand deposits, with maturity dates less than or equal to three months.

Debit balances

Accounts receivable and other current balances are initially recognized at fair value and subsequently measured at amortized cost. A provision against doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the income statement and reported under "administrative and general expenses".

Fixed assets

Property and equipment are carried at cost less accumulated depreciation except for land which is stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

For the period from JUNE 01, 2015 TO March 31, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Fixed assets**

Repair and maintenance expenses are administrative expenses while improvement expenses are considered capital expenses that are capitalized and depreciated using straight-line method according to the following rates of depreciation:

Project Site Setup 30%

Credit balances

Liabilities are recognized for amounts to be paid in the future for works and services received, whether billed by the supplier or not at the balance sheet date.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Revenue

Contract revenue is recognized as revenue when the outcome of a construction contract can be estimated reliably, by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion of a contract is determined depending on the basis of proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Cost of revenue

Cost of revenue comprise:

- (a) costs that relate directly to the specific contract;
- (b) costs that are attributable to contract activity in general and can be allocated to the contract; and
- (c) such other costs as are specifically chargeable to the customer under the terms of the contract.

General and administrative

General and administrative expenses include direct and indirect costs not specifically part of operating costs. Allocations between general and administrative expenses and operating costs, when required are made on a consistent basis.

Impairment of financial assets

At each balance sheet date, the management makes an assessment to make sure that there is no objective evidence of impairment of a financial asset or group of financial assets. In case of any existence of such evidence an impairment loss is recognized in income statement. Impairment is determined as follows:

- a) For financial assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the income statement.
- b) For financial assets carried at cost, impairment is the difference between the carrying value and the present value of future cash flows discounted at a rate of return in the market for a similar financial asset.

NOTES TO THE FINANCIAL STATEMENTS

For the period from JUNE 01, 2015 TO March 31, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Impairment of financial assets (continued)**

c) For financial assets carried at amortized cost, impairment is the difference between carrying value and the present value of future cash flows which are discounted by effective rate.

Zakat and taxation

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Joint Venture is subject to zakat and income tax. Zakat and income tax is charged to the statement of comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Foreign currency translations**(a) Reporting currency and functional currency**

These financial statements are presented in Saudi Riyals ("SR") which is the reporting currency and functional currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

3 CASH

	<u>2016</u>
	SR
Cash in hand	3,353
Cash at banks	1,138,312
	<u>1,141,665</u>

4 DEBIT BALANCES

	<u>2016</u>
	SR
Receivable from customers	1,572,822
Retention receivable	317,446
Advances to supplier	135,000
Prepaid expenses, deposits and others	288,106
Employee Imprest	3,093
	<u>2,316,467</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period from JUNE 01, 2015 TO March 31, 2016

5 RELATED PARTY BALANCES

Due from related party:

Parties	Relationship	Type of transaction	2015		2016	
			SR	SR	Debit	Credit
Kalpataru Power Transmission Limited, India	Partner	Operation and Trading	-	5,115,102	-	5,115,102
			-	5,115,102	-	5,115,102

RELATED PARTY BALANCES

Due to related parties:

Parties	Relationship	Type of transaction	2015		2016	
			SR	SR	Debit	Credit
IBN Omairah Company Limited, Saudi Arabia	Partner	Operation	-	1,234,028	1,309,028	(75,000)
Branch of Kalpataru Power Transmission Limited in Saudi Arabia	Associate	Operation	-	1,558,341	2,218,003	(659,662)
			-	2,792,369	3,527,031	(734,662)

NOTES TO THE FINANCIAL STATEMENTS

For the period from JUNE 01, 2015 TO March 31, 2016

6 FIXED ASSET

Description	Project Site Setup	Total
Cost:		
Additions	22,244	22,244
As at March 31, 2016	22,244	22,244
Accumulated depreciation:		
Charge for the period	(4,210)	(4,210)
As at March 31, 2016	(4,210)	(4,210)
Net book value March 31, 2016	18,034	18,034

7 CREDIT BALANCES

	2016
	SR
Contract advance	8,204,062
Accrued expenses	146,552
	8,350,614

8 CAPITAL

The company capital comprise of 500 shares of SR 1000 each

Description of parties	No of Shares	Share price (SR)	Percentage of Shareholding	Total value (SR)
IBN Omairah Company Limited, Saudi Arabia	175	1000	35%	175,000
Kalpataru Power Transmission Limited, KSA	325	1000	65%	325,000
	500	1000	100%	500,000

NOTES TO THE FINANCIAL STATEMENTS

For the period from JUNE 01, 2015 TO March 31, 2016

9 REVENUES

	<u>2016</u>
Project description	SR
Al Sharif Group & KEOC Ltd.	3,174,461
	<u>3,174,461</u>

10 COST OF REVENUES

	<u>2016</u>
	SR
Salaries and wages	1,189,166
GOSI *	66,017
Staff welfare and Food	255,237
Equipment rentals	842,255
Vehicle Expenses	326,668
Safety Expenses	10,139
Repairs and Maintenance	6,065
Consumption - Materials	1,138
Depreciation	4,210
	<u>2,700,895</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period from JUNE 01, 2015 TO March 31, 2016

11 GENERAL AND ADMINISTRATIVE EXPENSE

	2016
	SR
Tender Fees	431,500
Salaries & Wages	360,875
Legal & Professional	200,320
Travel & transport	120,009
License Fees	83,770
Rent	60,029
Visa	56,310
Office expense	39,672
Conveyance & Food	32,501
Insurance Expense	25,274
Telephone & Fax	17,358
Printing & Stationary	17,094
GOSI*	14,429
Postage & Courier	3,094
Utility Bills	2,363
Water Charges	1,206
Brokerage expense	1,000
Bank Charges	770
	1,467,574

* All the Invoices received from GOSI related to staff directly involves in operations and the staff attributable to managerial function are paid for the period from 01 June 2015 to 31 March 2016

12 ZAKAT AND TAXATION

Kalpataru IBN Omairah Company limited (A limited Liability Company ("Company") , completed its period commencing from 01 June 2015 to 31 March 2016 and made losses this period so income tax will not be applicable and zakat is not applicable as the reporting period is for 10 months only.

NOTES TO THE FINANCIAL STATEMENTS

For the period from JUNE 01, 2015 TO March 31, 2016

13 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet include cash and bank balances, accounts receivable and other current assets, due to related parties, accounts payables and other current liabilities and employee's end of service benefits. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

The Company's activities expose it to a variety of financial risks: credit risk and market risk (including currency risk, fair value and cash flow commission rate risks and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by senior management. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The most important types of risk are discussed in this note below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk. Cash is placed with banks with sound credit ratings. Account receivables are carried net of provision for doubtful receivables, if any.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. These conditions indicate that the Company may face problems in meeting its obligations as they become due and to continue as a going concern, and these are dependent upon the Company's ability to arrange adequate funds in a timely manner. The management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are made available to meet any future commitments.

Currency risks

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals, Euro and US Dollars. However, Euro related transactions does not form a material impact and US Dollar is pegged to the Saudi Riyals. Management closely monitors the exchange rate fluctuations and believes that Company's exposure to currency risk is not significant.

14 APPROVAL OF THE FINANCIAL STATEMENTS

The Company's management and partners' have approved these financial statements on 26 MAY 2016.