

Nagarjuna Contracting Co. (L.L.C.)
Dubai - United Arab Emirates

Independent auditor's report and financial statements
For the year ended March 31, 2018



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Table of contents

	<u>Pages</u>
General information	1
Managing Director's report	2 & 3
Independent auditor's report	4 - 6
Statement of financial position	7
Statement of profit or loss and other comprehensive income	8
Statement of changes in shareholders' equity	9
Statement of cash flows	10
Notes to the financial statements	11 - 31



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

General information

Principal Office Address : P.O. Box: 117333
Dubai - United Arab Emirates

Website : www.ncclimited.com

The Managing Director : Name Nationality
Mr. Narayana Raju Alluri Indian

The Auditor : Horwath Mak
P.O. Box: 262794
Dubai - United Arab Emirates

The Banks : Mashreq Bank
First Abu Dhabi Bank
Emirates Islamic Bank PJSC



Nagarjuna Contracting Co. (L.L.C.)
Dubai - United Arab Emirates

Managing Director's report

The Managing Director has pleasure in presenting his report and the audited financial statements for the year ended March 31, 2018.

Principal activities of the Entity:

The Entity is licensed by Dubai Economy to engage in electromechanical equipment installation & maintenance, undertaking building, road, sewage & drainage, water pipelines & stations contracting works.

Financial review:

The table below summarizes the results of 2018 and 2017 denoted in Arab Emirates Dirham (AED).

	<u>2018</u>	<u>2017</u>
	AED	AED
Contract revenue	-	6,307,219
Gross (loss)/profit	(2,520,028)	1,214,854
Gross profit margin	-	19%
Net (loss) for the year	(10,470,598)	(83,681,612)

Role of the Managing Director

The Managing Director is the Entity's principal decision-making authority. The Managing Director has the overall responsibility for leading and supervising the Entity for delivering sustainable shareholder value through his guidance and supervision of the Entity's business. The Managing Director sets the strategies and policies of the Entity. He monitors performance of the Entity's business, guides and supervises its management.

Going concern:

The management is committed to resolve the ongoing law suit and to use the goodwill of the Entity to revive it at the earliest. Moreover, the expatriate shareholder has agreed to provide necessary financial support to enable the Entity to continue its operation and settle its obligation as and when they fall due. Accordingly, these financial statements do not include any adjustments relating to their coverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Entity be unable to continue as a going concern.

Events after year end:

In the opinion of the Managing Director, no transaction or event of a material and unusual nature, favourable or unfavourable has arisen in the interval between the end of the financial year and the date of this report, that is likely to affect, substantially the result of the operations or the financial position of the Entity.

Auditors:

M/s. Horwath Mak, Dubai - United Arab Emirates is willing to continue in office and a resolution to re-appoint them will be proposed in the Annual General Meeting.



Statement of Managing Director's responsibilities:

The applicable requirements, require the Managing Director to prepare the financial statements for each financial year which presents fairly in all material respects, the financial position of the Entity and its financial performance for the year then ended.

The audited financial statements for the year under review, have been prepared in conformity and in compliance with the relevant statutory requirements and other governing laws. The Managing Director confirms that sufficient care has been taken for the maintenance of proper and adequate accounting records that disclose with reasonable accuracy at any time, the financial position of the Entity and enables him to ensure that the financial statements comply with the requirements of applicable statute. The Managing Director also confirms that appropriate accounting policies have been selected and applied consistently in order that the financial statements reflect fairly the form and substance of the transactions carried out during the year under review and reasonably present the Entity's financial conditions and results of its operations.

These financial statements were approved by the Board and signed on behalf by the authorized representative of the Entity.

Managing Director

May 08, 2018



Ref: JM/AR/18/11204

Independent auditor's report

To,

The Shareholders

M/s. Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of **M/s. Nagarjuna Contracting Co. (L.L.C.)**, Dubai - United Arab Emirates (the "Entity") which comprise the statement of financial position as at March 31, 2018 and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Entity in accordance with the requirements of Code of Ethics for Professional Accountants, issued by International Ethics Standards Board for Accountants (IESBA) together with ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note - 2 to these financial statements. The Entity has ongoing law suit with a customer and does not have any other project in hand. Accordingly, the Entity has not generated any revenue during the current year. The Entity incurred a (loss) of AED 10,470,598 during the year and has accumulated (losses) of AED 33,786,071 and total liabilities of the Entity exceeded total assets by AED 33,336,071 as at the reporting date. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Emphasis of matter

We draw attention to note 30.c to the financial statements. there is an ongoing arbitration for legal disputes between the Entity and a customer. Our opinion is not modified in respect of this matter.

Responsibilities of management

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. (2) of 2015, we further confirm that:

- 1 We have obtained all the information and explanations which we consider necessary for our audit.
- 2 The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 and the Memorandum and Articles of Association of the Entity.
- 3 Proper books of accounts have been maintained by the Entity.
- 4 The contents of the Managing Director's report which relates to the financial statements are in agreement with the Entity's books of account.
- 5 The Entity has not made any investments in shares and stocks during the year ended March 31, 2018.
- 6 Note 6 to the financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted.
- 7 Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Entity has contravened, during the financial year ended, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or the Memorandum and Articles of Association of the Entity, which would materially affect its activities or its financial position as at March 31, 2018.

For Horwath Mak



James Mathew FCA, CPA (USA)

Senior Partner

Reg. No. 548

May 08, 2018



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Statement of financial position as at March 31, 2018

(In Arab Emirates Dirhams)

	Notes	2018	2017
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	5	206,505	482,052
Loan to a related party	6	75,855,895	75,762,045
Retention receivables - non-current portion	7	14,760,796	14,760,796
<i>Total non-current assets</i>		<u>90,823,196</u>	<u>91,004,893</u>
<i>Current assets</i>			
Due from related parties	6	67,401,179	66,599,063
Retention receivables - current portion	7	-	2,456,521
Inventories	8	-	472,101
Due from customers for contract work-in-progress	9	29,577,136	29,577,136
Contract receivables	10	331,729	331,729
Advances, deposits and other receivables	11	1,118,754	4,519,342
Fixed deposit	12	258,688	253,824
Cash and bank balances	13	693,033	4,369,230
<i>Total current assets</i>		<u>99,380,519</u>	<u>108,578,946</u>
Total assets		<u>190,203,715</u>	<u>199,583,839</u>
Shareholders' equity and liabilities			
<i>Shareholders' equity</i>			
Share capital	14	300,000	300,000
Statutory reserve	15	150,000	150,000
Accumulated (losses)	16	(33,786,071)	(23,315,473)
<i>Total shareholders' equity</i>		<u>(33,336,071)</u>	<u>(22,865,473)</u>
<i>Non-current liabilities</i>			
Loans from related parties	6	141,516,595	141,516,595
Employees' end of service benefits	19	149,320	115,588
<i>Total non-current liabilities</i>		<u>141,665,915</u>	<u>141,632,183</u>
<i>Current liabilities</i>			
Due to a related party	6	22,089,713	20,479,969
Retention payables - current portion	17	1,258,857	1,657,572
Bank borrowings	18	-	156,071
Contract and other payables	20	58,525,301	58,523,517
<i>Total current liabilities</i>		<u>81,873,871</u>	<u>80,817,129</u>
Total liabilities		<u>223,539,786</u>	<u>222,449,312</u>
Total shareholders' equity and liabilities		<u>190,203,715</u>	<u>199,583,839</u>

The accompanying notes form an integral part of these financial statements.

The report of the auditor is set out on pages 4 to 6.

The financial statements on pages 7 to 31 were approved on May 08, 2018 and signed on behalf of the Entity, by:

Managing Director



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Statement of profit or loss and other comprehensive income for the year ended March 31, 2018

(In Arab Emirates Dirhams)

	Notes	2018	2017
Contract revenue	21	-	6,307,219
Contract costs	22	(2,520,028)	(5,092,365)
Gross (loss)/profit		(2,520,028)	1,214,854
Other income	23	145,276	2,299,627
Impairment of loan to a related party	6	-	(72,816,417)
Selling expenses	24	-	(13,250)
Administrative expenses	25	(7,358,626)	(13,437,209)
Finance costs	26	(737,220)	(929,217)
(Loss) for the year		(10,470,598)	(83,681,612)
Other comprehensive income		-	-
Total comprehensive (loss) for the year		(10,470,598)	(83,681,612)

The accompanying notes form an integral part of these financial statements.

The report of the auditor is set out on pages 4 to 6.

The financial statements on pages 7 to 31 were approved on May 08, 2018 and signed on behalf of the Entity, by:

Managing Director



Nagarjuna Contracting Co. (L.L.C.)
Dubai - United Arab Emirates

Statement of changes in shareholders' equity for the year ended March 31, 2018
(In Arab Emirates Dirhams)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Accumulated (losses)</u>	<u>Total shareholders' equity</u>
Balance as at March 31, 2016	300,000	150,000	60,366,139	60,816,139
(Loss) for the year	-	-	(83,681,612)	(83,681,612)
Balance as at March 31, 2017	300,000	150,000	(23,315,473)	(22,865,473)
(Loss) for the year	-	-	(10,470,598)	(10,470,598)
Balance as at March 31, 2018	300,000	150,000	(33,786,071)	(33,336,071)

The accompanying notes form an integral part of these financial statements.

The report of the auditor is set out on pages 4 to 6.



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Statement of cash flows for the year ended March 31, 2018

(In Arab Emirates Dirhams)

	2018	2017
Cash flows from operating activities		
(Loss) for the year	(10,470,598)	(83,681,612)
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	96,609	561,129
Loss on disposal of property, plant and equipment	338	970,067
Loss on impairment of property, plant and equipment	378,123	-
Liabilities and provision written back	-	(1,967,543)
Balances written off	-	5,673,220
Impairment on related party loan and receivables	-	72,816,417
Finance costs	737,220	929,217
Reversal of provision for employees' end of service benefits	-	(418,842)
Provision for employees' end of service benefits	206,748	5,832
Operating (loss) before working capital changes	(9,051,560)	(5,112,115)
<i>(Increase)/decrease in current assets</i>		
Inventories	472,101	2,676,625
Due from customers for contract work-in-progress	-	(6,307,219)
Retention receivables	2,456,521	-
Contract receivables	-	(311,729)
Advances, deposits and other receivables	3,400,588	(1,704,879)
Due from related parties	(1,105,880)	6,034,967
<i>Increase/(decrease) in current liabilities</i>		
Due to a related party	1,609,744	(2,524,396)
Retention payables	(398,715)	(4,054,614)
Contract and other payables	1,784	6,495,843
Cash (used in) operations	(2,615,417)	(4,807,517)
Employees' end of services benefits paid	(173,016)	(56,294)
Net cash (used in) operating activities	(2,788,433)	(4,863,811)
Cash flows from investing activities		
Investment in fixed deposit	(4,864)	-
Proceeds from sale of property, plant and equipment	104,241	1,987,540
Net cash from investing activities	99,377	1,987,540
Cash flows from financing activities		
Finance costs paid	(737,220)	(929,217)
Loan to a related party	(93,850)	8,342,239
Proceeds from loans from related parties	-	1,089,900
Net cash (used in)/from financing activities	(831,070)	8,502,922
Net (decrease)/increase in cash and cash equivalents	(3,520,126)	5,626,651
Cash and cash equivalents, beginning of the year	4,213,159	(1,413,492)
Cash and cash equivalents, end of the year	693,033	4,213,159
Cash and cash equivalents		
Cash in hand	5,399	101,600
Cash at banks	687,634	4,267,630
Bank overdrafts	-	(156,071)
	693,033	4,213,159

The accompanying notes form an integral part of these financial statements.

The report of the auditor is set out on pages 4 to 6.



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2018

1 Legal status and business activities

- 1.1 **M/s. Nagarjuna Contracting Co. (L.L.C.)**, Dubai - United Arab Emirates (the "Entity") was registered on October 31, 2005, as a Limited Liability Company and operates in the United Arab Emirates under a commercial license issued by the Dubai Economy, Government of Dubai, Dubai - United Arab Emirates.
- 1.2 The Entity is licensed by Dubai Economy to engage in electromechanical equipment installation & maintenance, undertaking building, road, sewage & drainage, water pipelines & stations contracting works.
- 1.3 The registered address of the Entity is P.O. Box: 117333, Dubai - United Arab Emirates.
- 1.4 The management and control of the Entity is vested with the Managing Director, Mr. Narayana Raju Alluri (Indian national).
- 1.5 These financial statements incorporate the operating results of the Commercial license no. 573815.

2 Material uncertainty related to going concern

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Entity has ongoing law suit with a customer and does not have any other project in hand. Accordingly, the Entity has not generated any revenue during the current year. The Entity incurred a (loss) of AED 10,470,598 during the year and has accumulated (losses) of AED 33,786,071 and total liabilities of the Entity exceeded total assets by AED 33,336,071 as at the reporting date. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

However, the management is committed to resolve the ongoing law suit and to use the goodwill of the Entity to revive it at the earliest. Moreover, the expatriate shareholder has agreed to provide necessary financial support to enable the Entity to continue its operation and settle its obligation as and when they fall due. Accordingly, these financial statements do not include any adjustments relating to their coverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Entity be unable to continue as a going concern.

3 New and amended standards

3.1 New and revised IFRSs applied with no material effect on the financial statements

The Entity has applied the following standards and amendments for the first time for their annual reporting period commencing January 01, 2017. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Amendments in Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows) that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Annual Improvements to IFRSs 2014-2016 cycles: The amendments clarify that the disclosure requirements of IFRS 12 apply to interests in entities that are classified as held for sale, except for summarized financial information.

The following amended standards and interpretations are not expected to have significant impact on the Entity's financial statements;



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2018

3 New and amended standards (continued)

3.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

New and revised standards and amendments

**Effective for annual periods
beginning on or after**

Annual Improvements to IFRS Standards 2014–2016 Cycle on 8 December 2016, amending the standards: IFRS 1- First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures. January 1, 2018

IFRIC 22 Foreign Currency Transactions and Advance Consideration: The interpretation clarifies the date of the transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency denominated contracts. January 1, 2018

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2-Share-based Payment) contains the clarifications and amendments: The amendments pertains to accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payment transactions with net settlement features; accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are to be applied prospectively. However, retrospective application if allowed if this is possible without the use of hindsight. January 1, 2018

IFRS 9 "Financial Instruments": Issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements). January 1, 2018

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) to address concerns about the different effective dates of IFRS 9 and the new insurance contracts standard. An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. January 1, 2018

IFRS 9 "Financial Instruments": Prepayment Features with Negative Compensation (Amendments to IFRS 9) to address the concerns about how IFRS 9 classifies particular prepayable financial assets. The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019; early application is permitted. January 1, 2019

Amended by Transfers of Investment Property (Amendments to IAS 40- Investment Property): An entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. July 1, 2018



3 New and amended standards (continued)

3.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

New and revised standards and amendments

Effective for annual periods

beginning on or after

IFRS 15 "Revenue from Contracts with Customers": IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations when it becomes effective.

January 1, 2018

IFRS 16 "Leases": The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations. Earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

January 1, 2019

IFRS 17 -Insurance Contracts was issued in May 2017 as a replacement of IFRS 4-Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period.

January 1, 2021

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements in the period of initial application.

4 Significant accounting policies

4.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards. These financial statements are presented in United Arab Emirates Dirham (AED) which is the Entity's functional and presentation currency.

4.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets or goods or services.

The principal accounting policies applied in these financial statements are set out below.

4.3 Current/non-current classification

The Entity 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 or held primarily for the purpose of trading or Expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

It is expected to be settled in normal operating cycle or it is held primarily for the purpose of trading or 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 Entity classifies all other liabilities as non-current.



4 Significant accounting policies (continued)

4.4 Fair value measurement

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 Entity.

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.

4.5 Foreign currency

The transactions in currencies other than the Entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

4.6 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and identified impairment loss, if any. The cost comprise of purchase price, together with any incidental expense of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Entity and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is spread over its useful lives so as to write off the cost of property, plant and equipment using the straight-line method over its useful lives as follows:

	<u>Years</u>
Machinery and equipment	12
Tools and equipment	12
Construction accessories	6
Furniture, fixtures and office equipment	3 - 10
Motor vehicles	8

When part of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.



4 Significant accounting policies (continued)

4.6 Property, plant and equipment (continued)

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss.

4.7 Impairment of tangible assets

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

4.8 Financial instruments

Financial assets and financial liabilities are recognised when the Entity becomes a party to the contractual provisions of the instrument.

4.9 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Entity's loans and receivables comprise "contract and other receivables", "due from related parties", "loan to a related party" and "cash and cash equivalents" in the statement of financial position. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.



4 Significant accounting policies (continued)

4.9 Financial assets (continued)

Cash and cash equivalents

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

Contract and other receivables

Contract receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Contract and other receivables are initially recognised at fair value and subsequently measured at amortised cost reduced by appropriate allowance for estimated doubtful debts.

Due from/loan to related parties

Amounts due from/loan to related parties are stated at amortised cost.

Impairment of financial assets

Assets carried at amortised cost

The Entity assesses at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the 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 carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

Derecognition of financial assets

The Entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognise the financial asset.

4.10 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Entity's financial liabilities include retention payables, bank borrowings and contract and other payables and due to/loans from related parties.



4 Significant accounting policies (continued)

4.10 Financial liabilities (continued)

Contract and other payables

Contract payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Contract payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Contract and other payables are recognised initially at fair value and subsequently are measured at amortised cost using effective interest method.

Due to/loans from related parties

Amounts due to/loans from related parties are stated at amortised cost.

Loans and borrowings

Borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted on accrual basis and are added to the carrying value of the instruments to the extent that they are not settled in the year in which they arise.

Derecognition of financial liabilities

The Entity derecognises financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

4.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis. Cost of inventories comprises of costs of purchase, and where applicable cost of conversion and other costs that has been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.13 Provisions

Provisions are recognised when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.



4 Significant accounting policies (continued)

4.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract, when the outcome of the transaction and related revenue and cost can be measured reliably, and that economic benefit flows to the Entity.

4.15 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, 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.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the statement of financial position under contract and other receivables.

Due from/to customers for contract work

Due from/to customers for contract work is the difference between the amount recognised based on the percentage of completion of a contract and the actual amount certified by the contract employer represented by payment certificates. Where the difference is positive, the amount is classified as 'due from customers for contract work' and when the difference is negative, the amount is classified as 'due to customers for contract work'.

4.16 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in policy notes, the management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgements and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Critical judgements in applying accounting policies

In the process of applying the Entity's accounting policies, which are described above, and due to the nature of operations, management makes the following judgement that has the most significant effect on the amounts recognised in the financial statements.



4 Significant accounting policies (continued)

4.16 Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies (continued)

Revenue recognition

In recognising the revenue the management is of the view that in line with the requirement of IAS 18 "Revenue", the risk and reward of ownership is transferred to the buyers of the goods and services and that revenue is reduced for the estimated returns, rebate and other allowances (if any).

Percentage of completion

The Entity uses the percentage of completion method in accounting for its contract revenue. Use of the percentage of completion method requires the Entity to estimate the contract work performed to date as a proportion of the total contract work to be performed.

Contract variations

Contract variations are recognised as revenues only to the extent that it is probable that they will result in revenue which can be reliably measured. This requires the exercise of judgement by the management based on prior experience, application of contract terms and the relationship with contract owners.

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment

Property, plant and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

Allowance for doubtful debts

Allowances for doubtful debts are determined using a combination of factors to ensure that contract receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and ageing of receivables, continuing credit evaluation of the customer's financial conditions and collateral requirements from customers in certain circumstances. In addition, specific allowances for individual accounts are recorded when the Entity becomes aware of the customer's inability to meet its financial obligations.

Net realisable value of inventories

Inventories are stated at the lower of cost or net realizable value. Adjustments to reduce the cost of inventory to its realizable value, if required, are made for estimated obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues.

Fair value measurement

For the purpose of fair value disclosures, the Entity 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. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Entity uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The Entity has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements.

Nagarjuna Contracting Co. (L.L.C.)
Dubai - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2018
(In Arab Emirates Dirhams)

5 Property, plant and equipment

	<u>Machinery and equipment</u>	<u>Tools and equipment</u>	<u>Construction accessories</u>	<u>Furniture, fixtures and office equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
Cost						
As at March 31, 2016	4,414,433	188,410	385,958	1,197,661	1,398,585	7,585,047
Transferred to related parties	(3,954,777)	(91,277)	(126,168)	(548,828)	(180,334)	(4,901,384)
Written off during the year	(203,092)	(90,173)	(65,396)	(419,406)	-	(778,067)
Disposal during the year	(235,250)	-	(128,451)	(75,632)	(321,373)	(760,706)
As at March 31, 2017	21,314	6,960	65,943	153,795	896,878	1,144,890
Transferred from a related party	-	-	303,764	-	-	303,764
Impairment	(21,314)	(6,960)	(65,943)	(153,795)	(750,528)	(998,540)
Transferred to a related party	-	-	(97,259)	-	(146,350)	(243,609)
As at March 31, 2018	-	-	206,505	-	-	206,505
Accumulated depreciation						
As at March 31, 2016	1,715,629	55,692	257,778	871,814	683,346	3,584,259
Charge for the year	310,774	14,660	19,978	88,470	127,247	561,129
Elimination on transfer to related parties	(1,845,548)	(38,713)	(104,152)	(409,287)	(9,017)	(2,406,717)
Elimination on written off during the year	(123,155)	(30,027)	(58,242)	(359,326)	-	(570,750)
Eliminated on disposal during the year	(49,744)	-	(56,746)	(77,179)	(321,414)	(505,083)
As at March 31, 2017	7,956	1,612	58,616	114,492	480,162	662,838
Charge for the year	2,086	546	1,453	11,126	81,398	96,609
Elimination on impairment during the year	(10,042)	(2,158)	(60,069)	(125,618)	(422,530)	(620,417)
Eliminated on disposal during the year	-	-	-	-	(139,030)	(139,030)
As at March 31, 2018	-	-	-	-	-	-
Carrying value as at March 31, 2018	-	-	206,505	-	-	206,505
Carrying value as at March 31, 2017	13,358	5,348	7,327	39,303	416,716	482,052

Note:

- Depreciation includes Nil (2017: AED 345,412) charged to contract costs (note 22).



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2018

(In Arab Emirates Dirhams)

6 Related party transactions

The Entity enters into transactions with other entities that fall within the definition of a related party as contained in IAS 24, Related Party Disclosures. Related parties comprise entities under common ownership and/or common management and control; their partners and key management personnel.

The management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as other charges, if applicable.

	<u>2018</u>	<u>2017</u>
a) Loan to a related party		
<i>Entity under common ownership and control</i>		
M/s. NCC Urban Infrastructure Company Limited, Dubai - U.A.E.		
Balance at the beginning of the year	75,762,045	267,271,445
Contract payables transferred*	-	(110,350,744)
Less: Impairment	-	(72,816,417)
Movement during the year	<u>93,850</u>	<u>(8,342,239)</u>
	<u><u>75,855,895</u></u>	<u><u>75,762,045</u></u>

The above loan is unsecured and without any fixed repayment schedule. It carries an interest @ 12% p.a. vide Board resolution dated May 18, 2016, the Entity has discontinued the accrual of interest and therefore no interest is recorded during the year (2017: Nil).

* During the year ended March 31, 2017, the Entity, M/s. NCC Urban Infrastructure Company Limited, Dubai - U.A.E. ("NCCUIL") and certain suppliers entered into agreements on February 15, 2017 to settle the outstanding dues to the said suppliers. As per the agreements, the outstanding balances against suppliers aggregating to AED 110,350,744 is transferred to NCCUIL.

b) Due from related parties*Entities under common ownership and control*

M/s. Al Mubarakia Contracting Co. (L.L.C.), Dubai - U.A.E.	25,265,119	25,890,658
M/s. Nagarjuna Construction Company Limited, Muscat - Oman	1,048,499	1,048,499
M/s. NCC International - Kuwait	435,466	435,466
M/s. NCC International - Kingdom of Saudi Arabia	191,324	191,324
M/s. NCC Limited (Branch) - Turkmenistan	30,332	30,332
M/s. Nagarjuna Construction Company International (L.L.C.), Muscat - Oman	<u>40,430,439</u>	<u>39,002,784</u>
	<u><u>67,401,179</u></u>	<u><u>66,599,063</u></u>

c) Loans from related parties*Entities under common ownership and control*

M/s. NCC Limited, Hyderabad - India *	47,174,600	47,174,600
M/s. NCC Infrastructure Holdings Mauritius Pte Limited, Port Louis - Mauritius **	<u>94,341,995</u>	<u>94,341,995</u>
	<u><u>141,516,595</u></u>	<u><u>141,516,595</u></u>



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2018

(In Arab Emirates Dirhams)

6 Related party transactions (continued)**c) Loans from related parties (continued)**

* The loan is unsecured and without any fixed repayment schedule. It carries an interest @ 12% p.a. and the Entity has accrued an interest of Nil (2017: Nil) on the said loan which has been recovered from M/s. NCC Urban Infrastructure Company Limited, Dubai - U.A.E. (a related party) {note 6 (a)}.

** It includes AED 50 million loan obtained from a related party to meet the long term working capital requirements. The loan carries an interest rate LIBOR plus 400 basis points or 12% per annum, whichever is higher, payable quarterly. The Entity has accrued an interest of Nil (2017: Nil) on the said loan to M/s. NCC Infrastructure Holdings Mauritius Pte Limited, Port Louis - Mauritius (a related party) and the same has been recovered from M/s. NCC Urban Infrastructure Company Limited, Dubai - U.A.E. (a related party) {note 6 (a)}.

Vide board resolution dated May 18, 2016, the related parties have not charged any interest on the above loans.

d) Due to a related party	<u>2018</u>	<u>2017</u>
<i>Entity under common ownership and control</i>		
M/s. NCC Limited, Hyderabad - India	<u>22,089,713</u>	<u>20,479,969</u>
	<u>22,089,713</u>	<u>20,479,969</u>

e) Transactions with related parties

The nature of significant related party transactions and the amounts involved were as follows:

	For the year ended March 31,	
	<u>2018</u>	<u>2017</u>
Managerial remuneration	<u>1,432,497</u>	<u>1,809,996</u>
Due from a related party written off	<u>-</u>	<u>2,300</u>
Impairment of loan to a related party	<u>-</u>	<u>72,816,417</u>
Transfer of property, plant and equipment to related parties (note 5)	<u>97,259</u>	<u>4,901,384</u>
Transfer of property, plant and equipment from a related party (note 5)	<u>303,764</u>	<u>-</u>
Reversal of liability due to a related party	<u>-</u>	<u>1,136,396</u>
7 Retention receivables	<u>2018</u>	<u>2017</u>
Retention receivables	<u>14,760,796</u>	<u>17,217,317</u>

Retention receivables of AED 14,760,796 is under dispute and the Entity has filed for arbitration to settle the dispute. The realization of the said receivable is dependent on the outcome of the decision taken by the arbitrator. Management is confident that these balances will be collected in full.

Comprising:

Current portion	-	2,456,521
Non-current portion	<u>14,760,796</u>	<u>14,760,796</u>
	<u>14,760,796</u>	<u>17,217,317</u>



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2018

(In Arab Emirates Dirhams)

	<u>2018</u>	<u>2017</u>
8 Inventories		
Materials and consumables	-	401,290
Small tools and implements	-	70,811
	<u>-</u>	<u>472,101</u>
9 Due from customers for contract work-in-progress		
Due from customers for contract work	<u>29,577,136</u>	<u>29,577,136</u>
Due from customer for contract work is under dispute and the Entity has filed for arbitration to settle the dispute. The realization of the said receivable is dependent on the outcome of the decision taken by the arbitrator. Management is confident that this balance will be collected in full.		
<i>Amount due from customers for contract work</i>		
Contract cost incurred plus recognised profit less recognised losses to date on contracts in progress	177,185,073	177,185,073
Less: Progressive billing	<u>(147,607,937)</u>	<u>(147,607,937)</u>
	<u>29,577,136</u>	<u>29,577,136</u>
10 Contract receivables		
Contract receivables (Within U.A.E.)	<u>331,729</u>	<u>331,729</u>
Of the contract receivables as at March 31, 2018, there is 1 customer (2017: 1 customer) representing 100% (2017: 100%) of the contract receivables.		
The above contract receivables are assigned against bank borrowings (note 18).		
Contract receivables are under dispute and the Entity has filed for arbitration to settle the dispute. The realization of the said receivable is dependent on the outcome of the decision taken by the arbitrator. Management is confident that these balances will be collected in full.		
In determining the recoverability of contract receivables, the Entity considers any change in the credit quality of the contract receivables from the date credit was initially granted upto the reporting date. Accordingly, the management believes that there is no credit allowance required for doubtful debts.		
11 Advances, deposits and other receivables		
Prepayments	193,621	248,737
Guarantee deposit	10,575	1,101,938
Other deposits	24,000	392,812
Staff advances	128,202	1,653,465
Advances paid to suppliers/others	320,551	443,776
Advances paid to sub-contractors	441,805	678,614
	<u>1,118,754</u>	<u>4,519,342</u>
12 Fixed deposit		
Fixed deposit with bank	<u>258,688</u>	<u>253,824</u>
Fixed deposits are under lien against the bank facilities (note 18).		



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2018

(In Arab Emirates Dirhams)

13 Cash and bank balances	2018	2017
Cash in hand	5,399	101,600
Cash at banks	687,634	4,267,630
	693,033	4,369,230

14 Share capital

The authorized, issued and paid up capital of the Entity is AED 300,000 divided into 300 shares of AED 1,000 each fully paid.

The details of the shareholding as at the reporting date are as follows:

<u>Name of shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No. of shares</u>	<u>2018</u>	<u>2017</u>
Mrs. Salma Saeed Salem Musallam Alkitbi	U.A.E.	51	153	153,000	153,000
M/s. NCC Limited, India (represented by Mr. Narayana Raju Alluri)	Indian	49	147	147,000	147,000
		100	300	300,000	300,000
				2018	2017

15 Statutory reserve

Balance at the end of the year	150,000	150,000
--------------------------------	---------	---------

According to the Articles of Association of the Entity and Article 103 of the UAE Federal Law No. (2) of 2015, 10% of annual net profit is allocated to the statutory reserve. The transfer to statutory reserve may be suspended, when the reserve reaches 50% of the paid up capital. This reserve is not available for distribution.

16 Accumulated (losses)

Balance at the beginning of the year	(23,315,473)	60,366,139
(Loss) for the year	(10,470,598)	(83,681,612)
Balance at the end of the year	(33,786,071)	(23,315,473)

17 Retention payables

Balance at the beginning of the year	1,657,572	5,712,186
Net movements during the year	(398,715)	(4,054,614)
Balance at the end of the year	1,258,857	1,657,572

Comprising:

Current portion	1,258,857	1,657,572
	1,258,857	1,657,572

18 Bank borrowings

Overdrafts	-	156,071
------------	---	---------



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2018

(In Arab Emirates Dirhams)

18 Bank borrowings (continued)

The above borrowings are secured by:

- Assignment of contract receivables (note 10).
- Lien over fixed deposits (note 12).
- Corporate guarantee of the shareholder - M/s. NCC Limited - India.

	<u>2018</u>	<u>2017</u>
19 Employees' end of service benefits		
Balance at the beginning of the year	115,588	584,892
Add: Charge for the year	206,748	5,832
Less: Paid during the year	(173,016)	(56,294)
Less: Reversal during the year	-	(418,842)
Balance at the end of the year	<u>149,320</u>	<u>115,588</u>

Amounts required to cover end of service indemnity at the statement of financial position date are computed pursuant to the applicable Labour Law based on the employees' accumulated period of service and current basic remuneration at the end of the reporting period.

20 Contract and other payables

Contract payables	5,369,147	5,924,456
Provisions and accruals	3,524,869	3,645,611
Mobilisation advance	28,727,835	28,050,000
Advance from customer	20,821,972	20,821,972
Other payable	81,478	81,478
	<u>58,525,301</u>	<u>58,523,517</u>

For the year ended March 31,

	<u>2018</u>	<u>2017</u>
21 Contract revenue		
Revenue: Within U.A.E.	-	6,307,219

22 Contract costs

Materials consumed	472,101	1,585,737
Salaries and wages	160,486	463,971
Sub-contract works bills	1,789,568	1,110,612
Depreciation on property, plant and equipment (note 5)	-	345,412
Other contract expenses	97,873	1,586,633
	<u>2,520,028</u>	<u>5,092,365</u>



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2018

(In Arab Emirates Dirhams)

	For the year ended March 31,	
	2018	2017
23 Other income		
Liabilities and provision written back	-	1,967,543
Interest income	6,061	74
Miscellaneous	139,215	332,010
	<u>145,276</u>	<u>2,299,627</u>
24 Selling expenses		
Advertisement and business promotion	-	13,250
25 Administrative expenses		
Salaries and related benefits	4,068,401	3,317,687
Rent	255,471	151,908
Legal, visa, professional and related expenses	1,768,444	2,527,860
Insurance	51,851	82,219
Printing and stationery	28,734	9,721
Telephone and communications	43,128	144,570
Travelling and conveyance	444,693	285,000
Balances written off	-	5,673,220
Loss on disposal of property, plant and equipment (note 5)	338	970,067
Loss on impairment of property, plant and equipment (note 5)	378,123	-
Depreciation on property, plant and equipment (note 5)	96,609	215,717
Bad debts	156,362	2,300
Others	66,472	56,940
	<u>7,358,626</u>	<u>13,437,209</u>
26 Finance costs		
Commission on bank guarantees	660,017	553,477
Interest on borrowings	67,710	367,058
Bank charges	9,493	8,682
	<u>737,220</u>	<u>929,217</u>

27 Financial instrumentsa) *Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 4 to the financial statements.



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2018

(In Arab Emirates Dirhams)

27 Financial instruments (continued)b) *Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis.*

	As at March 31,		As at March 31,	
	2018	2017	2018	2017
<i>Financial assets</i>	Carrying amount		Fair value	
Loan to a related party	75,855,895	75,762,045	75,855,895	75,762,045
Retention receivables	14,760,796	17,217,317	14,760,796	17,217,317
Contract receivables	331,729	331,729	331,729	331,729
Deposits and other receivables	162,777	3,148,215	162,777	3,148,215
Due from related parties	67,401,179	66,599,063	67,401,179	66,599,063
Fixed deposit	258,688	253,824	258,688	253,824
Cash and bank balances	693,033	4,369,230	693,033	4,369,230
	159,464,097	167,681,423	159,464,097	167,681,423
<i>Financial liabilities</i>				
Loans from related parties	141,516,595	141,516,595	141,516,595	141,516,595
Retention payables	1,258,857	1,657,572	1,258,857	1,657,572
Bank borrowings	-	156,071	-	156,071
Due to a related party	22,089,713	20,479,969	22,089,713	20,479,969
Contract and other payables	8,975,494	9,651,545	8,975,494	9,651,545
	173,840,659	173,461,752	173,840,659	173,461,752

Financial instruments comprises of financial assets and financial liabilities.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable and willing parties.

Financial assets consist of loan to a related party, retention receivables, contract receivables, deposits and other receivables, due from related parties, fixed deposit and cash and bank balances. Financial liabilities consist of loans from related parties, retention payables, bank borrowings, due to a related party and contract and other payables.

As at the reporting date, financial assets and financial liabilities approximate their carrying values.

28 Financial risk management objectives

The Entity management set out the Entity's overall business strategies and its risk management philosophy. The Entity's overall financial risk management program seeks to minimize potential adverse effects on the financial performance of the Entity. The Entity policies include financial risk management policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk), liquidity risk and credit risk. Periodic reviews are undertaken to ensure that the Entity's policy guidelines are complied with.

There has been no change to the Entity's exposure to these financial risks or the manner in which it manages and measures the risk.



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2018

(In Arab Emirates Dirhams)

28 Financial risk management objectives (continued)

The Entity is exposed to the following risks related to financial instruments. The Entity has not framed formal risk management policies, however, the risks are monitored by management on a continuous basis. The Entity does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

a) *Foreign currency risk management*

The Entity undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Entity does not have any significant exposure to currency risk, as most of its assets and liabilities are denominated in U.A.E. Dirhams.

b) *Interest rate risk management*

The Entity's exposure to the risk of changes in market interest rates relates primarily to the Entity's borrowings with floating interest rates. The Entity's policy is to manage its interest cost using a mix of fixed and variable rate debts. Interest on financial instruments having floating rates is re-priced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument.

c) *Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and equity from shareholders through their current accounts or loans.

Liquidity and interest risk tables:

The table on the following page summarises the maturity profile of the Entity's financial assets and financial liabilities. The contractual maturities of the financial assets and financial liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date. The maturity profile of the assets and liabilities at the statement of financial position date based on contractual repayment arrangements were shown on the following page:



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2018

(In Arab Emirates Dirhams)

28 Financial risk management objectives (continued)

c) *Liquidity risk management (continued)*

Liquidity and interest risk tables (continued)

Particulars	Interest bearing			Non Interest bearing			Total
	On demand or less than 3 months	Within 1 year	More than 1 year	On demand or less than 3 months	Within 1 year	More than 1 year	
As at March 31, 2018							
Financial assets							
Loan to a related party	-	-	-	-	-	75,855,895	75,855,895
Retention receivables	-	-	-	-	-	14,760,796	14,760,796
Contract receivables	-	-	-	-	331,729	-	331,729
Deposits and other receivables	-	-	-	-	162,777	-	162,777
Due from related parties	-	-	-	-	67,401,179	-	67,401,179
Fixed deposit	-	258,688	-	-	-	-	258,688
Cash and bank balances	-	-	-	693,033	-	-	693,033
	-	258,688	-	693,033	67,895,685	90,616,691	159,464,097
Financial liabilities							
Loans from related parties	-	-	-	-	-	141,516,595	141,516,595
Retention payables	-	-	-	-	1,258,857	-	1,258,857
Bank borrowings	-	-	-	-	-	-	-
Due to a related party	-	-	-	-	22,089,713	-	22,089,713
Contract and other payables	-	-	-	-	8,975,494	-	8,975,494
	-	-	-	-	32,324,064	141,516,595	173,840,659
As at March 31, 2017							
Financial assets							
Loan to a related party	-	-	75,762,045	-	-	-	75,762,045
Retention receivables	-	-	-	-	2,456,521	14,760,796	17,217,317
Contract receivables	-	-	-	-	331,729	-	331,729
Deposits and other receivables	-	-	-	-	3,148,215	-	3,148,215
Due from related parties	-	-	-	-	66,599,063	-	66,599,063
Fixed deposit	-	253,824	-	-	-	-	253,824
Cash and bank balances	-	-	-	4,369,230	-	-	4,369,230
	-	253,824	75,762,045	4,369,230	72,535,528	14,760,796	167,681,423



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2018

(In Arab Emirates Dirhams)

28 Financial risk management objectives (continued)c) *Liquidity risk management (continued)**Liquidity and interest risk tables (continued)*

Particulars	Interest bearing			Non Interest bearing			Total
	On demand or less than 3 months	Within 1 year	More than 1 year	On demand or less than 3 months	Within 1 year	More than 1 year	
As at March 31, 2017							
Financial liabilities							
Loans from related parties	-	-	141,516,595	-	-	-	141,516,595
Retention payables	-	-	-	-	1,657,572	-	1,657,572
Due to a related party	-	-	-	-	20,479,969	-	20,479,969
Bank borrowings	-	156,071	-	-	-	-	156,071
Contract and other payables	-	-	-	-	9,651,545	-	9,651,545
	-	156,071	141,516,595	-	31,789,086	-	173,461,752

d) *Credit risk management*

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Entity has adopted a policy of only dealing with creditworthy counterparties. The Entity's exposure are continuously monitored and their credit exposure is reviewed by the management regularly.

Contract receivables represent amount due from a few number of customers. Ongoing credit evaluation is performed on the financial condition of contract receivables. Further details of credit risks on contract and other receivables are discussed in notes 7, 10 & 11 to the financial statements.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amounts of the financial assets recorded in the financial statements, which is net of impairment losses, represents the Entity's maximum exposure to credit risks.

29 Capital risk management

The Entity manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Entity's overall strategy remains unchanged from prior year.

30 Contingent liabilities

	As at March 31,	
	2018	2017
a. Performance guarantee	18,700,000	24,049,338
b. Advance payment guarantee	9,554,093	9,554,093



Nagarjuna Contracting Co. (L.L.C.)

Dubai - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2018

(In Arab Emirates Dirhams)

30 Contingent liabilities (continued)

- c. As mentioned in note 7, 9 and 10 to the financial statements, there is an ongoing arbitration for legal disputes between the Entity and a customer. The management has not recorded any allowance or liability in the financial statements considering that the likelihood of an unfavourable outcome is remote. Since the arbitration is in progress, the quantification of the financial impact cannot be determined.
- d. There is legal case pending against the Entity for claims of AED 569,741 filed by a sub-contractor. The management has not provided any provision in the financial statements, considering that the likelihood of unfavourable outcome is remote and the financial impact of the legal decision cannot be determined.

Except for the above and ongoing business obligations which are under normal course of business, there has been no other known contingent liability on Entity's financial statements as of reporting date.

31 Commitments

Except for the ongoing business obligations which are under normal course of business, there has been no other known commitment on Entity's financial statements as of reporting date.

32 Comparative amounts

Certain amounts for the previous year were reclassified to conform to current year's presentation. However, such reclassifications do not have any impact on the Entity's previously reported financial result or equity.

