

**NAGARJUNA CONSTRUCTION CO.  
LTD. & PARTNERS L.L.C. - OMAN  
FINANCIAL STATEMENTS  
31 MARCH 2017**

# H. C. Shah



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Chartered Accountants

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Date: 21 May 2017

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF  
NAGARJUNA CONSTRUCTION CO. LTD. & PARTNERS L.L.C. - OMAN**

**Report on the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of NAGARJUNA CONSTRUCTION CO. LTD. & PARTNERS L.L.C. - OMAN which comprise the statement of financial position as at 31 MARCH 2017 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 2 to 12.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 MARCH 2017, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

**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 company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibility of the Management**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the disclosure requirements of the Oman Companies Law 1974, as amended, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibility**

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.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1b on page 6 in these financial statements which more fully explains that the Company shall require continued financial support from its Members. These financial statements have been prepared on a going concern basis on the assumption that the Members of the Company will provide such financial support.

**H. C. SHAH  
CHARTERED ACCOUNTANTS.**



# NAGARJUNA CONSTRUCTION CO. LTD. & PARTNERS L.L.C. - OMAN

## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

	NOTE	31-3-2017 R.O.	31-3-2016 R.O.
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	4.	<u>41,382</u>	<u>57,069</u>
		<u>41,382</u>	<u>57,069</u>
<b>Current Assets</b>			
Accounts Receivable	5.	1,800	1,800
Amounts Due from Related Parties		--	32,896
Bank Balances and Cash	6.	<u>2,189</u>	<u>2,189</u>
		<u>3,989</u>	<u>36,885</u>
<b>TOTAL ASSETS</b>			
	R.O	<u>45,371</u>	<u>93,954</u>
		=====	=====
<b>EQUITIES AND LIABILITIES</b>			
<b>Members' Equity</b>			
Share Capital		150,000	150,000
Legal Reserve	7.	36,485	36,485
Accumulated (Loss)		<u>(1,523,907)</u>	<u>(1,510,820)</u>
		<u>(1,337,422)</u>	<u>(1,324,335)</u>
<b>Current Liabilities</b>			
Accounts Payable and Provisions	8.	6,235	26,723
Amounts Due to Related Parties		<u>1,376,558</u>	<u>1,391,566</u>
		<u>1,382,793</u>	<u>1,418,289</u>
<b>TOTAL EQUITY AND LIABILITIES</b>			
	R.O	<u>45,371</u>	<u>93,954</u>
		=====	=====

The notes on pages 6 to 12 form part of these financial statements

Auditor:



Authorised Signatory:

**NAGARJUNA CONSTRUCTION CO. LTD. & PARTNERS L.L.C. - OMAN**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017**

	NOTE	31-3-2017 R.O.	31-3-2016 R.O.
Turnover		--	--
Cost Of Turnover	9.	<u>--</u>	<u>955</u>
Gross (Loss)		--	(955)
Other Income	10.	<u>922</u>	<u>16,328</u>
		922	15,373
Administrative & General Expenses	11.	<u>(4,670)</u>	<u>(2,615)</u>
(Loss) / Profit Before Depreciation		(3,748)	12,758
Depreciation for the year		<u>(9,339)</u>	<u>(28,780)</u>
Net (Loss) for the year		(13,087)	(16,022)
Accumulated (Loss) Brought Forward		(1,510,820)	(1,494,798)
		-----	-----
<b>ACCUMULATED (LOSS) CARRIED FORWARD</b>	<b>R.O.</b>	<b>(1,523,907)</b>	<b>(1,510,820)</b>
		=====	=====

*The notes on pages 6 to 12 form part of these financial statements*

Auditor: 

Authorised Signatory:

**NAGARJUNA CONSTRUCTION CO. LTD. & PARTNERS L.L.C. - OMAN**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017**

	Share Capital R.O.	Legal Reserve R.O.	Accumulated Profit / (Loss) R.O.	Total R.O.
<b>Year to 31 March 2016</b>				
At 31 March 2015	150,000	36,485	(1,494,798)	(1,308,313)
Net (Loss) for the year	--	--	(16,022)	(16,022)
	-----	-----	-----	-----
<b>At 31 March 2016 R.O.</b>	<b>150,000</b>	<b>36,485</b>	<b>(1,510,820)</b>	<b>(1,324,335)</b>
	=====	=====	=====	=====
<b>Year to 31 March 2017</b>				
At 31 March 2016	150,000	36,485	(1,510,820)	(1,324,335)
Net (Loss) for the year	--	--	(13,087)	(13,087)
	-----	-----	-----	-----
<b>At 31 March 2017 R.O.</b>	<b>150,000</b>	<b>36,485</b>	<b>(1,523,907)</b>	<b>(1,337,422)</b>
	=====	=====	=====	=====

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Auditor:

Authorised Signatory:

## NAGARJUNA CONSTRUCTION CO. LTD. & PARTNERS L.L.C. - OMAN

### STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2017

	31-3-2017 R.O.	31-3-2016 R.O.
<b>1. Cash Flow from Operating Activities</b>		
a) Net (Loss) for the year	(13,087)	(16,022)
Add: Non - Cash charges - Depreciation	9,339	28,780
Add: Profit / (Loss) on Sale of Property, Plant & Equipment	<u>(2,583)</u>	<u>(2,037)</u>
Net Changes due to Operating Profit	<u>(6,331)</u>	<u>10,721</u>
b) Changes in Working Capital		
(Increase) / Decrease in Accounts Receivable	--	--
(Increase) / Decrease in Inventories	--	955
(Decrease) / Increase in Accounts Payable	(20,488)	(1,800)
Amount Due from / to Related Party (Net)	<u>17,888</u>	<u>(12,469)</u>
Net Changes in Working Capital	<u>(2,600)</u>	<u>(13,314)</u>
Net Cash Flow (used in) / from Operating Activities (A)	<u>1a - 1b (8,931)</u>	<u>(2,593)</u>
<b>2. Cash Flow from Financing Activities</b>		
a) Sale Proceeds from Disposal of Property, Plant & Equipment	<u>8,931</u>	<u>2,578</u>
Net Cash (used in) / from Financing Activities (B)	<u>2a 8,931</u>	<u>2,578</u>
<b>Net Increase / (Decrease) in Cash and Cash equivalents (A+B)</b>	0	(15)
<b>Cash and Cash equivalents at the beginning of the year</b>	<u>2,189</u>	<u>2,204</u>
<b>Cash and Cash equivalents at the end of the year</b>	<b>R.O. 2,189</b>	<b>2,189</b>
	=====	=====
<b>COMPRISING OF:</b>		
1. Bank Balances	<u>2,189</u>	<u>2,189</u>
	<b>R.O. 2,189</b>	<b>2,189</b>
	=====	=====

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Auditor: 

Authorised Signatory:

## NAGARJUNA CONSTRUCTION CO. LTD. & PARTNERS L.L.C. - OMAN

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTD.)

#### 1. LEGAL STATUS AND PRINCIPAL ACTIVITIES:

Nagarjuna Construction Co. Ltd. & Partners L.L.C. - Oman is a Limited Liability Company with mixed ownership with C.R. No. 1/77675/4 registered under the Commercial Laws of the Sultanate of Oman. The Company is engaged in Construction and maintenance of roads, bridges, dams, building and tunnels, construction and maintenance of seaports, building constructions, electrical and mechanical constructions, electricity and water projects, etc.

#### 2. ACCOUNTING POLICIES:

The principal accounting policies are summarised below. These policies have been consistently applied to each of the years presented, unless otherwise stated.

#### 3. BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and interpretations, issued or adopted by the International Accounting Standards Board (IASB), and the applicable requirements of the Oman Commercial Companies Law 1974, as amended, of the Sultanate of Oman.

The preparation of financial statements is in conformity with IFRS that requires use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas where assumptions and estimates are significant to the financial statements are disclosed in the respective accounting policies and notes to the financial statements. The financial statements have been presented in Rial Omani ("R.O.").

#### 3.1 GOING CONCERN:

As at 31 March 2017 the Company had accumulated losses of R.O. 1,337,422/- and Net Liabilities of R.O. 1,523,907/-. These factors, amongst others, indicate that the Company shall require continued financial support from its Members.

However, these financial statements have been prepared on a going concern basis, based upon the Company's assumption that the members will continue to provide support for the Company to meet its liabilities as they fall due.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

#### 3.2 REVENUE RECOGNITION:

Revenue comprises the fair value of the consideration received or receivable from Contract in the ordinary course of the Company's activities. Revenue is shown net of returns. Revenue from Other Income is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer.

Contd.....7

## NAGARJUNA CONSTRUCTION CO. LTD. & PARTNERS L.L.C. - OMAN

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTD.)

#### 3.3 PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes all costs directly attributable to bringing the asset to its working condition for their intended use. Depreciation is charged on a straight line basis to the income statement over the expected useful lives of the assets as follows:

Plant & Machinery	21 years	
Office Vehicles	10.53 years	
Construction Vehicles	8.84 years	
Furniture & Fixtures *	upto 21 years	2.05
Office Equipment *	upto 21 years	1.90
Tools & Equipment	21 years	3.1
Construction Accessories	5 years	

\* As per Company's Policy, items with value below R.O. 42/- are written off fully in the year of purchase.

#### 3.4 INVENTORIES:

Inventories are valued at the lower of cost and net realisable value with due allowance for slow-moving items. Cost is determined on the weighted average cost basis and includes expenditure incurred in acquiring inventory and bringing them to their existing location and condition. Net realisable value is the price at which inventory can be sold in the normal course of business after allowing for the costs of realisation. In the case of finished goods, cost includes the appropriate share of overheads based on normal operating capacity.

#### 3.5 ACCOUNTS RECEIVABLE:

Accounts receivable are stated at original invoice amounts less a provision for any uncollectible amounts. An estimation for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

#### 3.6 ACCOUNTS PAYABLE AND PROVISIONS:

Liabilities are recognised for amounts to be paid for goods and services rendered, whether or not billed to the company.

Provisions are recognised when the company has a present obligation (legal or constructive) arising from past events, and the cost to settle the obligation are both probable and able to be reliably measured.

#### 3.7 BORROWING COSTS:

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are classified as current liabilities unless the company has unconditional right to defer settlement of the liability for atleast twelve month after the reporting date.

Contd.....8



## NAGARJUNA CONSTRUCTION CO. LTD. & PARTNERS L.L.C. - OMAN

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTD.)

#### 3.8 IMPAIRMENT:

The carrying amounts of the Company's assets, other than stocks are reviewed at each financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount. Impairment is determined as follows:

- a. For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement.
- b. For assets carried at cost, impairment is the difference between the carrying value and the present value of the future cash flows discounted at the current market rate of return for similar assets.
- c. For assets carried at amortised cost, impairment is the difference between the carrying value and the present value of future cash flows discounted at the effective interest rate.

#### 3.9 END OF SERVICE BENEFITS AND LEAVE ENTITLEMENTS:

Provision for non - Omani employees' end of service benefit is accrued in accordance with the terms of employment of the company's employees at the financial position date, having regard to the requirement of the Oman Labour Law. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability for the annual leave as a result of services by employees upto the financial position date. Contributions to defined contribution retirement plan, for Omani employees in accordance with Oman Social Insurance Scheme, are recognised as an expense in the statement of comprehensive income as incurred.

#### 3.10 RISK MANAGEMENT:

The Company has exposure to credit risk, liquidity risk and market risk in its normal course of business.

- a. **Credit risk:** Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial contract fails to meet the contractual obligations. The exposure to credit risk is monitored on an ongoing basis by the management and these amounts are considered recoverable by the Company's management.
- b. **Liquidity risk:** Liquidity risk is the risk that the Company can default in meeting the obligations associated with its financial liabilities. The Company assures that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.
- c. **Market risk:** Market risk is the risk that changes in market prices, such as foreign currency rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

**NAGARJUNA CONSTRUCTION CO. LTD. & PARTNERS L.L.C. - OMAN****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTD.)****3.11 RELATED PARTY TRANSACTIONS:**

The Company has entered into transactions with entities over which certain Directors are able to exercise significant influence. In the ordinary course of business, such related parties provide goods and render services to the company. The company believes that the terms of purchases, and provision of services are comparable with those that could be obtained from third parties.

**3.12 TAXATION**

The Company's assessments for the years 2011-12 to 2015-16 have not yet been finalised with the Department of Taxation Affairs at the Ministry of Finance.

**3.13 LEGAL RESERVE:**

Article 106 of the Commercial Companies Law of 1974 requires that 10% of a Company's Net Profit be transferred to a non-distributable legal reserve until the amount of the legal reserve equals one-third of the Company's issued share capital.

**3.14 FAIR VALUE OF FINANCIAL INSTRUMENTS:**

Financial instruments comprise of financial assets and liabilities. Financial assets consist of cash and bank balances and trade and other receivables. Financial liabilities consist of bank overdrafts, trade and other payables and related party dues. The fair value of financial instruments is not significantly different from their carrying values.

**3.15 FOREIGN CURRENCY:**

Transactions in foreign currency are recorded at the rate at the date of transaction, Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All the differences are taken to the statement of loss at the exchange rates prevailing at the balance sheet date. Differences on exchange are dealt with in the profit and loss account as they arise.

**NAGARJUNA CONSTRUCTION CO. LTD. & PARTNERS L.L.C. - OMAN**
**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTD.)**
**4. PROPERTY, PLANT AND EQUIPMENT:**

	Plant & Machinery R.O.	Office Vehicles R.O.	Construction Vehicles R.O.	Furniture & Fixtures R.O.	Office Equipment R.O.	Tools & Equipment R.O.	Construction Accessories R.O.	TOTAL R.O.
<b>COST :</b>								
At 31 March 2015	166,525	169,580	30,002	15,366	46,385	20,191	103,210	<b>551,259</b>
Cost of Disposals	--	(6,848)	--	(192)	(2,936)	--	--	<b>(9,976)</b>
At 31 March 2016	166,525	162,732	30,002	15,174	43,449	20,191	103,210	<b>541,283</b>
<b>DEPRECIATION:</b>								
At 31 March 2015	112,476	161,100	28,500	10,518	44,066	10,159	98,050	<b>464,869</b>
Charge for the year	23,366	--	--	2,636	--	2,778	--	<b>28,780</b>
Relating to Disposals	--	(6,506)	--	(140)	(2,789)	--	--	<b>(9,435)</b>
At 31 March 2016	135,842	154,594	28,500	13,014	41,277	12,937	98,050	<b>484,214</b>
<b>NET BOOK VALUE</b>								
AT 31 MARCH 2016	R.C 30,683	8,138	1,502	2,160	2,172	7,254	5,160	<b>57,069</b>
<b>COST :</b>								
At 31 March 2016	166,525	162,732	30,002	15,174	43,449	20,191	103,210	<b>541,283</b>
Cost of Disposals	(17,195)	(6,848)	--	--	--	--	--	<b>(24,043)</b>
At 31 March 2017	149,330	155,884	30,002	15,174	43,449	20,191	103,210	<b>517,240</b>
<b>DEPRECIATION:</b>								
At 31 March 2016	135,842	154,594	28,500	13,014	41,277	12,937	98,050	<b>484,214</b>
Charge for the year	5,400	--	--	1,169	--	2,770	--	<b>9,339</b>
Relating to Disposals	(11,189)	(6,506)	--	--	--	--	--	<b>(17,695)</b>
At 31 March 2017	130,053	148,088	28,500	14,183	41,277	15,707	98,050	<b>475,858</b>
<b>NET BOOK VALUE</b>								
AT 31 MARCH 2017	R.C 19,277	7,796	1,502	991	2,172	4,484	5,160	<b>41,382</b>

Contd.....11

**NAGARJUNA CONSTRUCTION CO. LTD. & PARTNERS L.L.C. - OMAN**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTD.)**

	31-3-2017 R.O.	31-3-2016 R.O.
<b>5. ACCOUNTS RECEIVABLE</b>		
Advances, Other Deposits & Receivables	1,800	1,800
<b>R.O.</b>	<b>1,800</b>	<b>1,800</b>
<b>6. BANK BALANCES AND CASH</b>		
Bank Muscat - Current Accounts	2,189	2,189
<b>R.O.</b>	<b>2,189</b>	<b>2,189</b>
<b>7. LEGAL RESERVE</b>		
Balance at 31 March 2017	36,485	36,485
<b>R.O.</b>	<b>36,485</b>	<b>36,485</b>
<b>8. ACCOUNTS PAYABLE AND PROVISIONS</b>		
Sundry Creditors for Purchases	3,725	3,725
Sundry Creditors for Expenses	1,510	1,510
Accrued Expenses	1,000	21,488
<b>R.O.</b>	<b>6,235</b>	<b>26,723</b>

Contd.....12

**NAGARJUNA CONSTRUCTION CO. LTD. & PARTNERS L.L.C. - OMAN**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTD.)**

	31-3-2017 R.O.	31-3-2016 R.O.
<b>9. COST OF TURNOVER</b>		
Materials	--	955
	<u>          </u>	<u>          </u>
<b>R.O.</b>	<b>--</b>	<b>955</b>
	<u>          </u>	<u>          </u>
<b>10. OTHER INCOME</b>		
Profit / (Loss) on Disposal of Fixed Assets	2,583	2,037
(Loss) on Disposal of Fixed Assets	(5,592)	--
Miscellaneous Income	3,931	14,291
	<u>          </u>	<u>          </u>
<b>R.O.</b>	<b>922</b>	<b>16,328</b>
	<u>          </u>	<u>          </u>
<b>11. ADMINISTRATIVE AND GENERAL EXPENSES</b>		
Establishment Expenses	1,900	2,600
Vehicle Repairs and Expenses	2,770	--
Bank Charges	--	15
	<u>          </u>	<u>          </u>
<b>R.O.</b>	<b>4,670</b>	<b>2,615</b>
	<u>          </u>	<u>          </u>

**12. PREVIOUS YEAR'S FIGURES**

Previous year's figures have been regrouped wherever necessary to conform to current year's presentation.