

SPIC FERTILIZERS AND CHEMICALS FZE

**Financial statements and independent auditor's report
Year ended 31 March 2015**

S PIC FERTILIZERS AND CHEMICALS FZE

Financial statements and independent auditor's report
Year ended 31 March 2015

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INDEPENDENT AUDITOR'S REPORT

The Shareholder
SPIC FERTILIZERS AND CHEMICALS FZE

Report on the financial statements

We have audited the accompanying financial statements of **SPIC FERTILIZERS AND CHEMICALS FZE**, which comprise the statement of financial position as at 31 March 2015 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 3 to 16.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

continued...

INDEPENDENT AUDITOR'S REPORT
(continued)

Basis for qualified opinion

As stated in note 2(b) to these financial statements, the establishment has accumulated losses of AED 151,749,864 and a net deficit of AED 150,749,864 in shareholder's equity funds as at the reporting date. As stated in notes 1(d) and 2(b) to these financial statements, the establishment has not renewed its trade license since 2009 and has not carried out any business activity. Also, the management has approved the winding up of the establishment. However, these financial statements have been prepared on going concern basis pending commencement of the winding up proceedings, compliance with the legal formalities specified by the relevant authorities and settlement of the establishment's liabilities. Should the going concern assumption be inappropriate, there could be material adjustments required to the classification and carrying amount of assets and liabilities as disclosed in these financial statements. The impact of such adjustments, if any, is currently not ascertainable.

Bank borrowings, project creditors and other payables and related party payables, as stated in notes 9, 10 and 11 respectively, to these financial statements are not confirmed and are subject to reconciliations. These financial statements do not include the impact of adjustments, if any, which may arise out of the confirmation and reconciliation process. The impact of such adjustments, if any, is currently not ascertainable.

Qualified opinion

In our opinion, except for any adjustments that we may have found to be necessary had we been able to satisfy ourselves with respect to the matters described in the basis for qualified opinion paragraphs, the financial statements give a true and fair view of the financial position of **SPIC FERTILIZERS AND CHEMICALS FZE** as at 31 March 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

The net assets of the establishment are below 75% of its share capital, and directors are required to intimate the Jebel Ali Free Zone Authority and take steps to remedy the situation in accordance with Regulation No. 1/92 issued by the Jebel Ali Free Zone Authority pursuant to Law No. 9 of 1992.

We confirm that except for the matter stated above, the financial statements comply with Implementing Regulation No. 1/92 issued by the Jebel Ali Free Zone Authority pursuant to Law No. 9 of 1992. Also, in our opinion, proper books of account and other records have been maintained in accordance with the said regulation.

SPIC FERTILIZERS AND CHEMICALS FZE

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

| | Note | 2015 AED | 2014 AED |
|---|------|-----------------|-----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | -- | -- |
| Current assets | | | |
| Cash and cash equivalents | | -- | -- |
| Total assets | | -- | -- |
| EQUITY AND LIABILITIES | | | |
| Shareholder's funds | | | |
| Share capital | 6 | 1,000,000 | 1,000,000 |
| Accumulated losses | | (151,749,864) | (151,731,864) |
| Deficit in equity funds | | (150,749,864) | (150,731,864) |
| Advance against additional capital | 7 | 150,695,864 | 150,695,864 |
| Total shareholder's funds | | (54,000) | (36,000) |
| Non-current liabilities | | | |
| Provision for staff end-of-service benefits | 8 | -- | -- |
| Current liabilities | | | |
| Bank borrowings | 9 | -- | -- |
| Project creditors and other payables | 10 | 54,000 | 36,000 |
| Amounts due to related parties | 11 | -- | -- |
| Total liabilities | | 54,000 | 36,000 |
| Total equity and liabilities | | -- | -- |

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

The report of the independent auditor is set forth on pages 1 and 2.

I confirm that I am responsible for these financial statements, including selecting the accounting policies and making the judgments underlying them. I confirm that I have made available all relevant accounting records and information for their compilation.

Authorised for issue by the director on 9 June 2015.

For **SPIC FERTILIZERS AND CHEMICALS FZE**

DIRECTOR

SPIC FERTILIZERS AND CHEMICALS FZE

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

| | Note | 2015 AED | 2014 AED |
|--|------|-----------------|--------------------|
| Revenue | | -- | -- |
| Other operating income | 12 | -- | 161,059,032 |
| Other operating expenses | 13 | (18,000) | (36,000) |
| PROFIT/(LOSS FOR) THE YEAR | | (18,000) | 161,023,032 |
| Other comprehensive income: | | | |
| Other comprehensive income for the year | | -- | -- |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | (18,000) | 161,023,032 |

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

The report of the independent auditor is set forth on pages 1 and 2.

SPIC FERTILIZERS AND CHEMICALS FZE

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

| | Share capital | Accumulated losses | Total |
|---|------------------|-----------------------|--------------------|
| | AED | AED | AED |
| Balance at 1 April 2013 | 1,000,000 | (312,754,896) | (311,754,896) |
| Total comprehensive income for the year | -- | 161,023,032 | 161,023,032 |
| Balance at 31 March 2014 | 1,000,000 | (151,731,864) | (150,731,864) |
| Total comprehensive income for the year | -- | (18,000) | (18,000) |
| Balance at 31 March 2015 | <u>1,000,000</u> | <u>151,749,864</u> | <u>150,749,864</u> |

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 and 2.

SPIC FERTILIZERS AND CHEMICALS FZE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

| | 2015 AED | 2014 AED |
|---|-------------|---------------|
| Cash flows from operating activities | | |
| (Loss)/profit for the year | (18,000) | 161,023,032 |
| Adjustments for: | | |
| Credit balances written back | -- | (161,059,032) |
| Increase in trade and other payables | 18,000 | 36,000 |
| Net cash used in operating activities | -- | -- |
| Cash flows from investing activities | -- | -- |
| Cash flows from financing activities | -- | -- |
| Net increase in cash and cash equivalents | -- | -- |
| Cash and cash equivalents at beginning of year | -- | -- |
| Cash and cash equivalents at end of year | -- | -- |

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 and 2.

SPIC FERTILIZERS AND CHEMICALS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. LEGAL STATUS AND BUSINESS ACTIVITY

- a) **SPIC FERTILIZERS AND CHEMICALS FZE** is a free zone establishment registered in the Jebel Ali Free Zone pursuant to Law No. 9 of 1992 of late H.H. Shaikh Maktoum Bin Rashid Al Maktoum, the former Ruler of Dubai, United Arab Emirates. The registered office is P.O.Box 16839, Dubai, UAE. The establishment was registered on 31 May 1997.

The establishment is beneficially owned by Southern Petrochemicals Industries Corporation Limited, India and Emirates Trading Agency LLC, Dubai who are the joint venturers in the project. A detailed joint venture agreement has been entered into between the joint venturers on 30 March 2000, whereby they have agreed to hold 85% and 15% shares respectively in the parent company Spic Fertilizers and Chemicals Limited, Mauritius which is the registered shareholder in the establishment.

- b) The establishment was developing a facility to manufacture ammonia/urea fertilisers in the Jebel Ali Free Zone, with natural gas as its feed stock. A plot of 240,000 sq.mtrs has been leased from the Jebel Ali Free Zone Authority (JAFZA) for fifteen years with a renewable option for a similar period.

The establishment was forced to suspend its activities during March 2000, after the Government of Dubai expressed its inability to enter into a long term agreement for supply of gas for its project. The plant and machinery continued to be kept in Jebel Ali Free Zone and at Ras Al Khaimah (RAK) Port till May 2010.

- c) Subsequent to May 2010, the establishment and JAFZA executed a letter of understanding by which the dues payable to JAFZA will be adjusted against the establishment, assigning all the rights of the plant and machinery stored in Jebel Ali Free Zone in favour of JAFZA. The understanding also facilitates the establishment to exit the Jebel Ali Free Zone without any further lien or obligation by May 2010.

The RAK port authorities sent a demand notice to the establishment towards storage and penalty charges for part of the plant and machinery stored at the port. The RAK port authorities allowed the establishment a waiver of their charges after payment of storage charges till December 2010, after which the establishment vacated the premises on sale of the stored plant and machinery.

Based on the above, the management vide its resolution dated 27 August 2013 has decided to write off all of its capital work in progress of AED 509,977,748 and its current assets of AED 66,199. Also, the management has agreed to write back certain liabilities (including those of related parties) of AED 197,407,249, during the year ended 31 March 2010.

Also, the management has decided to write back certain accruals, related party balances and trade and other payables amounting to AED 161,059,032, during the year ended 31 March 2014.

SPIC FERTILIZERS AND CHEMICALS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

Further, the management vide its resolution dated 27 August 2013, has approved the winding up of the establishment. However, the management is yet to initiate winding up proceedings of the establishment.

- d) Presently, the establishment has not renewed its trade license since 2009 and is not carrying out any business activity.
- e) The parent company is SPIC Fertilizers and Chemicals Limited, Mauritius.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on or after 1 April 2014 and the requirements of the law of Jebel Ali Free Zone.

b) Basis of measurement

The financial statements are prepared using historical cost, which is based on the fair value of the consideration given to acquire the asset or cash or cash equivalents expected to be paid to satisfy the liability.

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.

As at the reporting date, the establishment has accumulated losses of AED 151,749,864 and a net deficit of AED 150,749,864 in shareholder's equity funds. Further, as stated in notes 1(c) and 1(d), the establishment has not renewed its trade license since 2009 and is not carrying out any business activity. However, the management is yet to initiate winding up proceedings of the establishment. Accordingly, these financial statements have been prepared on going concern basis pending commencement of the winding up proceedings, compliance with the legal formalities specified by the relevant authorities and settlement of the establishment's liabilities.

c) Adoption of new International Financial Reporting Standards

Standards and interpretations effective for the current year

The following International Financial Reporting Standards, amendments thereto and Interpretations that became effective for the current reporting period and which are applicable to the establishment are as follows:

- Amendments to IAS 32: Offsetting Financial Assets and financial Liabilities
The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and liabilities.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

New and revised IFRSs in issue but not yet effective

The following International Financial Reporting Standards, amendments thereto and Interpretations that are assessed by management as likely to have an impact on the financial statements, have been issued by the IASB prior to the date the financial statements were authorised for issue, but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods.

- o IFRS 13: Fair value measurement: Short-term receivables and payables

The amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the establishment.

- Annual Improvements 2011–2014 Cycle (1 July 2015)

- o IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment to IFRS clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the establishment, since the establishment is an existing IFRS preparer.

- IFRS 9: Financial instruments: (1 January 2018)

IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

d) **Functional and presentation currency**

The financial statements are presented in UAE Dirhams ("AED") which is also the establishment's functional currency.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted, and which have been consistently applied, are as follows:

a) **Staff end-of-service benefits**

Provision is made for end-of-service benefits payable to non-UAE national employees at the reporting date in accordance with the local labour laws.

SPIC FERTILIZERS AND CHEMICALS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

b) **Leases**

Leases under which substantially all the risks and rewards of ownership of the related asset remain with the lessor are classified as operating leases and the lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

c) **Foreign currency transactions**

Transactions in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the reporting date.

Gains or losses resulting from foreign currency transactions are taken to profit or loss.

d) **Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred except those that are attributable to the acquisition and construction of an asset that necessarily takes a substantial period to get ready for its intended use ("qualifying asset"). Such borrowing costs are capitalised as part of the related qualifying asset upto the date the qualifying asset is ready for use.

e) **Provisions**

A provision is recognised when the establishment has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits 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 reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow 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, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

f) **Financial instruments**

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

Financial assets are de-recognised when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

Financial liabilities are de-recognised when, and only when, they are extinguished, cancelled or expired.

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank current accounts, bank deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities

At amortised cost

Trade and other payables

Trade and other payables are stated at cost, as the interest that would be recognised from discounting future cash payments over the short credit period is not considered to be material.

Related party payables

Related party payables are stated at cost, as the interest that would be recognised from discounting future cash payments over the short credit period is not considered to be material.

Equity

Share capital is recorded at the value of proceeds received towards interest in share capital of the establishment.

Impairment of financial assets

All financial assets are assessed for indicators of impairment at each reporting date. Impairment losses and reversals thereof are recognised in profit or loss.

Offsetting

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.

SPIC FERTILIZERS AND CHEMICALS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

g) Fair value measurement

The establishment discloses the fair value of financial instruments measured at amortised cost.

The 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 fair value of an asset or a liability is measured using assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interests.

4. SIGNIFICANT JUDGMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Impairment

At each reporting date, management conducts an assessment of all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to profit or loss or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent of the related amounts being recovered.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

Key assumptions made 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 as follows:

Staff end-of-service benefits

The establishment computes the provision for the liability to staff end-of-service benefits stated at AED Nil (previous year AED Nil) assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

| | 2015 AED | 2014 AED |
|---|---------------|---------------|
| 6. SHARE CAPITAL | | |
| Authorised, issued and paid up | | |
| 1 share of AED 1,000,000 each | 1,000,000 | 1,000,000 |
| 7. ADVANCE AGAINST ADDITIONAL CAPITAL | | |
| This represents the advance share capital of the establishment contributed by the joint venturers of the parent company up to the year end (refer note 1(a)). | | |
| 8. PROVISION FOR STAFF END-OF-SERVICE BENEFITS | | |
| At 31 March 2014 and 31 March 2015 | -- | -- |
| As stated in note 1(c), the establishment has written back provision for staff end-of-service benefits amounting to AED 4,062 in the previous year. | | |
| 9. BANK BORROWINGS | | |
| During the year ended 31 March 2011, short term loan from Mashreq Bank of AED 11,079,500 have been settled by a related party on behalf of the establishment. Bank borrowings are subject to confirmation and reconciliation. The management believes there would not be any material changes, as such borrowings are settled by a related party. | | |
| 10. PROJECT CREDITORS AND OTHER PAYABLES | | |
| Short term loan from third parties ^(a) | -- | -- |
| Payable to a related party ^(b) | -- | -- |
| Accruals | 54,000 | 36,000 |
| | <u>54,000</u> | <u>36,000</u> |

Note:

The entire project creditors and other payables are due for payment in one year.

(a) This represented an interest-free short-term loan obtained from third parties without any fixed repayment schedule.

(b) This represented balance initially payable to M/s. MCN Energy Enterprises Inc., USA, which was later assigned to a related party vide a Settlement Agreement dated 6 April 2004.

As stated in note 1(c), the establishment has written back certain liabilities amounting to AED 101,027,780 in the previous year.

Project creditors and other payables and amount due to related parties are subject to confirmation and reconciliation. The management believes that there would not be any material changes.

SPIC FERTILIZERS AND CHEMICALS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

11. RELATED PARTIES

The establishment enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in the normal course of business and at prices determined by the management.

Related parties comprise the shareholder, which is the parent company, joint ventures of the parent company and fellow subsidiaries of the joint ventures of the parent company.

At the reporting date significant balances with related parties were as follows:

| | Joint venturers of the parent company | Fellow subsidiaries of joint venturers of the parent company | Total 2015 | Total 2014 |
|---------------------------------------|--|--|---------------|---------------|
| | AED | AED | AED | AED |
| Due to related parties ^(a) | -- | -- | -- | -- |
| Included in project creditors | -- | -- | -- | -- |
| Advance against additional capital | 150,695,864 | -- | 150,695,864 | -- |
| | 150,695,864 | -- | | 150,695,864 |

- (a) As stated in note 1(c), the establishment has written back certain related party balances amounting to AED 60,027,190 in the previous year.

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in note 15.

The establishment also receives fund from related parties as working capital facilities at agreed rate of interest.

| | 2015 AED | 2014 AED |
|---|-------------|-------------|
| 12. OTHER OPERATING INCOME | | |
| Related parties payable written back | -- | 133,394,170 |
| Short term loan from third parties written back | -- | 27,543,300 |
| Accruals and provisions for staff end of service written back | -- | 121,562 |
| | -- | 161,059,032 |
| 13. OTHER OPERATING EXPENSES | | |
| Other expenses | 18,000 | 36,000 |

SPIC FERTILIZERS AND CHEMICALS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

14. MANAGEMENT OF CAPITAL

The establishment's objectives when managing capital are to ensure that the establishment continues as a going concern and to provide the shareholder with a rate of return on their investment commensurate with the level of risk assumed.

Capital, which is unchanged from the previous year, comprises equity funds as presented in the statement of financial position together with amounts due to related parties. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

The establishment is not subject to any externally imposed capital requirements.

Funds are retained/drawn by the shareholder to ensure that the objective is met.

15. FINANCIAL INSTRUMENTS

The net carrying amounts as at the reporting date of financial assets and financial liabilities are as follows:

| | Loans and receivables | | At amortised cost | |
|--------------------------------------|-----------------------|-------------|-------------------|---------------|
| | 2015 AED | 2014 AED | 2015 AED | 2014 AED |
| Amounts due to related parties | -- | -- | -- | -- |
| Project creditors and other payables | -- | -- | 54,000 | 36,000 |
| | <u>--</u> | <u>--</u> | <u>54,000</u> | <u>36,000</u> |

Management of risks

The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

The primary risks to which the business is exposed, which are unchanged from the previous year, comprise credit risks, liquidity risks and market risks (including currency risks, cash flow interest rate risks and fair value interest rate risks).

Exposure to foreign currency transactions of the establishment is minimised where possible by denominating such transactions in US dollars to which the UAE Dirham is pegged.

Management continuously monitors its cash flows to determine its cash requirements and makes comparison with its funded and un-funded facilities with banks in order to manage exposure to liquidity risk.

Borrowing facilities are regularly reviewed to ensure that the establishment obtains the best available pricing, terms and conditions on its borrowings.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

Exposures to the aforementioned risks are detailed below:

Currency risk

There are no significant currency risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the Dirham is fixed.

Interest rate risk

Funding by related parties is at fixed rate of interest and are therefore exposed to fair value interest rate risk.

Reasonably possible changes to interest rates at the balance sheet date are unlikely to have had a significant impact on profit or equity.

Fair values

The 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 values of the establishment's financial assets and financial liabilities which are required to be stated at cost or at amortised cost approximate to their carrying values.

For SPIC FERTILIZERS AND CHEMICALS FZE

DIRECTOR