SPIC FERTILIZERS AND CHEMICALS FZE

Financial statements and independent auditor's report
Year ended 31 March 2011

SPIC FERTILIZERS AND CHEMICALS FZE

Financial statements and independent auditor's report
Year ended 31 March 2011

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لخدمات الاستشارات الادارية

PKF
Accountants &
business advisers

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 2011 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 17.

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.

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PKF

Accountants & business advisers

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 312,679,063 and a net deficit of AED 311,679,063 in equity funds, as at the reporting date. The establishment has vacated its premises in Jebel Ali Free Zone, as agreed with the Jebel Ali Free Zone Authority. As stated in Notes 1(d) and 2(b) to these financial statements, presently, the establishment has not renewed its expired trade license and has not carried out any business. It is the management's intention to close the operations of the establishment. However, these financial statements have been prepared on going concern basis pending final decision by the management, 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 would 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 11, 12 and 13 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 the effects of the matters described in the basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of **SPIC FERTILIZERS AND CHEMICALS FZE** as at 31 March 2011, 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.

PKF

Dubai

United Arab Emirates

15 March 2014

SPIC FERTILIZERS AND CHEMICALS FZE

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011

	Notes	2011 AED	2010 AED
ASSETS			
Non-current assets			
Property, plant and equipment	6	--	--
Current assets			
Cash and cash equivalents	7	--	698
Other current financial assets		--	--
		--	698
Total assets		--	698
EQUITY AND LIABILITIES			
Shareholder's funds			
Share capital	8	**1,000,000**	1,000,000
Accumulated losses		**(312,679,063)**	(312,636,698)
Deficit in equity funds		**(311,679,063)**	(311,636,698)
Advance against additional capital	9	**150,695,864**	150,695,864
Total shareholder's funds		**(160,983,199)**	(160,940,834)
Non-current liabilities			
Provision for staff end-of-service gratuity	10	**4,062**	4,062
Current liabilities			
Bank borrowings	11	--	11,079,500
Project creditors and other payables	12	**100,951,947**	100,910,280
Amounts due to related parties	13	**60,027,190**	48,947,690
		160,979,137	160,937,470
Total liabilities		**160,983,199**	160,941,532
Total equity and liabilities		--	698

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 8 March 2014.

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 2011

	Notes	2011 AED	2010 AED
Revenue		--	--
Capital work in progress written off		--	(509,977,748)
Liabilities written back		--	197,407,249
Other operating expenses	14	(42,365)	(66,199)
LOSS FOR THE YEAR		**(42,365)**	(312,636,698)
Other comprehensive income:			
Other comprehensive income for the year		--	--
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(42,365)	(312,636,698)

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 2011

	Share capital AED	Accumulated losses AED	Total AED
Balance at 1 April 2009	1,000,000	–	1,000,000
Total comprehensive income for the year	–	(312,636,698)	(312,636,698)
Balance at 31 March 2010	1,000,000	(312,636,698)	(311,636,698)
Total comprehensive income for the year	–	(42,365)	(42,365)
Balance at 31 March 2011	**1,000,000**	**(312,679,063)**	**(311,679,063)**

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 2011

	2011 AED	2010 AED
Cash flows from operating activities		
Loss for the year	(42,365)	(312,636,698)
Adjustments for:		
Capital work in progress written off	--	509,977,748
Liabilities written back	--	(197,407,249)
Other assets written off	--	66,199
	(42,365)	--
Increase in trade and other payables	41,667	--
Cash used in operations	(698)	--
Cash flows from investing activities		
Purchase of property, plant and equipment	--	(683,623)
Increase in creditors for capital expenses	--	186,008
Net cash used in investing activities	--	(497,615)
Cash flows from financing activities		
Increase in amounts due to related parties	--	497,615
Decrease in bank borrowings	--	--
Net cash from financing activities	--	497,615
Net decrease in cash and cash equivalents	(698)	--
Cash and cash equivalents at beginning of year	698	698
Cash and cash equivalents at end of year (note 7)	--	698

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.

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 offices 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 board 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 in the previous year. Also, the management has agreed to write back certain liabilities (including those of related parties) of AED 197,407,249 in the previous year.

d) Presently, the establishment has not renewed its expired trade license and is not carrying out any business.

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 January 2013 and the requirements of the law of Jebel Ali Free Zone.

b) Basis of measurement

The financial statements are prepared using historical cost. Historical cost 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 stated in Note 1(d), the establishment has not renewed its expired trade license and is not carrying out any business activity. Further, as at the reporting date, the establishment has accumulated losses of AED 312,679,063 and a net deficit of AED 311,679,063 in equity funds. Presently, it is the management's intention to close the operations of the establishment. However, these financial statements have been prepared on going concern basis pending final decision by the management, compliance with the legal formalities specified by the relevant authorities and on 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 company are as follows:

- IFRS 11: Joint arrangements
  IFRS11 establishes two types of joint arrangements: joint operations and joint ventures. These are distinguished by the rights and obligations of those parties to the joint arrangement.

- IFRS 13: Fair Value Measurement
  IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as 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.

- Presentation of Items in Other Comprehensive Income: Amendments to IAS 1
  As a result of amendments to IAS 1, the company has modified its presentation of items of other comprehensive income to present separately items that will and will not be subsequently reclassified to profit or loss. Comparative information has been represented accordingly.

- Amendments to IAS 19: Employee Benefits
  These amendments eliminate the corridor approach and require the entity to recognize the changes in defined benefit plan obligations and plan assets when they occur.

- Annual improvements to IFRSs 2009-2011 cycle
  - IAS 1: Presentation of Financial Statements: The improvements provide that the entity is required to present third statement of financial position only when:

    a) the entity applies the accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements; and

    b) the retrospective application, restatement or reclassification has material effect on the information in the third statement of financial position.

The amendments specify that related notes are not required to accompany the third statement of financial position.

In the opinion of management, there are no IFRSs or IFRIC interpretations that are effective for the first time for the current reporting period and which are applicable to the company and which could have a material impact on the financial statements.

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.

- IFRS 9: Financial Instruments; (1 January 2015)
  IFRS 9 requires financial assets to be classified into two measurement categories: those measured as 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.

- Amendments to IAS 32: Offsetting Financial Assets and Liabilities (1 January 2014)
  The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and liabilities.

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) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of furniture, fixtures and office equipment less estimated residual value, where material, is depreciated from the date the asset is available for use until it is derecognised, using the straight-line method over the estimated useful lives of four years.

Capital work-in-progress represents the cost of factory buildings under construction and the fertiliser complex under installation.

An assessment of depreciation method, useful lives and residual values is undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognised within 'other operating income/expenses' in profit or loss.

b) **Staff end-of-service gratuity**

Provision is made for end-of-service gratuity payable to the staff at the reporting date in accordance with the local labour laws.

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 recognized 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 recognized 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 recognized 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 recognized 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.

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.

Other current financial assets
Other current financial assets which comprise deposits under encumbrance and deposits with a maturity of more than three months from the date of deposit are classified as loans and receivables and stated at amortised cost using the effective interest method.

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, except for those at fair value through profit or loss, 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.

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 property, plant, equipment and 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:

Carrying values of property, plant and equipment

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

Impairment

Assessments of net recoverable amounts of property, plant, equipment and all financial assets other than loans and receivables (see above) are based on assumptions regarding future cash flows expected to be received from the related assets.

Staff end-of-service gratuity

The establishment computes the provision for the liability to staff end-of-service gratuity stated at AED 4,062 (previous year AED 4,062) 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.

6. **PROPERTY, PLANT AND EQUIPMENT**

	Capital work in progress AED
Cost	
At 1 April 2009	509,294,125
Additions	683,623
Assets written off	(509,977,748)
At 31 March 2010	--
Additions	--
Assets written off	--
At 31 March 2011	--
Accumulated depreciation and impairment losses	
At 31 March 2011	--
Carrying amount	
At 31 March 2009	509,294,125
At 31 March 2010	--
At 31 March 2011	--

Note:

As stated in note 1(c), the establishment in the previous year, had written off all of its capital work-in progress.

SPIC FERTILIZERS AND CHEMICALS FZE

		2011 AED	2010 AED
7.	**CASH AND CASH EQUIVALENTS**		
	Cash on hand	--	98
	Bank balances in current accounts	--	600
		--	698
8.	**SHARE CAPITAL**		
	Authorised, issued and paid up		
	1 share of AED 1,000,000 each	1,000,000	1,000,000

9. **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)}.

10.	**PROVISION FOR STAFF END-OF-SERVICE GRATUITY**		
	At 1 April 2010	4,062	4,062
	At 31 March 2011	4,062	4,062
11.	**BANK BORROWINGS**		
	Short term loan	--	11,079,500
		--	11,079,500

An analysis by bank of amounts outstanding is as follows:

Mashreq bank	--	11,079,500

The facilities from Mashreq Bank were secured against corporate guarantee from a related party.

During the current year, the bank borrowings have been settled by a related party on behalf of the establishment. Bank borrowings are subject to confirmation and reconciliation. The management believes that there would not be any material changes.

12.	**PROJECT CREDITORS AND OTHER PAYABLES**		
	Short term loan from third parties*	27,543,300	27,543,300
	Payable to a related party**	73,366,980	73,366,980
	Accruals	41,667	--
		100,951,947	100,910,280

Notes

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

* This represents an interest-free short-term loan obtained from third parties without any fixed repayment schedule.

** This represents 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 had written back certain liabilities amounting to AED 197,407,249 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.

13. 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 2011	Total 2010
	AED	AED	AED	AED
Due to related parties	60,027,190	--	60,027,190	
	48,947,690	--		48,947,690
Included in project creditors and other payables	--	73,366,980	73,366,980	
	--	73,366,980		73,366,980
Advance against additional capital	151,695,864	--	151,695,864	
	151,695,864	--		151,695,864

All balances are unsecured and are expected to be settled in cash.

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

		2011 AED	2010 AED
14.	**OTHER OPERATING EXPENSES**		
	Deposits written off	--	20,155
	Margin deposits written off	--	30,000
	Advances written off	--	16,044
	Other expenses	42,365	--
		42,365	66,199

15. **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.

16. **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	
	2011 AED	2010 AED	2011 AED	2010 AED
Cash and cash equivalents	--	698	--	--
Amount due to a related party	--	--	60,027,190	48,947,690
Project creditors and other payables	--	--	100,951,947	100,910,280
Bank borrowings	--	--	--	11,079,500
	--	698	160,979,137	160,937,470

Management of risk

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 it borrowings.

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. Interest on the short term loan from a bank was subject to floating interest rates linked to LIBOR and are therefore exposed to cash flow 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 company's financial assets and financial liabilities which are required to be stated at cost or at amortised cost approximate to their carrying values.

		2011 AED	2010 AED
17.	**OTHER CONTRACTED COMMITMENTS**		
	Contracted but not provided for acquisition, construction of property, plant and equipment (net of advances)	--	205,757,365
18.	**CONTINGENT LIABILITIES**		
	Bankers' letters of guarantee	--	30,000

For SPIC FERTILIZERS AND CHEMICALS FZE

DIRECTOR