

CUMI MIDDLE EAST FZE
RAK FREE TRADE ZONE
RAS AL KHAIMAH
UNITED ARAB EMIRATES

FINANCIAL STATEMENTS AND REPORT OF THE AUDITOR
FOR THE YEAR ENDED
31ST MARCH, 2015

**CUMI MIDDLE EAST FZE
RAK FREE TRADE ZONE
RAS AL KHAIMAH
UNITED ARAB EMIRATES
31ST MARCH, 2015**

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Since 1975

Fuller International
Certified Public Accountants

فلر إنترناشيونال
محاسبون قانونيون

Partner; Ahmed Abdulla Amer Alfalasi
Registration No.: 229

Our Ref: JV-48/15

Independent Auditor's Report

To the Shareholder of
Messrs Cumi Middle East FZE
P.O. Box 16190
Ras Al Khaimah, United Arab Emirates

Report on the financial statements

We have audited the accompanying financial statements of Messrs Cumi Middle East FZE - Ras Al Khaimah, U.A.E. (The Establishment), which comprise the statement of financial position as at 31st March, 2015, and the statement of 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 notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 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 and fair presentation of the financial statements 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 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 opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Messrs Cumi Middle East FZE - Ras Al Khaimah, U.A.E as of 31st March, 2015, and 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

Also, in our opinion, the Establishment has maintained proper books of account and the physical inventory was properly conducted. We obtained all information and explanations which we considered necessary for our audit. According to the information available to us there were no contraventions during the year of UAE Federal Commercial Companies Law No. 8 of 1984 as amended or regulations of RAK Free Trade Zone which might have materially affected the financial position of the Establishment or the results of its operation for the year.



**FULLER INTERNATIONAL
CERTIFIED PUBLIC ACCOUNTANTS**

ISSUED IN DUBAI ON 10TH APRIL, 2015

CUMI MIDDLE EAST FZE - RAS AL KHAIMAH - U.A.E.
STATEMENT OF FINANCIAL POSITION
AS AT 31STMARCH, 2015

<u>Assets</u>	Note	2015 US\$	2014 US\$
Current assets			
Inventory	4	485,636	666,966
Goods in transit		101,353	51,989
Trade and other receivables	5	322,550	276,867
Cash and cash equivalents	6	11,470	103,004
Total		<u>921,009</u>	<u>1,098,826</u>
Non-current assets			
Property, plant and equipment - net carrying amount	7	<u>32,411</u>	-
Total assets		<u>953,420</u>	<u>1,098,826</u>
<u>Liabilities and equity</u>			
Current liabilities			
Accounts payable	8	198,656	540,680
Related party - Cumi - India and associated entities	9	301,268	179,500
Provision for employees' leave and passage		24,077	31,299
Bank motor vehicle loan - short term		6,210	-
Total		<u>530,211</u>	<u>751,479</u>
Non-current liabilities			
Provision for employees' end of service benefits	10	31,532	24,020
Bank motor vehicle loan - long term		21,038	-
Total		<u>52,570</u>	<u>24,020</u>
Total liabilities		<u>582,781</u>	<u>775,499</u>
Equity			
Capital	11	27,248	27,248
Statutory reserve	12	13,624	13,624
Retained income		329,767	282,455
Total equity		<u>370,639</u>	<u>323,327</u>
Total liabilities and equity		<u>953,420</u>	<u>1,098,826</u>

The notes attached herewith form part of these financial statements.

CHAIRMAN

APPROVED ON 10TH APRIL, 2015

**CUMI MIDDLE EAST FZE - RAS AL KHAIMAH - U.A.E.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH, 2015**

	Note	2015 US\$	2014 US\$
Revenue		1,936,416	2,434,910
Cost of sales		(1,488,449)	(1,846,999)
Gross profit		<u>447,967</u>	<u>587,911</u>
Selling, administrative and general expenses	13	(394,929)	(484,727)
Finance costs - bank interest and charges		(3,792)	(2,270)
Loss on foreign currency exchange		(1,406)	(3,648)
Other income	15	99,472	106,689
Net profit for the year		<u><u>147,312</u></u>	<u><u>203,955</u></u>

The notes attached herewith form part of these financial statements.

CUMI MIDDLE EAST FZE - RAS AL KHAIMAH - U.A.E.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH, 2015

	Capital US\$	Statutory reserve US\$	Retained income US\$	Total US\$
Balance at 31st March, 2013	27,248	13,624	378,500	419,372
Dividend declared	-	-	(300,000)	(300,000)
Net profit for the year ended 31st March, 2014	-	-	203,955	203,955
Balance at 31st March, 2014	27,248	13,624	282,455	323,327
Dividend declared and distributed	-	-	(100,000)	(100,000)
Net profit for the year ended 31st March, 2015	-	-	147,312	147,312
Balance at 31st March, 2015	27,248	13,624	329,767	370,639

The notes attached herewith form part of these financial statements.

**CUMI MIDDLE EAST FZE - RAS AL KHAIMAH - U.A.E.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH, 2015**

	Note	2015 US\$	2014 US\$
Operating activities			
Net profit for the year		147,312	203,955
Adjustments for:			
Depreciation		-	3,349
Provision for employees' end of service benefits		7,512	7,793
Net cash flow before changes in operating assets and liabilities		<u>154,824</u>	<u>215,097</u>
Changes in operating assets and liabilities:			
Inventory		181,330	(34,406)
Goods in transit		(49,364)	269,226
Trade and other receivables		(45,683)	179,620
Accounts payable		(342,024)	(343,785)
Related parties		121,768	(298,422)
Provision for employees' leave and passage		(7,222)	2,677
Net cash generated from/(used in) operating activities		<u>13,629</u>	<u>(9,993)</u>
Investing activities			
Payments related to purchase of property, plant and equipment		<u>(32,411)</u>	-
Financing activities			
Dividend distributed		(100,000)	(300,000)
From bank motor vehicle loan		27,248	-
Net cash (used in) financing activities		<u>(72,752)</u>	<u>(300,000)</u>
(Decrease) in cash and cash equivalents		(91,534)	(309,993)
Cash and cash equivalents at the beginning of the year		103,004	412,997
Cash and cash equivalents at the end of the year	6	<u><u>11,470</u></u>	<u><u>103,004</u></u>

The notes attached herewith form part of these financial statements.

**CUMI MIDDLE EAST FZE - RAS AL KHAIMAH - U.A.E.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2015**

Note 1 General information

1.1 Formation

CUMI MIDDLE EAST FZE - (The Establishment) was formed as a Free Zone Establishment with Limited Liability at Ras Al Khaimah Free Trade Zone on 11th December, 2005 in accordance with the provisions of United Arab Emirates Federal Law No. (8) of 1984 concerning commercial companies as amended and the Free Zone Regulations of the Emirate of Ras Al Khaimah pursuant to Emiri decree dated 1st May, 2000. The Establishment operates under trade license No. 7000813.

1.2 Activities

The Establishment is licensed to carry on the business of general trading and therefore it may trade in any products and commodities except for tobacco, alcohol and armaments.

1.3 Address

The registered address of the Establishment is P.O. Box 16190, Ras Al Khaimah, United Arab Emirates.

1.4 Ownership

In accordance with the share certificate issued by the Free Zone Authority of RAK, the Establishment is owned by Messrs CUMI International Limited, an entity incorporated under the law of Republic of Cyprus.

Note 2 Summary of significant accounting policies

2.1 Statement of compliance

The financial statements of the Establishment have been prepared in accordance with "International Financial Reporting Standard for Small and Medium-sized Entities" (IFRS for SMEs). The principal accounting policies applied in the preparation of these financial statements are set out below.

The preparation of financial statements in conformity with IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in process of applying the Establishment's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note (3).

New and amended standards and interpretations	Effective date
<u>Amendments to the current standards:</u>	
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 January 2014
Annual Improvements 2010-2012 Cycle	1 Jul 2014
Annual Improvements 2011-2013 Cycle	1 Jul 2014
<u>New interpretations:</u>	
IFRIC 21 Levies	1 January 2014

**CUMI MIDDLE EAST FZE - RAS AL KHAIMAH - U.A.E.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2015**

New or revised standards but not yet effective:

IFRS 9 Financial Instruments	Beginning or after 1 Jan 2018
IFRS 14 Regulatory Deferral Accounts	Beginning or after 1 Jan 2016
IFRS 15 Revenue from Contracts with Customers	Beginning or after 1 Jan 2017
Amendment to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	Beginning or after 1 Jan 2016
Amendment to IFRS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	Beginning or after 1 Jan 2016
Amendment to IFRS 16 and IAS 41 Agriculture: Bearer Plant	Beginning or after 1 Jan 2016
Amendment to IFRS 19 Defined Benefits Plans: Employees Contribution	Beginning or after 1 Jul 2014

2.2 Basis of preparation and presentation

These financial statements have been prepared prudently and consistently on the assumption that the Establishment as an entity shall continue in business for the foreseeable future and taking into account expenses and income related to the financial year irrespective whether they have been paid and received and in accordance with historical cost convention under which assets are shown at or below its original cost to the Establishment and no allowance has been made to cover its replacement cost.

2.3 Foreign currency translation

a - Functional and presentation currency

Items included in the financial statements of the Establishment are denominated in United States Dollar (US\$).

b - Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within "finance income or costs". All other foreign exchange gains and losses are presented in profit or loss within "other (losses)/gains - net".

2.4 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short term highly liquid investments and instruments with original maturities of three months or less. Bank overdrafts are shown within borrowings in the current liabilities on the statement of financial position.

2.5 Trade receivables

Trade receivables are recognised initially at the transaction price and subsequently stated net of any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Establishment will not be able to collect all amounts due according to the original terms of the receivables.

2.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the average costing method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and the other costs incurred bringing them to their existing location and condition. Net realisable is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical costs less accumulated depreciation and any accumulated impairment losses. Historical costs includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

The Establishment adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefit to the Establishment. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The assets' residual values useful lives and depreciation methods are reviewed, and adjusted, if there is an indication of significant change since the last reporting date.

The assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than the estimated recoverable amount.

Gain and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the other gain/losses - net in the statement of comprehensive income.

Depreciation:

Items of property, plant and equipment are depreciated on a straight - line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonable certain that the Establishment will obtain ownership by the end of the lease term. Land is not depreciated. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the assets is completed and ready for use. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

	Expected useful life (years)	Annual rate (%)
Computers and office equipment	3	33.33
Motor vehicle	4	25

2.8 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

2.9 Impairment of non financial asset other than inventories

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that an asset may be impaired, the carrying value of the asset (or Cash-Generating Unit (CGU) to which the asset has been allocated) is tested for impairment. An impairment loss recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Provisions

Provision for restructuring costs and legal claims are recognised when the Establishment has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.11 Employees' benefit obligations

The liability has been recognised in the statement of financial position in respect of Employees leave, passage and end of service benefits on time basis in full for every employee in the service of the Establishment at the end of the reporting period in accordance with the provisions of the Labour Law of the United Arab Emirates.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Establishment's activities. Revenue is shown net of sales/returns, rebates and discounts.

The Establishment recognises revenue when; the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria of recognition of revenue have been met for each of the Establishment's activities detailed under Note (1.2).

Note 3 Judgments and key sources of estimation

No significant judgments have had to be made by management in preparing these financial statements. Management has, however, had to make key assumptions regarding the recoverable amount of impaired trade receivables.

**CUMI MIDDLE EAST FZE - RAS AL KHAIMAH - U.A.E.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2015**

Note 4	Inventory	2015 US\$	2014 US\$
	Inventory at cost	509,813	721,966
	Allowance for impairment of inventory (Note below)	(24,177)	(55,000)
	Total	485,636	666,966
	Movement in allowance for impairment of inventory	2015 US\$	2014 US\$
	Balance at the beginning of the year	55,000	-
	Charge during the year	20,000	55,000
	Allowance for impairment closed on disposal of impaired items	(50,823)	-
	Total	24,177	55,000

A provision for impairment is recognised when an item of inventory is tested for impairment and impairment criteria is established.

Note 5	Trade and other receivables	2015 US\$	2014 US\$
	Trade debtors	300,431	256,109
	Provision for doubtful debts	-	(1,144)
	Net trade debtors	300,431	254,965
	Loans and advances	1,362	545
	Prepayments	14,394	13,191
	Deposits refundable	6,363	8,166
	Total	322,550	276,867

5.1 Trade debtors

Trade debtors disclosed above are receivables arising from commercial trade transactions with Entity's established trade clients. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade debtors include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Establishment has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

The ageing analysis of trade debtors are as follows:		2015 US\$	2014 US\$
	1 - 90 days	210,408	115,622
	91 - 180 days	40,992	102,310
	180 - 365 days	38,493	33,862
	Above 365 days	10,538	4,315
	Total	300,431	256,109
	Average age (days)	57	38

**CUMI MIDDLE EAST FZE - RAS AL KHAIMAH - U.A.E.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
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Note 6	Cash and cash equivalents		2015 US\$	2014 US\$
	Cash on hand		364	7,893
	Bank current account balances		11,106	95,111
	Total cash and bank balance (Page 2)		11,470	103,004
Note 7	Property, plant and equipment	Computers & office equipment US\$	Motor vehicle US\$	Total US\$
	Cost			
	At 31st March, 2013	3,158	21,254	24,412
	At 31st March, 2014	3,158	21,254	24,412
	Additions during the year	-	32,411	32,411
	At 31st March, 2015	3,158	53,665	56,823
	Depreciation	33.33%	25%	
	At 31st March, 2013	3,158	17,905	21,063
	Charge for the year	-	3,349	3,349
	At 31st March, 2014	3,158	21,254	24,412
	At 31st March, 2015	3,158	21,254	24,412
	Net carrying amount			
	At 31st March, 2015	-	32,411	32,411
	At 31st March, 2014	-	-	-
Note 8	Accounts payable		2015 US\$	2014 US\$
	Subcontractors		50,459	64,784
	Creditors for expenses		26,488	13,792
	Advance from customers		35,935	358,701
	Agency fee payable		78,210	91,234
	Accrued expenses		2,603	7,673
	Bills payable		4,961	4,496
	Total		198,656	540,680

Note 9 Related party - Carborandum Universal Limited (Cumi) India and associated entities

The Establishment enters into transactions with other parties that fall within the definition of a related party contained in International Financial Reporting Standards (IAS 24). Such transactions are carried out with such parties in the normal course of business and at terms that correspond to those on normal arm's length transactions with other parties.

Messrs Carborandum Universal Limited (Cumi) India and associated entities is a related party in the manner described under (Note 2.8). Related party transactions and balances arising out of these transactions at 31st March, 2015 are as follows:

**CUMI MIDDLE EAST FZE - RAS AL KHAIMAH - U.A.E.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2015**

Transactions:	2015	2014
	US\$	US\$
Commercial		
Balance at 1st April,	179,500	477,922
Purchase of merchandise from related party	1,120,151	1,289,482
Goods in transit	16,864	51,989
Payments against purchase during the year	(1,015,937)	(1,637,719)
Debit note raised during the year on related party	(31,810)	(4,174)
Settlement of debit notes	-	2,000
 Total due to	<u>268,768</u>	<u>179,500</u>
 Note 10 Provision for employees' end of service benefits	2015	2014
	US\$	US\$
Balance at 1st April,	24,020	16,227
Charge for the year	7,512	8,134
Settlement during the year related to employee's services ended	-	(341)
 Total	<u>31,532</u>	<u>24,020</u>
 Note 11 Capital		
The capital of the Establishment is one share of AED 100,000 (Equivalent to US\$ 27,248) fully subscribed and paid up as described under (Note 1.4) .		
 Note 12 Statutory reserve		
In accordance with Article 192 of the U.A.E. Commercial Company Law of 1984, as amended, 10% of the net profit has been set aside as statutory reserve of capital nature for the Establishment which shall remain indivisible until dissolution and liquidation of the Establishment. The appropriation to this reserve has been limited to 50% of the capital of the Establishment.		
 Note 13 Selling, administration and general expenses	2015	2014
	US\$	US\$
Payroll and related costs	174,349	155,766
Office rent	14,560	14,514
Communications	12,547	12,706
Other general expenses	23,670	28,410
Selling and distribution expenses	149,803	214,982
Allowance for impairment of inventory	20,000	55,000
Depreciation	-	3,349
 Total	<u>394,929</u>	<u>484,727</u>
 Note 14 Schedule of cost of sales and overheads		
14.1 Cost of sales	2015	2014
	US\$	US\$
Cost of raw materials	1,272,993	1,430,494
Project cost	152,744	353,915
Warehousing charges	19,513	18,771
Customs clearing (Inward Materials)	43,199	43,819
 Total	<u>1,488,449</u>	<u>1,846,999</u>

**CUMI MIDDLE EAST FZE - RAS AL KHAIMAH - U.A.E.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2015**

14.2 <u>Employees' cost</u>	2015 US\$	2014 US\$
Salaries	129,902	124,214
Leave salary	11,382	11,006
Gratuity	7,512	8,134
Medical/medical insurance	7,535	5,603
LFA / Settlement	4,790	4,769
Annual incentives	13,228	2,040
Total	<u>174,349</u>	<u>155,766</u>
14.3 <u>Other general expenses & selling and distribution expenses</u>	2015 US\$	2014 US\$
Other general expenses - (Note 13) (See 14.4)	23,670	28,410
Selling & distribution expenses - (Note 13) (See 14.5)	149,803	214,982
Total	<u>173,473</u>	<u>243,392</u>
14.4 <u>Other general expenses</u>	2015 US\$	2014 US\$
Vehicle fuel & maintenance	8,748	7,107
Food & beverages	1,064	2,365
Other office expense	3,141	3,764
Visa expense	154	3,665
Legal / professional fees	5,926	5,926
Insurance exp.	87	1,033
License & registration	4,550	4,550
Total	<u>23,670</u>	<u>28,410</u>
14.5 <u>Selling and distribution expenses</u>	2015 US\$	2014 US\$
Duties and documentation	41,398	55,523
Local travel expenses	3,413	3,503
Travel expenses	5,472	5,114
Warehouse pick, pack & documentation	1,802	1,872
Sales commissions	43,844	62,611
Project commissions	11,417	34,816
Freight forward and distribution	36,432	50,930
Advertising expense	-	613
Sales promotion	6,025	-
Total	<u>149,803</u>	<u>214,982</u>
Note 15 <u>Other income</u>	2015 US\$	2014 US\$
Freight charges reimbursement	63,166	104,848
Miscellaneous income	31,810	1,841
Gain on disposal of property, plant and equipment	4,496	-
Total	<u>99,472</u>	<u>106,689</u>

**CUMI MIDDLE EAST FZE - RAS AL KHAIMAH - U.A.E.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2015**

Note 16 Financial risk management

The Establishment has exposure to the following risks from use of its financial instruments:

Credit risk
Liquidity risk
Market risk

This note presents information about the Establishment's exposure to each of the above risks, the Establishment's objectives, policies and processes for measuring and managing risk, and the Establishment's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Management has overall responsibility for the establishment and oversight of the Establishment's risk management framework. The Management is responsible for developing and monitoring the Establishment's risk management policies.

The Establishment's risk management policies are established to identify and analyse the risks faced by the Establishment, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Establishment's activities. The Establishment, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

16.1 Credit risk

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of (A) are accepted. If customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Credit risk is limited to the carrying amount of the financial assets comprising of cash and cash equivalents, trade debtors and deposit refundable. The management continuously review all financial assets portfolios in order to assess reliability and risks associated therewith.

The maximum exposure to credit risk at the reporting date was:	2015 US\$	2014 US\$
Trade and other receivables	308,156	263,676
Bank current account balances	11,106	95,111
Total	319,262	358,787

The ageing analysis of trade receivables are as follows:	2015 US\$	2014 US\$
1 - 90 days	210,408	115,622
91 - 180 days	40,992	102,310
180 - 365 days	38,493	33,862
Above 365 days	10,538	4,315
Total	300,431	256,109

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16.2 Liquidity risk

Liquidity risk is the risk that the Establishment will not be able to meet its financial obligations as they fall due. The Establishment's approach to managing liquidity is to ensure 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 Establishment's business and reputation.

The following are the contractual maturities of financial liabilities of the Establishment at the reporting date:

	Carrying amount US\$	Contractual cash flows US\$	Less than 1 year US\$	More than 1 year US\$
Accounts payables	198,656	198,656	198,656	-
Related party - Cumi - India and associated entities	301,268	301,268	301,268	-
Employees' leave and passage	24,077	24,077	24,077	-
Employees' end of service benefits	31,532	31,532	-	31,532
Bank motor vehicle loan	27,248	27,248	6,210	21,038
Total	582,781	582,781	530,211	52,570

16.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Establishment'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 optimising the return.

The Establishment's exposure to market risk arises from:

Currency risk

The Establishment is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of Establishment. As on the reporting date the Establishment is not exposed to exchange rate risk on transactions relating to US \$.

Interest rate risk

The Establishment is exposed to interest rate risk when it borrows funds on floating interest rate. The Establishment do not have any interest bearing borrowings at the reporting date.

Note 17 Approval of financial statements

These financial statements were approved by the board of directors and authorised for issue on 10th April, 2015.