

**JBF RAK LLC AND ITS SUBSIDIARIES**

**CONSOLIDATED INCOME STATEMENT**

For the year ended 31 March 2016

	<i>Notes</i>	<i>2016 AED</i>	<i>2015 AED (Restated)*</i>
Sale of goods		3,069,212,285	2,985,599,540
Cost of sales		<u>(2,748,145,432)</u>	<u>(2,599,200,009)</u>
<b>GROSS PROFIT</b>		<b>321,066,853</b>	<b>386,399,531</b>
Other income	3	11,485,701	17,758,005
Selling and distribution costs		<u>(195,199,911)</u>	<u>(146,050,342)</u>
Administrative expenses		<u>(75,973,446)</u>	<u>(72,880,706)</u>
Foreign exchange gain / (loss)	5	4,734,582	(59,937,372)
Finance costs	4	<u>(165,906,438)</u>	<u>(125,500,053)</u>
<b>LOSS BEFORE TAX</b>		<b>(99,792,659)</b>	<b>(210,937)</b>
Income tax (expense) benefit			
Charge for the year	12	<u>(10,931,712)</u>	<u>(6,253)</u>
Deferred tax	12	696,642	1,659,557
<b>(LOSS) PROFIT FOR THE YEAR</b>	5	<u><u>(110,027,729)</u></u>	<u><u>1,442,367</u></u>

\*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to note 26.

The attached notes 1 to 28 form part of these consolidated financial statements.

**JBF RAK LLC AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**

For the year ended 31 March 2016

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i> <i>(Restated)</i>
<b>(LOSS) PROFIT FOR THE YEAR</b>	<b>(110,027,729)</b>	<b>1,442,367</b>
<b>Other comprehensive income</b> <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Net loss on cash flow hedges	<b>(1,014,579)</b>	<b>245,505</b>
Exchange differences on translation of foreign operations	<b>10,811,281</b>	<b>(37,008,535)</b>
	<b>9,796,702</b>	<b>(36,763,030)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(100,231,027)</b>	<b>(35,320,663)</b>

\*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to note 26.

The attached notes 1 to 28 form part of these consolidated financial statements.

**JBF RAK LLC AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2016

	Notes	31 March 2016 AED	31 March 2015 AED (Restated)	1 April 2014 AED (Restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	6	2,522,829,320	2,576,675,037	2,461,796,588
Intangible assets	7	11,523,040	12,485,728	13,431,872
Accounts receivable and prepayments	10	-	305,310	79,761,375
Fixed deposits	8	371,172	362,386	345,368
		<u>2,534,723,532</u>	<u>2,589,828,461</u>	<u>2,555,335,203</u>
<b>Current assets</b>				
Inventories	9	404,901,026	424,100,663	370,669,350
Accounts receivable and prepayments	10	1,275,930,685	1,201,859,735	500,436,164
Amounts due from related parties	11	92,139,013	81,146,607	56,613,512
Loan to a related party	11	164,066,107	162,650,838	104,019,456
Bank balances and cash	14	156,955,402	75,637,786	89,250,713
		<u>2,093,992,233</u>	<u>1,945,395,629</u>	<u>1,120,989,195</u>
<b>TOTAL ASSETS</b>		<u>4,628,715,765</u>	<u>4,535,224,090</u>	<u>3,676,324,398</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	15	237,159,000	237,159,000	237,159,000
Statutory reserve	16	83,189,492	83,189,492	76,170,971
Retained earnings		552,338,667	662,366,396	667,942,550
Foreign currency translation reserve		(28,089,316)	(38,900,597)	(1,892,062)
Cumulative changes in fair values	17	(1,142,190)	(127,611)	(373,116)
<b>Total equity</b>		<u>843,455,653</u>	<u>943,686,680</u>	<u>979,007,343</u>
<b>Non-current liabilities</b>				
Term loans	18	1,430,577,882	1,541,733,443	1,255,726,714
Obligations under Islamic financing	19	527,056,052	257,317,894	290,780,468
Employees' end of service benefits	20	15,328,988	12,485,936	9,930,213
Government grants	13	14,015,355	15,033,130	21,296,170
Vehicle loans		682,194	233,417	468,500
		<u>1,987,660,471</u>	<u>1,826,803,820</u>	<u>1,578,202,065</u>
<b>Current liabilities</b>				
Accounts payable and accruals	21	769,441,404	967,818,856	478,699,994
Short-term borrowings from banks	22	951,650,705	705,618,968	511,296,608
Term loans	18	51,055,560	76,907,158	77,818,106
Obligations under Islamic financing	19	11,890,478	12,031,438	45,937,500
Government grants	13	1,746,294	1,941,580	4,478,710
Amounts due to related parties	11	97,474	70,979	293,956
Interest rate swaps	17	-	127,611	373,116
Vehicle loans		352,079	217,000	217,000
Income tax payable	12	11,365,647	-	-
		<u>1,797,599,641</u>	<u>1,764,733,590</u>	<u>1,119,114,990</u>
<b>Total liabilities</b>		<u>3,785,260,112</u>	<u>3,591,537,410</u>	<u>2,697,317,055</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,628,715,765</u>	<u>4,535,224,090</u>	<u>3,676,324,398</u>

Cheerag B. Arya  
Director

Rohit Mindval  
Director

\*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to note 26.

The attached notes 1 to 28 form part of these consolidated financial statements.

**JBF RAK LLC AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 31 March 2016

	Notes	2016 AED	2015 AED (Restated)
<b>OPERATING ACTIVITIES</b>			
Loss before tax			
Adjustments for:		(99,792,659)	(210,937)
Depreciation	6	142,536,943	127,642,441
Amortisation of intangible assets	7	1,635,093	1,605,548
Loss on disposal of property, plant and equipment		585,388	227,685
Finance costs		107,971,690	119,196,895
Fair value adjustment of foreign exchange forward contracts		(1,142,190)	-
Profit charges on obligations under Islamic financing	4	14,818,571	11,748,324
Finance income	3	(1,571,034)	(1,191,589)
Amortisation of government grants	13	(1,989,614)	(3,364,476)
Provision for employees' end of service benefits	20	4,276,428	3,583,984
		<u>167,328,616</u>	<u>259,237,875</u>
Working capital changes:			
Inventories		19,199,637	(53,431,313)
Accounts receivable and prepayments		(73,765,640)	(645,286,078)
Amounts due from related parties		(10,992,406)	(24,533,095)
Accounts payable and accruals		(197,943,517)	432,981,369
Amounts due to related parties		26,495	(222,977)
		<u>(96,146,815)</u>	<u>(31,254,219)</u>
Cash used in operations		(96,146,815)	(31,254,219)
Interest paid		(107,971,690)	(119,196,895)
Profit charge paid		(14,818,571)	(11,748,324)
Employees' end of service benefits paid	20	(1,433,376)	(1,028,261)
Income tax recovery		696,642	1,653,298
		<u>(219,673,810)</u>	<u>(161,574,401)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6	(55,579,270)	(318,161,705)
Proceeds from disposals of property, plant and equipment		2,671,422	414,237
Purchase of intangible assets		(625,071)	(825,639)
Loan to a related party		(1,415,269)	(58,631,382)
Restricted cash, net movement		(21,445,362)	(5,569,050)
Interest received		1,571,034	1,191,589
Movement in fixed deposits		(8,786)	(17,018)
		<u>(74,831,302)</u>	<u>(381,598,968)</u>
<b>FINANCING ACTIVITIES</b>			
New term loans obtained		1,201,020,921	804,320,228
Repayment of term loans		(1,418,878,080)	(519,224,447)
New obligation under Islamic financing		554,882,595	164,551,831
Repayment of obligations under Islamic financing		(285,285,397)	(231,920,467)
New vehicle loans obtained		850,847	-
Repayment of vehicle loans		(266,991)	(235,083)
Short-term borrowings		184,931,285	169,085,572
		<u>237,255,180</u>	<u>386,577,634</u>
Net cash from financing activities		237,255,180	386,577,634
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Net foreign exchange difference		(57,249,932)	(156,595,735)
Cash and cash equivalents at the beginning of the year		(24,828,266)	112,176,970
		<u>6,901,690</u>	<u>51,320,455</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			
	14	<u>(75,176,508)</u>	<u>6,901,690</u>

\*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to note 26.

The attached notes 1 to 28 form part of these consolidated financial statements.

**JBF RAK LLC AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 March 2016

	Share capital AED	Statutory reserve AED	Retained earnings AED	Foreign currency translation reserve AED	Cumulative changes in fair values AED	Total AED
At 1 April 2014	237,159,000	76,170,971	657,252,736	(1,892,062)	(373,116)	968,317,529
Adjustment on correction of error (note 26)	-	-	10,689,814	-	-	10,689,814
At 1 April 2014 <i>(Restated)</i>	237,159,000	76,170,971	667,942,550	(1,892,062)	(373,116)	979,007,343
Profit for the year	-	-	1,442,367	-	-	1,442,367
Other comprehensive income	-	-	-	(37,008,535)	245,505	(36,763,030)
Total comprehensive income for the year	-	-	1,442,367	(37,008,535)	245,505	(35,320,663)
Transfer to statutory reserve	-	7,018,521	(7,018,521)	-	-	-
Balance at 31 March 2015 <i>(Restated)</i>	237,159,000	83,189,492	662,366,396	(38,900,597)	(127,611)	943,686,680
Loss for the year	-	-	(110,027,729)	-	-	(110,027,729)
Other comprehensive income	-	-	-	10,811,281	(1,014,579)	9,796,702
Total comprehensive income for the year	-	-	(110,027,729)	10,811,281	(1,014,579)	(100,231,027)
Balance at 31 March 2016	237,159,000	83,189,492	552,338,667	(28,089,316)	(1,142,190)	843,455,653

\*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to note 26.

The attached notes 1 to 28 form part of these consolidated financial statements.

# JBF RAK LLC AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016

---

### 1 CORPORATE INFORMATION

JBF RAK LLC (the "Company") is a limited liability company incorporated in the Emirate of Ras Al Khaimah on 17 September 2005 and is registered under Federal Law No. 8 of 1984. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 28 June 2015, replacing the existing Federal Law No. 8 of 1984. The Company is currently assessing the impact of the new law and expects to be fully compliant including compliance related to loan to directors on or before the end of the grace period on 28 June 2016. The address of the registered office of the Company is at P O Box 6574, Ras Al Khaimah, UAE.

The Company and its subsidiaries' operations, assets and liabilities of these entities listed under 2.3 below (collectively referred to as the "Group") are included in these consolidated financial statements.

The principal activity of the Group is the manufacture and production of SSP chips ("Chips") and polyester films ("Films") and related products.

The Company's Parent Company is JBF Global Pte Ltd ("the Parent Company"), a private company incorporated in Singapore, which is owned by JBF Industries Limited ("the Ultimate Parent Company"), a company incorporated in India and listed on the Mumbai Stock Exchange.

The consolidated financial statements of the Group for the year ended 31 March 2016 were approved by the Board of Directors on 9 June 2016.

### 2.1 FUNDAMENTAL ACCOUNTING CONCEPT

The Group has incurred a loss of AED 110,027,729 during the year ended 31 March 2016. The Group has not complied with certain covenants (as explained in note 18, 19 and 22) and the non-compliance of the covenants may give the banks the right to demand repayment of the loans. The ability of the Group to continue as going concern is dependent upon renewal of credit facilities by the bank.

As prescribed by paragraph 25 of IAS 1, when management is aware, in making its assessment of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties.

The ability of the Group to continue as going concern is dependent on:

- (1) continued support i.e. renewal of credit facilities of the Group;
- (2) the ability of the Group to generate adequate funds to meet its operational requirements as well as repayment of short term financial obligations.

These material uncertainties cast significant doubt about the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge liabilities in the normal course of business.

In view of the above, management has considered the way forward and developed plans for the Group's viability and continuity as a going concern. The Group's success in achieving its objective is dependent on:

- Continuing support from the bank. The Management expects that its current facilities will be renewed on expiry;
- Management is under discussion with banks and do not expect the banks to demand repayment of loans due to non-compliance of covenants;
- Management expects the Group to make profits for the year ending 31 March 2017 and to generate adequate funds to meet its operational requirements as well as repayment of short term financial obligations;
- The Ultimate Parent Company is listed on the Mumbai Stock exchange and have positive net worth. Management expects that the Group will continue to get the support from the Parent company.

Management believes that these assumptions are realistic and, based on these assumptions, the Group would be able to meet its obligations as they fall due and ensure the continuity of the Group's operations.

---

**JBF RAK LLC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
At 31 March 2016

**2.2 BASIS OF PREPARATION**

**Statement of compliance**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the applicable requirements of United Arab Emirates laws.

**Accounting convention**

The consolidated financial statements have been prepared under the historical cost convention, modified for the fair valuation of derivative financial instruments.

**Functional and presentation currency**

The Group's consolidated financial statements are presented in United Arab Emirates Dirhams (AED).

**2.3 BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2016.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries of the Group are prepared for the same reporting period as the company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the Company's share of components previously recognised in other comprehensive income to income statement or retained earnings, as appropriate.

Where necessary, adjustments are made to the financial statements of each of the entities to align their accounting policies with the policies adopted by the Group.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2016.

The registered ownership and other details of the subsidiary Companies included in the consolidated financial statements are set out below:

<i>Company name</i>	<i>Date of Incorporation</i>	<i>Beneficial/ ownership %</i>	<i>Principal activities</i>
JBF Bahrain S.P.C	15 June 2011	100%	Manufacturing of plastic and polyester films, rolls and sheet, and import raw materials for industrial product in the Kingdom of Bahrain
JBF Global Europe BVBA	25 October 2011	100%	Manufacturing, selling and distribution of polyethylene terephthalate (PET) resin for packaging in the Kingdom of Belgium
JBF Americas Inc.	31 March 2015	100%	Selling and distribution of polyester films in the United States of America.

**JBF RAK LLC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

---

At 31 March 2016

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Foreign currencies**

The Group's consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"). The Company's functional and presentation currency is AED. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

*i) Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or income statement are also recognised in other comprehensive income or income statement, respectively).

*ii) Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in income statement.

**Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, and other sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The following specific recognition criteria must also be met before revenue is recognised:

*Revenue from sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, and the amount of revenue can be measured reliably.

*Interest income*

Interest income is recognised as the interest accrues.

**Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

---

**JBF RAK LLC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
At 31 March 2016

---

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Borrowing cost**

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised as interest expense in the consolidated statement of income statement in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Property, plant and equipment**

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work in progress is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of property, plant and equipment as follows:

Plant & machineries	over 20 years to 25 years
Leasehold improvements	over 20 years or the lease term (whichever is less)
Installations	over 10 years
Motor vehicles	over 4 to 10 years
Furniture, fixtures & fittings	over 5 to 10 years
Office equipment	over 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognised.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

The assets' residual values, useful lives and method of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

**Intangible assets**

Intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

---

**JBF RAK LLC AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
At 31 March 2016

---

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Intangible assets (continued)**

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Raw materials, stores and spares, packing materials and consumables

– purchase cost on a weighted average basis.

Semi-finished goods and finished goods

– costs of direct materials plus attributable overheads based on a operating capacity but excluding borrowing cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Goods in transit are recorded at cost when the rights and obligations relating to the goods are transferred to the Group.

**Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

---