Mold Tek Packaging FZE

P.O Box # 328559, Ras Al Khaimah, United Arab Emirates

FINANCIAL STATEMENTS

(Year Ended December 31, 2017)

INDEX TO THE FINANCIAL STATEMENTS

ESTABLISHMENT INFORMATION

Shareholder
Moldtek Packaging Limited, India

Manager
Mr. Saibaba Tata

Principle activities
The principal activities of the Establishment are "Plastic Bottles and Containers Manufacturing".

License no.
8000345

Business address
P.O Box # 328559
Ras Al Khaimah, United Arab emirates

Bankers
Citi Bank, Dubai, United Arab Emirates

Auditors
TRC PAMCO Middle East Auditing and Accounting
P O Box 94570, Dubai
Tel : +971- 04- 2298777
Fax: +971- 04- 2999225
Email : info@trcpamco.com

P.O. Box: 328559
Ras Al Khaimah
U.A.E.
MOLD-TEK PACKAGING FZE

MANAGERS' REPORT

The management of "Mold Tek Packaging FZE" are pleased to present their report together with the audited financial statements for the year ended December 31, 2017.

Business review

During the year, the Establishment has generated a revenue of AED 3.97 million compared previous year of AED 0.06 million. For the current year the Establishment had incurred a net loss of AED 2.18 million compared to previous period of AED 0.38 million.

Principal activities

The principal activities of the Establishment are "Plastic Bottles and Containers Manufacturing".

Events subsequent to the balance sheet date

There were no major events which occurred since the year end that materially affect the financial position of the Establishment.

Acknowledgement

The Establishment takes this opportunity to place on record their gratitude to the various government departments, banks, professionals and business associates for their continued assistance and support extended to the entity. The Establishment also wish to express their appreciation to the employees at all levels for their hard work, dedication & commitment.

For Mold Tek Packaging FZE

P.O. Box: 328559
Ras Al Khaimah
U.A.E.
MOLD-TEK PACKAGING FZE

Mr. Saibaba Tata
Manager
Place: Ras Al Khaimah
Date: January 31, 2018

INDEPENDENT AUDITOR'S REPORT

The Shareholder
Mold Tek Packaging FZE
Ras Al Khaimah, United Arab Emirates

Report on the audit of the financial statements of Mold Tek Packaging FZE for the year ended December 31, 2017

Opinion

We have audited the accompanying financial statements of Mold Tek Packaging FZE, Ras Al I Khaimah, which comprise of the statement of financial position as at December 31, 2017, statement of comprehensive income, statement of changes in equity, statement of cash flow for the year then ended and summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements are presented fairly, in all material respects, the financial position of the Establishment as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) for Small and Medium Sized Entities.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA's). Our responsibilities under those standards are further described in the Auditors Responsibilities for the audit of the financial statements of our report. We are independent of the Establishment in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates and we have fulfilled our responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Responsibilities of the management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of Dubai Multi Commodities Centre Authorities (DMCC), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the management is responsible for assessing the Establishment's ability to continue as a going concern, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Establishment or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Establishment's financial reporting process.

Auditors responsibilities for the audit of the financial statements

Objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

INDEPENDENT AUDITOR'S REPORT

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism through out the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Establishment's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Establishment's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Establishment to cease to continue as a going concern.

  We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

TRC PAMCO Middle East Auditing & Accounting
Reg no: 720
Dubai, United Arab Emirates
Date: January 31, 2018

Mold Tek Packaging FZE

Statement of financial position as on December 31, 2017

	Notes	As on Dec.31, 2017	As on Dec.31, 2016
			(in AED)
ASSETS EMPLOYED			
Non current assets			
Property, plant and equipment	3	**10,198,640**	9,483,287
Capital work in progress	4	**801,246**	1,274,354
		10,999,886	10,757,641
Current assets			
Advance, deposits and prepayments	5	**424,523**	157,399
Accounts receivable	6	**1,870,324**	67,344
Inventory	7	**1,094,348**	248,656
Cash and cash equivalents	8	**5,529**	2,153,814
		3,394,724	2,627,213
TOTAL ASSETS		**14,394,610**	13,384,854
FUNDS EMPLOYED			
Shareholder's funds			
Share capital		**5,458,000**	5,458,000
Accumulated losses		**(2,560,074)**	(383,995)
		2,897,926	5,074,005
Non current liabilities			
Long term bank borrowings	9	**5,236,794**	5,464,481
Current liabilities			
Short term bank borrowings	10	**4,648,918**	-
Due to related parties	11	**152,418**	2,763,222
Accounts and other payable	12	**1,353,104**	16,840
Accruals	13	**105,450**	66,306
		6,259,890	2,846,368
TOTAL EQUITY AND LIABILITIES		**14,394,610**	13,384,854

These financial statements were approved on January 31, 2018

Annexed notes form an integral part of these financial statements.

For Mold Tek Packaging FZE

Mr. Saibaba Tata
Manager
Place: Ras Al Khaimah
Date: January 31, 2018

مولد-تك باكجينغ م.م.ح
P.O. Box: 328559
Ras Al Khaimah
U.A.E.
MOLD-TEK PACKAGING FZE

Mold Tek Packaging FZE

Statement of comprehensive income for the year ended December 31, 2017

	Notes	Year ended Dec.31, 2017	Period ended Dec.31, 2016
			(in AED)
REVENUE			
Revenue from sale of goods		**3,967,709**	63,606
Less : Cost of goods of sold	14	**(5,042,424)**	(280,567)
		(1,074,715)	(216,961)
EXPENDITURE			
Administrative and general expenses	15	**755,711**	130,065
Depreciation	3	**94,320**	9,447
		850,031	139,512
Operational loss for the year		**(1,924,746)**	(356,473)
Finance cost		**(251,333)**	(27,522)
Other income		-	-
Net comprehensive loss for the year		**(2,176,079)**	(383,995)

These financial statements were approved on January 31, 2018
Annexed notes form an integral part of these financial statements.

For Mold Tek Packaging FZE

P.O. Box: 328559
Ras Al Khaimah
U.A.E.
MOLD-TEK PACKAGING FZE

Mr. Saibaba Tata
Manager
Place: Ras Al Khaimah
Date: January 31, 2018

Statement of cash flow for the year ended December 31, 2017

(in AED)

	Year ended Dec.31, 2017	Period ended Dec.31, 2016
I. FROM OPERATING ACTIVITIES		
Net comprehensive loss for the year	**(2,176,079)**	(383,995)
Adjustments:		
Depreciation	**718,250**	52,962
Cash flow before working capital changes	**(1,457,829)**	(331,033)
Working capital changes		
Advance, deposits and prepayments	**(267,124)**	(157,399)
Accounts receivable	**(1,802,980)**	(67,344)
Inventory	**(845,692)**	(248,656)
Due to related parties	**(2,610,804)**	-
Accounts and other payable	**1,336,264**	16,840
Accruals	**39,144**	66,306
Net cash flow used in operating activities (A)	**(5,609,021)**	(721,286)
II. FROM INVESTING ACTIVITIES		
Net additions to plant, property and equipment	**(1,433,603)**	(9,536,249)
Capital work in progress transferred/(incurred)	**473,108**	3,233,704
Preoperative expenses transferred/(incurred)	-	251,927
Net cash flow used in investing activities (B)	**(960,495)**	(6,050,618)
III. FROM FINANCING ACTIVITIES		
Share capital	-	5,258,000
Proceeds from term loan	**(227,687)**	5,464,481
Proceeds from short term loan	**4,648,918**	(1,916,494)
Net cash flow generated from financing activities (C)	**4,421,231**	8,805,987
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(2,148,285)**	2,034,083
Cash and cash equivalents, beginning of the year	**2,153,814**	119,731
Cash and cash equivalents, end of the year	**5,529**	2,153,814
CASH & CASH EQUIVALENTS		
Cash on hand	**5,529**	-
Bank balances	-	2,153,814
Cash and cash equivalents as per cash flow statement	**5,529**	2,153,814

These financial statements were approved on January 31, 2018

Annexed notes form an integral part of these financial statements.

For Mold Tek Packaging FZE

P.O. Box: 328559
Ras Al Khaimah
U.A.E.
MOLD-TEK PACKAGING FZE

Mr. Saibaba Tata
Manager
Place: Ras Al Khaimah
Date: January 31, 2018

Mold Tek Packaging FZE

Statement of changes in equity for the year ended June 30, 2017

(in AED)

Particulars	Share capital	Accumulated losses	Total
As on March 31, 2016	200,000	-	200,000
Capital introduced during the period	5,258,000	-	5,258,000
Loss for the period	-	(383,995)	(383,995)
As on December 31, 2016	**5,458,000**	**(383,995)**	**5,074,005**
Loss for the year	-	(2,176,079)	-
As on December 31, 2017	**5,458,000**	**(2,560,074)**	**5,074,005**

These financial statements were approved on January 31, 2018

Annexed notes form an integral part of these financial statements.

For Mold Tek Packaging FZE

P.O. Box: 328559
Ras Al Khaimah
U.A.E.
MOLD-TEK PACKAGING FZE

Mr. Saibaba Tata
Manager
Place: Ras Al Khaimah
Date: January 31, 2018

Notes to the interim financial statements for the year ended December 31, 2017

The interim financial statements have been prepared for the year ended December 31, 2017

1. LEGAL STATUS ACTIVITIES AND MANAGEMENT

1.1 Legal status

Mold Tek Packaging FZE was incorporated as a Free Zone Establishment with Limited Liability bearing Registration No. RAKFTZA-FZE-4016196. The Establishment was formed on January 12, 2016 in accordance with the implementing regulations regarding the formation of a Free Zone Establishment.

The registered office of the Establishment is located in the Emirates of Ras Al Khaimah.

As per the Memorandum & Articles of Association and its subsequent amendments: the issued, subscribed and paid up capital of the Establishment as on December 31, 2017 is AED 5,458,000 (United Arab Emirates Dirham Five Million Four Hundred and Fifty Eight Thousand only) divided into 5,458 shares of AED 1,000 and all the shares are held by Mold-Tek Packaging Limited, India.

1.2 Activities

The principal activities of the Establishment are "Plastic Bottles and Containers Manufacturing".

1.3 Management

The Establishment is managed by Mr. Saibaba Tata, Indian National holding passport no: Z3172194, who is also mentioned as manager in the trade license.

2. SIGNIFICANT ACCOUNTING POLICIES

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRS IC).

The financial statements are prepared under the historical cost convention.

2.2 Adoption of new and revised international financial reporting standards (IFRS)

***(a)* New and revised IFRSs applied with no material effect on the financial statements**

The following new and revised IFRSs have been adopted in this financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current period but may affect the accounting for future transactions or arrangements.

i IFRS 14 Regulatory Deferral Accounts

ii Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative

iii Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations

iv Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortization

v Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

vi Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities

vii Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

(b) **New and revised IFRSs in issue but not yet effective**

Establishment

Annual Improvements to IFRS Standards 2014 - 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.

Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments to IAS 7 are effective for the annual period on or after 1 January 2017.

Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments to IAS 40 are effective for the annual period on or after 1 January 2018.

IFRS 7 *Financial Instruments:* Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.

IFRS 9 *Financial Instruments (2009)* issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (2010) revised in 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*. The amendments to IFRS 9 are effective for the annual period on or after 1 January 2018.

IFRS 16-Leases specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 month or less or the underlying assets has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The amendments to IFRS 16 are effective for the annual period on or after 1 January 2018.

In May 2014, IFRS 15 Revenue from contracts with customers was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. The amendments to IFRS 15 are effective for the annual period on or after 1 January 2018.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Management anticipates that these new standards, interpretations and amendments will be adopted in the Establishment's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments is not expected to have any material impact on the financial statements of the Establishment in the period of their initial application.

2.3 Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and reasonable under the circumstances.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised, if the revisions affect only that year, or in the year of revisions and future years if the revisions affect both current and future years.

Judgments made by the management in the application of accounting policies that have the most significant effect on the amounts recognized in the financials statements, and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with in the next financial year, are as explained in the remaining part of Note 2.

2.4 Property, plant and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses, if any.

The carrying values of property 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 and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment.

All other expenditure is recognized in the statement of comprehensive income as the expense is incurred.

An item of property and equipment is derecognized upon disposal or when no future 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 carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements : 5 to 10 years
Plant and machinery : 15 years
Electrical and other equipment : 10 years
Furniture and Fixtures : 10 years
Office equipment : 5 years
Vehicle : 8 years

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

2.5 Financial instruments

Financial assets and financial liabilities are recognized when, and only when, the Establishment becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized 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.

2.6 Financial assets

a. Initial recognition and measurement

Financial assets are recognized on the balance sheet when, and only when, the Establishment becomes a party to the contractual provisions of the financial instrument. The Establishment determines the classification of its financial assets at initial recognition.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

b. Subsequent measurement

The subsequent measurement of non derivative financial assets depend on their classification as follows:

The Establishment classifies non derivative financial assets are follows : financial assets at fair value through profit or loss, held to maturity financial assets, available for sale financial assets and loans and receivables.

c. **Held to maturity financial assets**

The Establishment does not have any held to maturity financial assets.

d. **Available for sale financial assets**

Available for sale financial assets include equity and debt securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite year of time and which may be sold in response to need for liquidity or in response to changes in the market conditions.

2.7 Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, and through the amortization process.

2.8 Impairment of non-financial assets

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

Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Establishment estimates the asset's or cash-generating unit's recoverable amount. A previously recognized 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 recognized.

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 recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 Impairment of financial assets

The Establishment assesses at each reporting date whether there is any objective evidence that a financial asset or a Establishment of financial assets is impaired. A financial asset or a Establishment of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Establishment of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Establishment of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognized in the statement of comprehensive income. Impairment is determined as follows:

a. For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of comprehensive income;

b. For assets carried at cost, impairment is the difference between the carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

c. For assets carried at amortized cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2.10 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Establishment 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 taxes or duty.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership is transferred to the buyer.

2.11 Inventories

Inventories represent stock in trade and are valued at cost or net realizable value whichever is lower as on the reporting date. Cost of inventories comprise all costs of purchase and where applicable costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Cost is arrived at using the Weighted Average Method. Net Realizable Value represents the estimated selling value of material less the costs involved in selling the product.

2.12 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, cheques on hand, balance in current accounts, bank balances, and short-term deposits with an original maturity of three months or less and highly liquid investments with a maturity date of three months or less from the date of investment.

2.13 Employee terminal benefits

The Establishment provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service year. The expected costs of these benefits are accrued over the year of employment.

2.14 Foreign currency

Transactions in foreign currencies are initially recorded by the Establishment at the currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 retranslation of non-monetary items 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 recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

2.15 Provisions

Provisions are 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 resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Establishment expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2.16 Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

2.17 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.17 Share capital

Proceeds from issuance of ordinary shares are recognized as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.18 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Establishment; or

(b) a present obligation that arises from past events but is not recognized because:

(i) It is not probable that an outflow of resources embodying economic benefits will be

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Establishment.

Contingent liabilities and assets are not recognized on the balance sheet of the Establishment, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

The preparation of the Establishment's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Notes to the financial statements for the year ended December 31, 2017

3. PROPERTY, PLANT AND EQUIPMENT

(in AED)

Particulars	Leasehold improvements	Plant & machinery	Electrical and other equipment	Furniture and Fixtures	Office equipment	Computer	Motor vehicle	Total
Cost								
As at Jan 01, 2017	41,265	8,841,851	434,937	22,394	19,478	14,402	161,923	9,536,249
Additions during the year	26,408	1,181,541	152,823	14,876	53,582	3,573	800	1,433,603
(Disposals) during the year	-	-	-	-	-	-	-	-
As at Dec 31, 2017	**67,673**	**10,023,392**	**587,760**	**37,270**	**73,060**	**17,975**	**162,723**	**10,969,852**
Depreciation								
As at Jan 01, 2017	780	35,501	4,963	695	1,598	1,473	7,950	52,962
Additions during the year	8,668	623,930	48,262	3,085	10,424	4,598	19,285	718,250
(Disposals) during the year	-	-	-	-	-	-	-	-
As at Dec 31, 2017	**9,448**	**659,431**	**53,225**	**3,780**	**12,022**	**6,071**	**27,235**	**771,212**
Net value								
As at Dec 31, 2017	**58,225**	**9,363,961**	**534,535**	**33,490**	**61,038**	**11,904**	**135,488**	**10,198,640**
As at Dec 31, 2017	40,484	8,806,349	429,974	21,699	17,880	12,929	153,973	9,483,287

Note : Depreciation of plant & machinery is considered in direct expenses

Notes to the financial statements for the year ended December 31, 2017

		(in AED)
	As on Dec.31, 2017	As on Dec.31, 2016

4. CAPITAL WORK IN PROGRESS

Capital work in progress	**801,246**	1,274,354

(Advances paid are in the nature of capital and will be capitalized)

5. ADVANCE, DEPOSITS AND PREPAYMENTS

Advances to suppliers	**248,751**	-
Security deposit	**100,850**	65,342
Prepayments	**40,817**	41,607
Advances to employees	**34,105**	50,450
	424,523	157,399

Advances paid are routine in nature and paid for supply of goods

6. ACCOUNTS RECEIVABLE

Accounts receivable	**1,870,324**	67,344
Less: Provision for bad and doubtful debts	**-**	
	1,870,324	67,344

In determining the recoverability of trade receivables, the Establishment considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the date of adoption of the accounts. Management has taken the current market conditions and payment received subsequent to the reporting date when assessing the credit quality of trade receivables and accordingly provision for doubtful debts is considered.

Ageing of accounts receivable are as follows:-

Less than 180 days	**1,615,427**	67,344
Above 180 days	**254,897**	-
	1,870,324	67,344

7. INVENTORY

Stock of raw material and consumables	**1,094,348**	248,656

(As valued and certified by the management. Inventory is purchased for the production)

8. CASH AND CASH EQUIVALENTS

Cash on hand	**5,529**	-
Cash at bank	**-**	2,153,814
	5,529	2,153,814

Notes to the financial statements for the year ended December 31, 2017

		(in AED)
	As on Dec.31, 2017	As on Dec.31, 2016

9. BANK BORROWINGS

Term loan from Citibank N.A., UAE	**5,236,794**	5,464,481

The Establishment has availed term loan of AED 5,236,794 (Previous year : AED 5,464,481) in October 2016 from Citibank N.A., UAE. The loan is repayable over the year of five years with moratorium repayment year of one year and is repayable by September 2021. Interest rate on the term loan is 3 month EIBOR plus 1.75% p.a.

Term loan is secured against

a. Stand By Letter of Credit (SBLC) of AED 5,464,481 from Citibank India

b. Assignment of stock insurance policy in favor of Citibank

c. Pledge/charge over the specific assets and machineries owned by the

10. BANK BORROWINGS - SHORT TERM

Overdraft facility with bank	**4,648,918**	-

The Establishment has availed overdraft facility of AED 4,648,918 from Citibank N.A., UAE. The loan is repayable with in one year. Interest rate on the overdraft facility is 1 month EIBOR plus 1.75% p.a. with respect to minimum interest of 2.75%.

11. DUE TO RELATED PARTIES

Due to Mold Tek Packaging Limited, India	**152,418**	2,763,222

The amount due to the related party is interest-free, unsecured and does not have a fixed repayment schedule.

12. ACCOUNTS AND OTHER PAYABLE

Trade creditors	**1,326,098**	16,840
Advance from customers	**27,006**	-
	1,353,104	16,840

13. ACCRUALS

Salary and expenses payable	**105,450**	66,306

Notes to the financial statements for the year ended December 31, 2017

		(in AED)
	Year ended Dec.31, 2017	Period ended Dec.31, 2016
14. COST OF GOODS SOLD		
Opening stock	**248,656**	-
Add: Purchases and direct expenses	**5,888,117**	529,223
Less: Closing stock	**(1,094,348)**	(248,656)
	5,042,424	280,567

15. ADMINISTRATIVE AND GENERAL EXPENSES

Selling and distribution expenses	**288,153**	-
Repairs and maintenance	**192,583**	1,591
Other expenses	**139,832**	27,942
Bank charges	**77,207**	1,075
Insurance	**45,936**	4,586
Professional and consultancy expense	**12,000**	7,750
Inauguration expenses	-	81,376
Preliminary expenses	-	5,745
	755,711	130,065

16. FINANCIAL INSTRUMENTS

Financial instruments mean financial assets, financial liabilities and equity instruments. Financial assets of the Establishment include advance, deposit, inventory and bank balances. Financial liabilities include bank-short term borrowings trade payable, accruals and due to related parties. Accounting policies for financial assets and liabilities are set out in note. Disclosures about significant financial instruments to which the Establishment is a party, including the recognition methods adopted, are disclosed in the individual policy statements associated with each item.

The management believes that the fair value of the financial assets and liabilities are not significantly different from their carrying amounts at balance sheet date.

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 comprises of credit risks, liquidity risks and market risks (including currency risks, cash flow interest rate risks and fair value interest rate risks).

a. Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the end of the reporting year.

Notes to the financial statements for the year ended December 31, 2017

The Establishment has no significant concentration of credit risk. Cash balance is held with high credit quality financial institutions and the Establishment has policies to limit the amount of credit exposure to any financial institution.
The Establishment's bank account are placed with high credit quality financial institution. The Establishment manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. Credit risk is limited to the carrying value of financial assets in the balance sheet.
The maximum exposure to credit risk at the end of the reporting year is:

		(in AED)
	Dec.31, 2017	Dec.31, 2016
Advance, deposits and	424,523	157,399
Accounts receivable	1,870,324	67,344
Inventory	1,094,348	248,656
	3,389,195	473,399

b. Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions, recognized assets and liabilities are denominated in a currency that is not the Establishment's functional currency. The Establishment does not have any significant currency risk as the Establishment's transactions are mainly in United Arab Emirate Dirham (AED) and US Dollar (USD). AED are pegged to USD and as such there are no currency fluctuation risks on this account.

c. Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to change in market interest rates. The Establishment has income and operating cash flows are substantially independent of the changes in market interests rates. The borrowings from banks are towards term loan and overdraft and are exposed to fixed interest rate.

d. Capital risk management

The Establishment manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Establishment's overall strategy remains unchanged during the year.

e. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from inability to sell a financial asset quickly at close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

The following summarizes the maturities of the Establishment's undiscounted financial liabilities as on December 31, 2017; based on contractual payment dates and current market interest rates.

Notes to the financial statements for the year ended December 31, 2017

(in AED)

	Carrying Amount	0 to 1 year	1 to 5 years	More than 5 years
As on December 31, 2017				
Short term bank borrowings	4,648,918	4,648,918	-	-
Due to related parties	152,418	152,418	-	-
Accounts and other payable	1,353,104	1,353,104	-	-
Accruals	105,450	105,450	-	-
Long term bank borrowings	5,236,794	-	5,236,794	-
	11,496,684	**6,259,890**	**5,236,794**	**-**

17. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING DATE

As at the approval of the financial statements, the Establishment does not have any other significant events that warrant a modification of the value of its assets and liabilities or any other disclosure.

18. RELATED PARTY TRANSACTIONS

The Establishment enters into transactions with companies and entities that fall within definition of a related party as contained in International Accounting Standard 24 Related Party Disclosures. Related parties comprises companies and entities under common ownership and/ or common management and control and key management personnel. The Establishment's management decides on the term and conditions of such related party transactions as well as on other services and charges.

Following is the break up of the transactions done with the related parties as on December 31, 2017.

(in AED)

	Dec.31, 2017	Dec.31, 2016
Due to Mold Tek Packaging Limited, India		
Opening balance	2,763,222	4,679,716
Funds transferred	-	744,736
Purchases and expenses	1,435,359	(2,661,230)
Less : Repayment of loan	(2,835,761)	-
Balance payable	**1,362,820**	**2,763,222**

19. SEGMENT REPORTING

There are no separate business line to be reported as per the management and hence, there are no reportable business segment.

20. GENERAL

a. Figures in the financial statements are rounded off to the nearest United Arab Emirates Dirham.

b. Previous year figures are for three months year and are not comparable with the current year figures.

Notes to the financial statements for the year ended December 31, 2017

c. In the opinion of the management, all the assets as on December 31, 2017 as shown in the financial statement are existing and realizable at the amount shown against them, and there are no liabilities against the concern, contingent or otherwise, not included in the above financial statements.

12. KEY SOURCES OF ESTIMATION UNCERTAINTY

a. Useful lives of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

b. Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

c. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

For Mold Tek Packaging FZE

P.O. Box: 328559
Ras Al Khaimah
U.A.E.
MOLD-TEK PACKAGING FZE

Mr. Saibaba Tata
Manager
Place: Ras Al Khaimah
Date: January 31, 2018