

FUJAIRAH GOLD FZC

FINANCIAL STATEMENTS

31 MARCH 2019

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF FUJAIRAH GOLD FZC

Opinion

We have audited the financial statements of Fujairah Gold FZC (the "Company"), which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Shareholder for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Shareholder is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
FUJAIRAH GOLD FZC (continued)**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Shareholder 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.

For Ernst & Young



Signed by:
Thodla Hari Gopal
Partner
Registration No: 689

27 May 2019

Dubai, United Arab Emirates

Fujairah Gold FZC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

| | <i>Notes</i> | 2019 AED | 2018 AED |
|--|--------------|---------------------------|---------------------------|
| Revenue from contracts with customers | 16 | 2,074,895,162 | 3,425,581,554 |
| Cost of sales | 17 | (2,062,698,754) | (3,407,875,111) |
| GROSS PROFIT | | 12,196,408 | 17,706,443 |
| General and administrative expenses | 18 | (3,060,758) | (3,674,084) |
| Selling and distribution expenses | 19 | (8,470,812) | (9,128,775) |
| Finance costs | 20 | (6,776,967) | (5,979,779) |
| Interest and other income | 21 | 5,106,880 | 3,254,306 |
| (LOSS) / PROFIT FOR THE YEAR | | (1,005,249) | 2,178,111 |
| Other comprehensive (loss) / income: | | | |
| <i>Other comprehensive (loss) / income to be reclassified to profit or loss in the subsequent periods:</i> | | | |
| Net (loss) / gain on cash flow hedges | | (7,095,353) | 1,041,293 |
| Other comprehensive (loss) / income for the year | | (7,095,353) | 1,041,293 |
| TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR | | (8,100,602) | 3,219,404 |

The attached notes 1 to 26 form part of these financial statements.

Fujairah Gold FZC

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

| | Notes | 31 March 2019 AED | 31 March 2018 AED |
|---|-------|---------------------------|---------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5(a) | 65,079,218 | 69,979,929 |
| Intangible assets | 5(b) | 50,851 | 82,417 |
| | | <u>65,130,069</u> | <u>70,062,346</u> |
| Current assets | | | |
| Inventories | 6 | 301,551,665 | 304,448,850 |
| Due from related parties | 7 | 233,401,757 | 2,297,786 |
| Accounts receivables, prepayments and other receivables | 8 | 17,792,574 | 55,879,053 |
| Derivative financial instruments | 12 | 2,095,709 | - |
| Cash at banks | 9 | 820,417 | 71,718,757 |
| | | <u>555,662,122</u> | <u>434,344,446</u> |
| TOTAL ASSETS | | <u><u>620,792,191</u></u> | <u><u>504,406,792</u></u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 10 | 3,359,030,000 | 3,359,030,000 |
| Legal reserve | 11 | 14,773,023 | 14,773,023 |
| Cash flow hedge reserve | | (6,553,349) | 542,004 |
| Other reserve | | (3,449,263,158) | (3,449,263,158) |
| Retained earnings | | 109,600,176 | 110,605,425 |
| Total equity | | <u>27,586,692</u> | <u>35,687,294</u> |
| Non-current liabilities | | | |
| Employees' end of service benefits | 13 | 618,621 | 498,647 |
| Current liabilities | | | |
| Due to related parties | 7 | 2,858,023 | 349,606,759 |
| Accounts payable, accruals and other payables | 14 | 154,412,336 | 118,212,515 |
| Derivative financial instruments | 12 | - | 401,577 |
| Bank borrowings | 15 | 435,316,519 | - |
| | | <u>592,586,878</u> | <u>468,220,851</u> |
| Total liabilities | | <u>593,205,499</u> | <u>468,719,498</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>620,792,191</u></u> | <u><u>504,406,792</u></u> |



Mr. Waheed Rehman
Head Operations



Mr. Sanjay Kumar Pandit
Head Finance

The attached notes 1 to 26 form part of these financial statements.

Fujairah Gold FZC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

| | Share capital AED | Legal reserve AED | Cash flow hedge reserve AED | Other reserve AED | Retained earnings AED | Total AED |
|---|-------------------------|-------------------------|--------------------------------------|-------------------------|-----------------------------|-------------------|
| Balance at 1 April 2017 | 3,359,030,000 | 14,555,212 | (499,289) | (3,449,263,158) | 108,645,125 | 32,467,890 |
| Profit for the year | - | - | - | - | 2,178,111 | 2,178,111 |
| Other comprehensive income | - | - | 1,041,293 | - | - | 1,041,293 |
| Total comprehensive income for the year | - | - | 1,041,293 | - | 2,178,111 | 3,219,404 |
| Transfer to legal reserve (Note 11) | - | 217,811 | - | - | (217,811) | - |
| Balance at 31 March 2018 | 3,359,030,000 | 14,773,023 | 542,004 | (3,449,263,158) | 110,605,425 | 35,687,294 |
| Loss for the year | - | - | - | - | (1,005,249) | (1,005,249) |
| Other comprehensive loss | - | - | (7,095,353) | - | - | (7,095,353) |
| Total comprehensive loss for the year | - | - | (7,095,353) | - | (1,005,249) | (8,100,602) |
| Balance at 31 March 2019 | 3,359,030,000 | 14,773,023 | (6,553,349) | (3,449,263,158) | 109,600,176 | 27,586,692 |

The attached notes 1 to 26 form part of these financial statements.

Fujairah Gold FZC

STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

| | <i>Notes</i> | 2019 AED | 2018 AED |
|---|--------------|---------------------------|---------------------------|
| OPERATING ACTIVITIES | | | |
| (Loss) / profit for the year | | (1,005,249) | 2,178,111 |
| Adjustment for: | | | |
| Depreciation and amortisation | 5 (a), (b) | 5,114,085 | 5,029,912 |
| (Gain) / loss on disposal of property, plant and equipment | | (7,753) | 331,264 |
| Provision for employees' end of service benefits | 13 | 255,168 | 138,867 |
| Finance costs | 20 | 6,776,967 | 5,979,779 |
| Operating cash flows before changes in working capital | | 11,133,218 | 13,657,933 |
| Inventories | | 2,897,185 | (24,890,076) |
| Derivative financial instruments | | (9,592,639) | 1,378,675 |
| Due from related parties | | (231,103,971) | 2,164,322 |
| Accounts receivables, prepayments and other receivables | | 38,086,479 | 50,217,661 |
| Due to related parties | | (346,748,736) | (29,339,614) |
| Accounts payable, accruals and other payables | | 34,492,026 | (1,084,270) |
| Cash (used in) / generated from operations | | (500,836,438) | 12,104,631 |
| Employees' end of service benefits paid | 13 | (135,194) | (59,277) |
| Interest paid | | (5,069,172) | (5,979,779) |
| Net cash flows (used in) / generated from operating activities | | (506,040,804) | 6,065,575 |
| INVESTING ACTIVITIES | | | |
| Additions to property, plant and equipment | 5 (a) | (182,705) | (898,428) |
| Proceeds from disposal of property, plant and equipment | | 8,650 | 195,961 |
| Net cash flows used in investing activities | | (174,055) | (702,467) |
| FINANCING ACTIVITIES | | | |
| Decrease in bank borrowings | | 422,344,402 | - |
| Net cash flows from financing activities | | 422,344,402 | - |
| (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | | (83,870,457) | 5,363,108 |
| Cash and cash equivalents at the beginning of the year | | 71,718,757 | 66,355,649 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 9 | (12,151,700) | 71,718,757 |

The attached notes 1 to 26 form part of these financial statements.

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

1 COMPANY AND OPERATIONS

Fujairah Gold FZC ("the Company") is a Limited Liability Company established on 28 August 2007 in Fujairah, United Arab Emirates and commenced its commercial operation on 7 April 2009. The Company operates in Fujairah Free Zone area vide a trade licence issued by Fujairah Free Zone Authority. The address of the Company's registered office is P.O. Box 3992, Fujairah, United Arab Emirates (UAE).

The Company undertakes the activity of manufacturing, refining and trading of precious metals and various copper products.

The ultimate parent and controlling company is Volcan Investments Limited, Bahamas.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which are measured at fair value.

2.2 FUNDAMENTAL ACCOUNTING CONCEPT

The Company has incurred a loss of AED 1,005,249 for the year ended 31 March 2019 (2018: Profit of AED 2,178,111). Further, the Company had net current liabilities of AED 36,924,756 as at 31 March 2019 (31 March 2018: AED 33,876,405). Further, during April 2018, Vedanta Limited - Sterlite Copper's application for renewal of consent to operate (CTO) for its existing copper smelter plant at Tuticorin was rejected by the State Pollution Control Board (TNPCCB), resulting in temporary suspension of the operations. Sterlite Copper is the sole supplier of slime for the Company. With respect to the temporary suspension of the Sterlite Plant, the production of the precious metals is temporarily suspended. Subsequently, the Government of Tamil Nadu issued directions to seal the existing copper smelter plant permanently. Vedanta Limited has filed a writ petition before Madras High Court challenging various orders passed against it and the matter is presently sub judice.

The Company's management has made an assessment of the company's ability to continue as a going concern and is satisfied that the Company has the resources to continue its business for the foreseeable future. The management is currently evaluating alternative source of raw material to resume precious metals (PMR) operations. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements are continued to be prepared on the going concern basis.

2.3 CHANGES IN ACCOUNTING POLICIES & DISCLOSURES

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 March 2018, except for the adoption of the following new standards, amendments and interpretation effective as of 1 April 2018.

New and amended standards and interpretations

The Company applied for the first-time certain new standards, amendments and interpretations, which are effective for annual periods beginning on or after 1 January 2018. The Company has not early adopted any standards, amendments or interpretations that have been issued but are not yet effective.

- IFRS 9 Financial Instruments: Classification and Measurement, impairment and hedge accounting;
- IFRS 15 Revenue from Contracts with Customers;
- Amendments to IFRS 2 Classification and measurement of Share-based Payment Transactions;
- Amendments to IAS 40 Transfers of Investment Property;
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations;
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice;
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts; and
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

The nature and effect of the changes as a result of adoption of IFRS 9 and IFRS 15 are described below. The other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company.

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

2.3 CHANGES IN ACCOUNTING POLICIES & DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company adopted IFRS 9 with an initial application date of 1 April 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39.

Classification and measurement

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. The following are the changes in the classification of the Company's financial assets:

Trade receivables classified as loans and receivables as at 31 March 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 April 2018.

Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECL for all debt instruments not held at fair value through profit or loss and contract assets.

IFRS 9 requires the Company to measure and recognise expected credit losses on all applicable financial assets and contract assets arising from IFRS 15 'Revenue from Contracts with Customers' e.g. trade receivables, either on a 12-month or lifetime expected loss basis. The Company has applied the simplified approach and record lifetime expected losses on all trade receivables. Amount due from a related party is not a financial asset as it is an advance for raw material procurement.

Considering the fact that majority of the trade receivables are adequately backed up by a letter of credit, these have been considered as an integral part of the trade receivables and considered in the calculation of impairment. There was no material impact to the statement of financial position resulting from the Company applying the impairment requirements of IFRS 9.

Hedge Accounting

The Company applied the hedge accounting changes of IFRS 9 prospectively. At the date of the initial application, all of the Company's existing hedging relationships were eligible to be treated as continuing hedging relationships. As such, the adoption of the hedge accounting requirements of IFRS 9 had no impact on transition.

Under IAS 39, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption with an initial application date of 1 April 2018. The Company has not restated the comparative information, which continues to be reported under IAS 18.

Based on management's assessment of the contractual arrangements with customers, the adoption of IFRS 15 does not have any significant impact on the financial statements of the Company except for presentation and disclosure requirements.

2.3 CHANGES IN ACCOUNTING POLICIES & DISCLOSURES (continued)

Standards, amendments and interpretations issued but not yet effective

The new standards, amendments and interpretations that are issued as listed below, but not yet effective, up to the date of reporting of the Company's financial statements are disclosed below. The Company is currently assessing the impact of these standards on the future financial statements and intends to adopt these new and amended standards, if applicable, when they become effective.

- IFRS 10 Sale or Contribution of Assets between an investor and its Associate or Joint Venture (the effective date and IAS 28 has been deferred indefinitely, but an entity that early adopts the amendments must apply them prospectively);
- IFRS 16 Leases: Lessees required to recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term (effective for annual periods beginning on or after 1 January 2019). Refer details below;
- IFRS 17 Insurance Contracts (effective for reporting periods beginning on or after 1 January 2021);
- IFRS 9 Prepayment Features with Negative Compensation (amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted);
- IAS 19 Plan Amendment, Curtailment or Settlement (amendments are effective from 1 January 2019, with earlier application permitted);
- IAS 28 Long-term interests in associates and joint ventures (amendments are effective from 1 January 2019, with earlier application permitted);
- Annual Improvements 2014-2016 Cycle: (issued in December 2016)
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
- Annual Improvements 2015-2017 Cycle: (issued in December 2017) (effective from 1 January 2019)
- IFRS 3 Business Combinations
 - IFRS 11 Joint Arrangements
 - IAS 12 Income Taxes
 - IAS 23 Borrowing Costs
- Amendments to IFRS 3 – Definition of a Business (effective from 1 January 2020)
- Amendments to IAS 1 and IAS 8 – Definition of Material (effective from 1 January 2020)

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Management is in the process of assessing the impact of IFRS 16 to the Company's financial statements.

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below:

Revenue Recognition

Applicable from 1 April 2018

Revenue from contracts with customers

The Company is in the business of manufacturing, refining and trading of precious metals and various copper products. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The Company considers single performance obligation in the contract i.e. sale of goods.

In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Interest income

Interest income is recognised as the interest accrues using the effective interest rate (EIR), under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Interest income is included in other income in the statement of comprehensive income.

Contract balances

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in the section Financial instruments - initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. 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. The Company has concluded that it is a principal in all its revenue arrangements, since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks. The specific recognition criteria described below must also be met before revenue is recognized.

Sales 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. Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns, allowances, trade discounts and volume rebates. The Company does not provide any extended warranties to its customers.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income

Interest income is recognised as the interest accrues using the effective interest rate (EIR), under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Interest income is included in other income in the statement of comprehensive income.

Value Added Tax (VAT)

Revenue, expenses and assets are recognised at amounts net of value added tax except:

- where VAT incurred on purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or part of the expense items, as applicable.
- where receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (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 group of assets. Where the carrying amount of an asset 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 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 cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations are recognised in the statement of comprehensive income in 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 recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates 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 losses been recognised for the asset in the prior years. Such reversal is recognised in the statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. 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 at intervals, the Company depreciates them separately based on their specific useful lives. 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 statement of comprehensive income as incurred.

Capital work in progress is stated at cost less any recognised impairment loss. Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. No depreciation is provided on capital work-in-progress until such time the relevant assets are capitalised and commissioned.

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

| | <i>Years</i> |
|--|--------------|
| Factory buildings | 30 |
| Plant and machinery | 19 - 21 |
| Vehicles | 5 |
| Furniture, fixtures and office equipment | 1 – 6 |

An item of property, plant and equipment and any significant part initially recognised 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 statement of comprehensive income in the year the asset is derecognised.

The carrying values of property, plant and equipment are reviewed for impairment at each financial year end and when events or changes in circumstances indicate that 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.

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 acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised over their estimated useful life on a straight line basis. Software is amortised over the estimated useful life of the software license of 5 years. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is different from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Inventories

Inventories of raw materials, finished goods and semi-finished goods are physically measured and estimated by the Company's technicians and valued at lower of cost or net realisable value except for scrap and by-products which are valued at net realisable value.

Cost of inventories of finished goods and work-in-process includes material cost, cost of conversion and indirect costs incurred in various production processes to bring inventories to their present location and condition.

Cost of inventories of raw material and material cost of finished goods and work-in-process is determined on First in First out (FIFO) basis except consumables and spare parts which are valued at weighted average cost.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and 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 Company.

Financial instruments – Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

Applicable from 1 April 2018

The Company has adopted IFRS 9 Financial Instruments with effect from 1 January 2018. Accordingly, financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

Initial recognition and measurement (continued)

Applicable from 1 April 2018 (continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy in Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial assets consist of bank balances and trade and other receivables.

Applicable before 1 April 2018

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial assets consist of bank balances, amounts due from related parties and trade and other receivables.

Subsequent measurement

Applicable from 1 April 2018

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include bank balance, trade receivables, deposits and other receivables.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

Subsequent measurement (continued)

Applicable before 1 April 2018

The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred assets to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Applicable from 1 April 2018

The Company recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integrated to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are past due for more than 1 year. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade receivables, bank balance and due from related parties, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognised in the statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

Impairment of financial assets (continued)

Applicable before 1 April 2018

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group 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 reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of comprehensive income. Interest income (recorded as finance income in the statement of comprehensive income) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include amounts due to related parties, bank borrowings and trade and other payables and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

ii. Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss (continued)

Accounts payable and accruals (including amounts due to related parties)

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Instalments due within one year are shown as a current liability. Interest is charged as an expense as it accrues, with unpaid amounts included in “Accounts payable and accruals”.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

iii. 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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position. Income and expenses will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation.

iv. Fair value measurement

The fair values of financial instruments measured at amortised cost are disclosed in Note 25. Derivative financial instruments are measured at fair value. There are no other financial assets and liabilities which are measured and carried at fair value in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

iv. Fair value measurement (continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial year.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments i.e. future commodity contracts, to hedge its commodity price risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The Company does not hold any derivative financial instruments for speculative purposes.

The purchase contracts that meet the definition of a derivative under IAS 39 are recognised in the statement of profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements are held at cost.

Derivatives that do not qualify for hedge accounting

Derivative financial instruments that do not qualify for hedge accounting are marked to market at the statement of financial position date and gains or losses are recognised in the statement of comprehensive income.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses usually recognised within "sales" in the statement of comprehensive income and as "quotation period reinstatement of metal prices" within accounts and other receivables

Derivatives that qualify for hedge accounting

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Derivatives that qualify for hedge accounting (continued)

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the interim statement of comprehensive income as cost of sales. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the interim statement of comprehensive income as part of cost of sales.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in interim statement of comprehensive income.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in interim statement of comprehensive income.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income (OCI) in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs.

Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise of bank balances, net of outstanding bank overdraft, if any.

Treatment of loans between related parties

Impairment of loans extended between related parties within the same group or under the common control of the same parent is treated as an equity transaction and accordingly recorded in the statement of changes in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Company 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 Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised 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 recognised in the statement of comprehensive income.

Employee benefits

Annual leave and leave passage

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

Provision for employees' end of service indemnity

The Company provides end of service benefits to their 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 period. The expected costs of these benefits are accrued over the period of employment.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Foreign currencies

Transactions in foreign currencies are initially recorded by the Company at the respective functional 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.

Differences arising on settlement or translation of monetary items are recognised in 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.

Operating 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 recognised as an expense in the statement of comprehensive income on a straight line basis over the shorter of the lease term or the estimated useful life of the asset.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the 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.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligation*

The Company is in the business of manufacturing, refining and trading of precious metals and various copper products and based on the contracts with the customers, the Company has concluded that the delivery of the materials is the only single performance obligation of the Company.

- *Determining the timing of satisfaction of performance obligation*

The Company has concluded that the revenue from delivery of materials is to be recognized at a point in time when the control of the goods is transferred to the customer, being when the goods are delivered to the customers, the customer has full discretion over the channel and the price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location or handed over to the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

- *Determining the transaction price and allocating to performance obligation*

Revenue from the sale of goods to the customers is recognized based on the price specified in the contract with the customers and the entire transaction price is allocated to the performance obligation of delivery of materials as the Company has concluded that this is the only single performance obligation of the Company. The Company has concluded that there are no variable consideration included in the transaction price.

- *Consideration of significant financing component in a contract*

The Company has concluded that there is no element of financing deemed to be present in its contract with the customers as the sales are made on credit terms of 0 to 60 days, which is consistent with market practice.

Operating lease commitments – Company as lessee

The Company has entered into lease agreements for land from Fujairah Free Zone Authority. The Company has determined, based on an evaluation of the terms and conditions of the lease agreements, that it will not be able to obtain the ownership by the end of the lease term and so accounts for the lease contracts as operating lease.

Use of estimates

The preparation of the financial statements, in conformity with International Financial Reporting Standards, requires that the management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Use of estimates (continued)

Impairment of trade receivables

Applicable from 1 April 2018

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 25.

Applicable before 1 April 2018

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Additionally, a large number of minor trade receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. At the reporting date, no impairment was required to be made to the gross carrying amount of trade receivables.

An estimate of the collectible amount of due from related parties is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. At the reporting date, no impairment was required to be made to the carrying amount of due from related parties.

Useful lives and depreciation and amortisation of property, plant and equipment and intangible assets

The Company's management determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation. 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 and amortisation charge would be adjusted where management believes the useful lives differ from previous estimates.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventories were AED 302,636,525 (2018: AED 305,293,143) and the provision for slow and obsolete inventories was AED 1,084,860 (2018: AED 844,293). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Valuation of inventories

Physical quantities of finished and semi processed inventory are estimated based on the metal content as per laboratory assessments conducted by the Company's technicians and valued at lower of cost or net realisable value except for scrap and byproducts which are valued at net realisable value.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Use of estimates (continued)

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 judgment is required in establishing fair values. The judgment includes consideration of inputs such as liquidity risk, credit risk and volatility.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Management determines impairment on non-financial assets based on either the fair value or value in use, as appropriate. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

5(a) PROPERTY, PLANT AND EQUIPMENT

| Cost: | Factory buildings AED | Plant and machinery AED | Vehicles AED | Furniture, fixtures and office equipment AED | Capital work- in-progress AED | Total AED |
|---------------------------|--------------------------|-------------------------------|-----------------|--|-------------------------------------|--------------|
| At 1 April 2017 | 9,265,347 | 93,642,331 | 486,000 | 1,016,277 | 425,100 | 104,835,055 |
| Additions | - | 545,305 | 100,000 | 265,473 | - | 910,778 |
| Disposals | - | (769,469) | (80,000) | (20,370) | (12,350) | (882,189) |
| At 31 March 2018 | 9,265,347 | 93,418,167 | 506,000 | 1,261,380 | 412,750 | 104,863,644 |
| Additions | - | 77,641 | - | 37,344 | 67,720 | 182,705 |
| Disposals | - | - | (40,000) | (60,354) | - | (100,354) |
| Transfers | - | - | - | 135,000 | (135,000) | - |
| At 31 March 2019 | 9,265,347 | 93,495,808 | 466,000 | 1,373,370 | 345,470 | 104,945,995 |
| Accumulated depreciation: | | | | | | |
| At 1 April 2017 | 1,945,215 | 27,299,316 | 274,300 | 709,152 | - | 30,227,983 |
| Charge for the year | 308,403 | 4,488,103 | 64,411 | 137,429 | - | 4,998,346 |
| Relating to disposals | - | (271,002) | (55,751) | (15,861) | - | (342,614) |
| At 31 March 2018 | 2,253,618 | 31,516,417 | 282,960 | 830,720 | - | 34,883,715 |
| Charge for the year | 308,402 | 4,527,908 | 78,002 | 168,207 | - | 5,082,519 |
| Relating to disposals | - | - | (40,000) | (59,457) | - | (99,457) |
| At 31 March 2019 | 2,562,020 | 36,044,325 | 320,962 | 939,470 | - | 39,866,777 |
| Net carrying amount: | | | | | | |
| At 31 March 2019 | 6,703,327 | 57,451,483 | 145,038 | 433,900 | 345,470 | 65,079,218 |
| At 31 March 2018 | 7,011,729 | 61,901,750 | 223,040 | 430,660 | 412,750 | 69,979,929 |

- Factory buildings are constructed on a plot of land leased from the Fujairah Free Zone Authority for a period of 15 years with effect from 1 December 2007.
- Capital work in progress mainly represents cost of machinery which is yet to be commissioned.

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

5(a) PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge has been allocated in the statement of comprehensive income as follows:

| | <i>2019</i> <i>AED</i> | <i>2018</i> <i>AED</i> |
|---|---------------------------|---------------------------|
| Cost of sales (Note 17) | 4,836,311 | 4,796,506 |
| General and administrative expenses (Note 18) | 246,208 | 201,840 |
| | <u>5,082,519</u> | <u>4,998,346</u> |

Impairment testing approach

Property, plant and equipment (excluding capital work-in-progress) as at 31 March 2019 has been allocated to cash-generating unit for impairment testing as follows:

Continuous Cast Copper Rod (CCR) cash-generating unit – AED 36,580 thousand

Precious Metals Refinery (PMR) cash-generating unit – AED 28,153 thousand

The Company performed its annual impairment test in March 2019 and 2018. The recoverable amount of the cash-generating unit is determined based on a value in use calculation, using cash flow projections based on budgets approved by senior management. The key assumptions of the value in use calculations are those regarding discount rates and growth rates. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. The growth rates are based on management estimates having regard to industry growth rates.

No impairment charge was recognised during the year ended 31 March 2019 (31 March 2018: nil).

5(b) INTANGIBLE ASSETS

| | <i>Software license AED</i> |
|---|-------------------------------------|
| Cost: | |
| At 1 April 2018 and as at 31 March 2019 | <u>126,264</u> |
| Accumulated amortisation: | |
| At 1 April 2018 | 43,847 |
| Charge for the year (Note 18) | <u>31,566</u> |
| At 31 March 2019 | <u>75,413</u> |
| Net carrying amount: | |
| At 31 March 2019 | <u>50,851</u> |
| At 31 March 2018 | <u>82,417</u> |

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

6 INVENTORIES

| | <i>31 March 2019 AED</i> | <i>31 March 2018 AED</i> |
|---|----------------------------------|----------------------------------|
| Finished and semi processed metals (a) | 136,641,149 | 104,657,120 |
| Raw materials in transit (b) | 160,674,374 | 194,333,913 |
| Spare parts and consumables | 5,321,002 | 5,223,077 |
| Raw materials in hand | - | 1,079,033 |
| Less: Allowance for Non-moving inventories | (1,084,860) | (844,293) |
| Total inventories at the lower of cost and net realisable value | <u>301,551,665</u> | <u>304,448,850</u> |

(a) Finished and semi processed metals mainly comprise gold, silver, copper, platinum and palladium.

(b) Raw materials in transit comprise copper cathode and precious metal silver sand delivered by the supplier to the shipping agent and the bill of lading is issued according to the terms of the purchase agreement signed between the Company and its supplier.

See Note 17 for details of inventories recognised an expense during the years ended 31 March 2019 and 2018.

Movements in the allowance for Non-moving inventories were as follows:

| | <i>2019 AED</i> | <i>2018 AED</i> |
|---------------------|---------------------|---------------------|
| At 1 April | 844,293 | 764,404 |
| Charge for the year | 240,567 | 79,889 |
| At 31 March | <u>1,084,860</u> | <u>844,293</u> |

7 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent shareholders, associated companies, affiliate entities, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Amounts due from/ to related parties were as follows:

| | <i>31 March 2019 AED</i> | <i>31 March 2018 AED</i> |
|--|----------------------------------|----------------------------------|
| Loan to a related party: | | |
| Twin Star Mauritius Holding Limited, Mauritius (a) | - | - |
| Bloom Fountain Limited (b) | 3,449,263,158 | 3,449,263,158 |
| Less: adjustment of the loan (a) | (3,449,263,158) | (3,449,263,158) |
| | <u>-</u> | <u>-</u> |
| Due from related parties: | | |
| Konkola Copper Mines Plc (c) | 233,401,757 | - |
| Sterlite Technologies Limited, India | - | 2,278,018 |
| Vedanta Resources Plc, U.K. | - | 19,768 |
| | <u>233,401,757</u> | <u>2,297,786</u> |
| Due to related parties: | | |
| Hindustan Zinc Ltd, India (d) | 2,308,807 | 7,427,571 |
| Vedanta Limited –Corporate (d) | 313,709 | 5,933 |
| Vedanta Limited, India (d) | 141,366 | 342,173,255 |
| Vedanta Resources Plc, U.K. (d) | 94,141 | - |
| | <u>2,858,023</u> | <u>349,606,759</u> |

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

7 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

- (a) During the year ended 31 March 2016, the Company had advanced loans of USD 900 million to Twin Star Mauritius Holdings Limited ("TSMHL"), a related party. The loan carried an interest rate of 4 % per annum until December 2016 and thereafter it was re-priced to 3% per annum. The full amount of short term loan and all the other obligations mentioned in the approved loan agreement with TSMHL were fully secured until 27 March 2017 by a corporate guarantee by Vedanta Resources Plc, U.K. in favor of the Company.

TSMHL was holding shares of Cairn India Limited ("Cairn India"), another related party of the Company. During the year ended 31 March 2017, the merger of Cairn India into the Company's intermediate holding company, Vedanta Limited ("Vedanta"), was substantially completed on 26 March 2017 and thereafter fully implemented during the month of April 2017 by allotment of shares of Vedanta to the shareholders of Cairn India. As per the terms of the Scheme of merger, Vedanta and its subsidiaries (including TSMHL) did not receive any consideration in lieu of their holding in Cairn India and their shareholding interest stood extinguished upon the merger being implemented. As a result, the corporate guarantee of Vedanta Resources Plc issued in favour of the Company, as indicated earlier, had been revoked. Hence, in accordance with the accounting policies described in Note 3, the Company fully adjusted the short-term loan balance (including accrued interest) as at 27 March 2017, that had been extended to TSMHL directly in the statement of changes in equity.

- (b) On 22 March 2018, the Company has entered into an assignment agreement with TSMHL and Bloom Fountain Limited (BFL) with respect to the assignment of the loan payable by TSMHL to the Company of an amount of USD 900 million along with the corresponding interest accrued till date to BFL.
- (c) During the year, the Company has given trade advance to Konkola Copper Mines PLC for procurement of copper cathodes. The amount will be recouped against supply of copper cathodes.
- (d) The amounts outstanding are unsecured and will be settled in cash. No guarantees have been received or given.

No expenses have been recognised in the year for bad and doubtful debts in respect of the amounts owed by related parties.

Transactions:

The nature of significant related party transactions and the amounts involved were as follows:

| | <i>2019</i> | <i>2018</i> |
|---|--------------------|---------------|
| | <i>AED</i> | <i>AED</i> |
| Purchase of precious metal slime | 22,769,317 | 1,317,573,529 |
| Purchase of silver sand | 10,547,600 | 7,427,571 |
| Sale of copper rods | 43,145 | 38,364,888 |
| Sale of copper lumps and slag | - | 3,686,859 |
| Advance for supply of Copper Cathode | 253,471,500 | - |
| Purchase of Copper Cathode | 27,029,451 | - |
| Allocation of stock option plans | 357,736 | 664,798 |
| Expenses charged to the Company, net | 399,237 | 189,839 |
| Interest & other charges recovered from a related party (Note 20) | (6,959,710) | - |
| Interest charged by a related party (Note 20) | 439,813 | 1,975,021 |

Remunerations and bonuses to key management personnel during the year amounted to AED 4,221,813 (2018: AED 4,321,480).

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

8 ACCOUNTS RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

| | <i>31 March 2019 AED</i> | <i>31 March 2018 AED</i> |
|---------------------------------------|----------------------------------|----------------------------------|
| Trade receivables (Note 16.2) | 15,412,329 | 43,107,314 |
| Advances and other receivables | 27,396,463 | 37,852,290 |
| VAT receivables | 346,102 | 205,878 |
| Refundable deposits | 322,170 | 398,061 |
| | 43,477,064 | 81,563,543 |
| Less: allowance for doubtful advances | (25,684,490) | (25,684,490) |
| | 17,792,574 | 55,879,053 |

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. As at 31 March 2019, trade receivables amounting to AED 5,486,386 (31 March 2018: AED 11,104,763) were secured through letters of credit in favour of the Company with the balance being secured by cash advances against documents. Interest is charged to customers for credit periods allowed as per signed sale agreements. There are no impaired trade receivables.

As at 31 March, the ageing analysis of unimpaired trade receivables is as follows:

| | <i>Total AED</i> | <i>Past due but not impaired</i> | | | |
|-------------|----------------------|----------------------------------|-------------------------------|--------------------------------|---------------------------------|
| | | <i><60 days AED</i> | <i>61-90 days AED</i> | <i>91-180 days AED</i> | <i>>180 days AED</i> |
| 2019 | 15,412,239 | 15,412,239 | - | - | - |
| 2018 | 43,107,314 | 43,107,314 | - | - | - |

As per the prevailing market practice, where quotational period price are not finalised as at the reporting date, the prices are restated at Forward London Metal Exchange (LME)/ London Bullion Market Association (LBMA) rates as at the reporting date and adjustments are made based on the metal contents as per laboratory assessments done by the Company's technicians pending final invoice.

9 CASH AND CASH EQUIVALENTS

For the purpose of statement of cashflows, cash and cash equivalent comprise of the following as on 31 March:

| | <i>2019 AED</i> | <i>2018 AED</i> |
|--------------------------|---------------------|---------------------|
| Cash at banks | 820,417 | 71,718,757 |
| Bank overdraft (Note 15) | (12,972,117) | - |
| | (12,151,700) | 71,718,757 |

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

10 SHARE CAPITAL

| | <i>31 March 2019 AED</i> | <i>31 March 2018 AED</i> |
|--|----------------------------------|----------------------------------|
| Authorised share capital of 37,246,600 shares at par value of AED 100 each | <u>3,724,660,000</u> | <u>3,724,660,000</u> |
| Issued and paid up share capital of 33,590,300 shares at par value of AED 100 each | <u>3,359,030,000</u> | <u>3,359,030,000</u> |

The capital contributed by the Shareholders was as follows:

At 31 March 2019:

| | <i>Shareholding %</i> | <i>No. of shares</i> | <i>AED</i> |
|---|---------------------------|--------------------------|----------------------|
| Malco Energy Limited, India | 99.999997% | 33,590,299 | 3,359,029,900 |
| Mr. Sanjay Kumar Pandit (Nominee of Malco Energy Limited, India) | 0.000003% | 1 | 100 |
| | <u>100%</u> | <u>33,590,300</u> | <u>3,359,030,000</u> |

At 31 March 2018:

| | <i>Shareholding %</i> | <i>No. of shares</i> | <i>AED</i> |
|-------------------------------------|---------------------------|--------------------------|----------------------|
| Malco Energy Limited, India | 99.9997% | 33,590,200 | 3,359,020,000 |
| Copper Mines of Tasmania, Australia | 0.0003% | 100 | 10,000 |
| | <u>100%</u> | <u>33,590,300</u> | <u>3,359,030,000</u> |

11 LEGAL RESERVE

In accordance with the Company's Articles of Incorporation, the Company has to establish a legal reserve by appropriation of 10% of the profit for each year. The appropriations to legal reserve may be discontinued once its balance reaches 50% of the paid up share capital. This reserve is not available for distribution except in the circumstances stipulated by the Articles of Incorporation.

12 DERIVATIVE FINANCIAL INSTRUMENTS

| | <i>31 March 2019 AED</i> | <i>31 March 2018 AED</i> |
|--|----------------------------------|----------------------------------|
| Derivative financial asset / (liability) (net) | <u>2,095,709</u> | <u>(401,577)</u> |

The derivative financial instruments as at 31 March relates to futures commodity contracts of nominal amount of AED 197,268,210 with net sell position outstanding as at 31 March 2019 (31 March 2018 net sell position AED 66,173,504). These financial instruments will mature by April 2019.

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

13 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

| | <i>31 March 2019 AED</i> | <i>31 March 2018 AED</i> |
|--------------------------------------|----------------------------------|----------------------------------|
| Balance at the beginning of the year | 498,647 | 419,057 |
| Provided during the year | 255,168 | 138,867 |
| Paid during the year | (135,194) | (59,277) |
| Balance at the end of the year | <u>618,621</u> | <u>498,647</u> |

14 ACCOUNTS PAYABLE, ACCRUALS AND OTHER PAYABLES

| | <i>31 March 2019 AED</i> | <i>31 March 2018 AED</i> |
|------------------------------------|----------------------------------|----------------------------------|
| Trade payables | 146,360,779 | 105,470,240 |
| Accruals and other payables | 6,873,179 | 4,578,521 |
| Contract liabilities (Note 16.2) | 1,178,378 | - |
| Advance from customers (Note 16.2) | - | 8,163,754 |
| | <u>154,412,336</u> | <u>118,212,515</u> |

Terms and conditions of the above financial liabilities:

- Trade payables are mostly interest bearing based on the terms agreed with customers.
- Accruals and other payables are non-interest bearing and have an average term of two to three months.

For explanations on the Company's liquidity risk management processes, refer to note 25.

15 BANK BORROWINGS

| | <i>31 March 2019 AED</i> | <i>31 March 2018 AED</i> |
|-----------------------------------|----------------------------------|----------------------------------|
| Working capital borrowing (a) | 422,452,500 | - |
| Bank Overdraft (b) | 12,972,117 | - |
| Less: borrowing cost amortisation | (108,098) | - |
| | <u>435,316,519</u> | <u>-</u> |

- (a) During the year, the company has availed a working capital facility of USD 125,000,000 from Axis Bank Ltd., India. It carries an interest of USD LIBOR plus 2% per annum and secured by a corporate guarantee of Vedanta Ltd. The amount utilized as of the reporting date is USD 115,000,000.
- (b) Bank overdraft facility is availed for working capital requirements of the Company. It carries an interest rate of USD LIBOR plus 2.5% per annum and is repayable on demand. Further, the overdraft facility is secured by a comfort letter from Vedanta Limited – Sterlite Copper.

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

16 REVENUE FROM CONTRACTS WITH CUSTOMERS

| | <i>2019</i> <i>AED</i> | <i>2018</i> <i>AED</i> |
|---------------|---------------------------|---------------------------|
| Sale of goods | <u>2,074,895,162</u> | <u>3,425,581,554</u> |

16.1 Disaggregated revenue information

Set out below is the disaggregation of the Company's revenue from contracts with customers:

| | <i>2019</i> <i>AED</i> | <i>2018</i> <i>AED</i> |
|--------------------------------------|---------------------------|---------------------------|
| Geographical markets | | |
| United Arab Emirates | 367,644,325 | 1,533,104,935 |
| Others | <u>1,707,250,837</u> | <u>1,892,476,619</u> |
| | <u>2,074,895,162</u> | <u>3,425,581,554</u> |
| Timing of revenue recognition | | |
| Goods transferred at a point in time | <u>2,074,895,162</u> | <u>3,425,581,554</u> |

16.2 Contract balances

| | <i>31 March</i> <i>2019</i> <i>AED</i> | <i>31 March</i> <i>2018</i> <i>AED</i> |
|---|--|--|
| Trade receivables (Note 8) | <u>15,412,329</u> | <u>43,107,314</u> |
| Contract liabilities / Advance from customers (Note 14) | <u>1,178,378</u> | <u>8,163,754</u> |

During the year, the Company recognised revenue amounting to AED 8,163,754 that were included in the contract liabilities as at the beginning of the year.

The Company has not recognised any revenue during the current year from performance obligations satisfied during the previous periods as the Company recognises revenue at a point in time.

The Company bills and receives payments from customers based on the billing schedule and terms of payment agreed with the customers as mentioned in the contracts with the customers. Contract liabilities relates to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) the Company performs the obligations under the contract.

During the year, the Company has not recognised any provision for expected credit losses on trade receivables and contract assets.

16.3 Performance obligations:

Information about the Company's performance obligations are summarised below:

The Company is involved in the activity of manufacturing, refining and trading of precious metals and various copper products. Based on the contracts with the customers, the Company has concluded that the delivery of the materials is the only single performance obligation of the Company. The Company has concluded that the revenue from delivery of materials is to be recognised at a point in time when the control of the goods is transferred to the customer, being when the goods are delivered to the customers, the customer has full discretion over the channel and the price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location or handed over to the transporter at the port of origin and bill of lading is issued, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

16 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

16.3 Performance obligations: (continued)

The performance obligation is satisfied when control of the goods is transferred to the customer and the payment is generally due within 30 to 60 days from the date of transfer of control of the goods. The contracts with the customers generally do not provide the customers with a right of return except for any defects in the specification of the products, which is considered as an assurance-type warranty and accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amount of consideration for the goods is fixed based on the transaction price agreed with the customers and there are no other promises in the contract with the customers that are determined as separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of the materials, the Company considered the effects of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to the customer (if any) and has concluded that there are no such considerations included in the transaction price.

The Company has elected to recognise the cost for freight and shipping when control over the goods are transferred to the customer as an expense in the cost of sales. There are no transactions price allocated to unsatisfied performance obligations as of the reporting date except for advances received from customers to deliver materials and these advances have been disclosed as contract liabilities (note 14).

17 COST OF SALES

| | <i>2019</i> <i>AED</i> | <i>2018</i> <i>AED</i> |
|---|---------------------------|---------------------------|
| Raw materials costs | 2,022,694,670 | 3,361,434,603 |
| Employees costs | 13,522,139 | 14,547,947 |
| LPG, diesel and lubricants | 7,029,350 | 8,127,999 |
| Freight inward charges | 4,963,767 | 5,030,456 |
| Depreciation of property, plant and equipment (Note 5a) | 4,836,311 | 4,796,506 |
| Packing materials, spares consumption and repairs | 4,680,505 | 6,925,768 |
| Electricity and water charges | 2,977,675 | 4,019,479 |
| Hire charges | 1,945,136 | 2,797,643 |
| Other costs | 49,201 | 194,710 |
| | <u>2,062,698,754</u> | <u>3,407,875,111</u> |

18 GENERAL AND ADMINISTRATIVE EXPENSES

| | <i>2019</i> <i>AED</i> | <i>2018</i> <i>AED</i> |
|---|---------------------------|---------------------------|
| Legal and professional charges | 684,526 | 685,672 |
| Travelling expenses | 561,280 | 646,411 |
| Employees costs | 430,651 | 569,048 |
| Lease rent | 405,974 | 495,230 |
| Communication costs | 255,447 | 286,369 |
| Depreciation of property, plant and equipment (Note 5a) | 246,208 | 201,840 |
| Insurance | 181,524 | 189,280 |
| Maintenance expenses | 47,180 | 68,505 |
| Amortisation of intangible assets (Note 5b) | 31,566 | 31,566 |
| Other expenses | 216,402 | 500,163 |
| | <u>3,060,758</u> | <u>3,674,084</u> |

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

19 SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses represent mainly freight, insurance and legalisation charges.

20 FINANCE COSTS

| | <i>2019</i> <i>AED</i> | <i>2018</i> <i>AED</i> |
|---|---------------------------|---------------------------|
| Interest on bank borrowings | 8,428,760 | 998,821 |
| Export bill negotiation charges | 3,547,762 | 2,316,314 |
| Interest charged by a related party (Note 7) | 439,813 | 1,975,021 |
| Other bank charges | 1,320,342 | 689,623 |
| Less: Interest and charges recharged to related party | (6,959,710) | - |
| | <u>6,776,967</u> | <u>5,979,779</u> |

21 INTEREST AND OTHER INCOME

| | <i>2019</i> <i>AED</i> | <i>2018</i> <i>AED</i> |
|--------------------------------|---------------------------|---------------------------|
| Interest income from customers | 3,765,325 | 2,525,598 |
| Other income | 1,341,555 | 728,708 |
| | <u>5,106,880</u> | <u>3,254,306</u> |

22 COMMITMENTS AND CONTINGENT LIABILITIES

| | <i>2019</i> <i>AED</i> | <i>2018</i> <i>AED</i> |
|-----------------|---------------------------|---------------------------|
| Bank guarantees | 7,380,615 | 7,711,230 |

23 OPERATING LEASE COMMITMENTS

Operating lease payments represent rentals payable by the Company for the land leased from Fujairah Free Zone Authority. As the Company's property, plant and equipment are erected on the mentioned leased land, management has considered the lease arrangements with Fujairah Free Zone Authority as non-cancellable.

At the reporting date, the Company had future commitments under the operating leases, which fall due as follows:

| | <i>2019</i> <i>AED</i> | <i>2018</i> <i>AED</i> |
|--|---------------------------|---------------------------|
| Within one year | 440,293 | 425,440 |
| More than 1 year and less than 5 years | 1,942,224 | 1,876,180 |
| More than 5 years | 126,584 | 632,922 |
| | <u>2,509,101</u> | <u>2,934,542</u> |

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

24 CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the stakeholders through the optimisation of the debt and equity capital. The Company's overall strategy remains unchanged for the year ended 31 March 2018.

25 FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and the methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Some of the Company's financial assets are measured at fair value at the reporting date. The following table gives information about how the fair values of these financial assets are determined:

| Nature | Fair value as at | | Fair value hierarchy | Valuation techniques and key inputs |
|--|----------------------|----------------------|----------------------|---|
| | 31 March 2019 AED | 31 March 2018 AED | | |
| Derivative financial asset / (liability) | 2,095,709 | (401,577) | Level 2 | Broker statements based on LME / LBMA market prices |

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

2019

| | Level 1 AED | Level 2 AED | Level 3 AED | Total AED |
|----------------------------|----------------|----------------|----------------|--------------|
| Derivative financial asset | - | 2,095,709 | - | 2,095,709 |

2018

| | Level 1 AED | Level 2 AED | Level 3 AED | Total AED |
|--------------------------------|----------------|----------------|----------------|--------------|
| Derivative financial liability | - | 401,577 | - | 401,577 |

There were no transfers between levels during the year.

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

25 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives

The Company's management manages the financial risks relating to the operations of the Company through analysing risk exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company seeks to minimise the effects of risks related to financial instruments. The Company's policies in this regards are set and approved by the Board of Directors who draw the overall guidelines on foreign exchange risk, interest rate risk, credit risk, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Board of Directors on regular basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Interest rate risk

The Company's exposure to interest rate price risk relates to borrowings at fixed and variable interest premiums from banks. The Company manages interest rate risk by maintaining appropriate mix between fixed and floating rate borrowings and, where applicable, by the use of forward interest rate contracts.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company gathers information about the credit worthiness of counterparties from publicly available financial information and its own trading records. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved periodically by the management.

The Company is exposed to credit risk on its financial assets as follows:

| | 2019 AED | 2018 AED |
|--------------------------|--------------------|--------------------|
| Bank balances | 820,417 | 71,718,757 |
| Trade receivables | 15,412,329 | 43,107,314 |
| Deposits | 322,170 | 398,061 |
| Due from related parties | 233,401,757 | 2,297,786 |
| | <u>249,956,673</u> | <u>117,521,918</u> |

Bank balances

Applicable from 1 April 2018

Credit risk from balances with banks is managed by the Company's finance department in accordance with the Company's policy. Counterparty credit limits are reviewed and updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Applicable before 1 April 2018

The Establishment limits its credit risk with regard to bank balance by dealing only with reputable banks.

Trade receivables

Credit risk is managed through the Company's policy, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

Fujairah Gold FZC

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019

25 FINANCIAL INSTRUMENTS (continued)

Credit risk management (continued)

Applicable from 1 April 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. Further, there is no prior history of defaults. Its five largest customers account for 66% of outstanding trade receivable as at 31 March 2019 (2018: 87%).

Deposits

With respect to credit risk arising from deposits, the Company's exposure to credit arises from default of the counter party with maximum exposure equal to the carrying amount of these assets.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors of the Company, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows, dealing with sound financial institutions and matching the maturity profiles of financial assets and liabilities.

Maturity of the Company's financial assets and liabilities as at the reporting date are within one year from the statement of financial position date.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

There is no currency exchange risk related to transactions denominated in the US Dollars or currencies currently pegged with the US Dollars (1 USD = 3.6735 AED). The management undertakes suitable procedures to minimise risks associated with transactions denominated in currencies other than AED and US Dollars.

26 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Shareholders and authorised for issue on 19 May 2019.