

FUJAIRAH GOLD FZC

FINANCIAL STATEMENTS

31 MARCH 2017

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS 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 2017, 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 2017, 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.

Other Matter

The financial statements of the Company for the year ended 31 March 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements, before restatement, on 27 April 2016 with an emphasis of matter paragraph on the short term loan provided by the Company to a related party.

Responsibilities of Management and the Shareholders for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and in compliance with the applicable provisions of the Company's Articles of Association, 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 Shareholders are responsible for overseeing the Company's financial reporting process.

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

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.

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 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.

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

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

We communicate with the Shareholders 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:
Joseph Alexander Murphy
Partner
Registration number: 492

13 July 2017

Sharjah, United Arab Emirates

Fujairah Gold FZC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	<i>Notes</i>	31 March 2017 AED	31 March 2016 AED
Sales		2,822,191,498	3,079,062,530
Cost of sales	16	<u>(2,790,340,580)</u>	<u>(3,074,786,267)</u>
GROSS PROFIT		31,850,918	4,276,263
General and administrative expenses	17	(16,601,574)	(22,223,074)
Selling and distribution expenses	18	(9,345,682)	(9,861,905)
Finance costs	19(a)	(6,240,238)	(10,752,758)
Interest and other income	19(b)	<u>127,605,612</u>	<u>39,829,383</u>
PROFIT FOR THE YEAR		127,269,036	1,267,909
Other comprehensive income:			
<i>Other comprehensive income to be reclassified to profit or loss in the subsequent periods:</i>			
Net loss on cash flow hedges		<u>(499,289)</u>	<u>-</u>
Other comprehensive loss for the year		(499,289)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>126,769,747</u>	<u>1,267,909</u>

The attached notes 1 to 25 form part of these financial statements.

Fujairah Gold FZC

STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	31 March 2017 AED	31 March 2016 AED (Restated)*
ASSETS			
Non-current assets			
Property, plant and equipment	5(a)	74,607,072	79,282,344
Intangible assets	5(b)	113,983	-
		<u>74,721,055</u>	<u>79,282,344</u>
Current assets			
Inventories	6	279,558,774	326,929,755
Short term loan to a related party	7	-	3,326,384,583
Due from related parties	7	4,462,108	3,693,697
Accounts receivable and prepayments	8	106,096,714	100,306,681
Derivative financial instruments	12	-	4,755,513
Cash and cash equivalents	9	66,355,649	3,918,474
		<u>456,473,245</u>	<u>3,765,988,703</u>
TOTAL ASSETS		<u><u>531,194,300</u></u>	<u><u>3,845,271,047</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	3,359,030,000	3,359,030,000
Legal reserve	11	14,555,212	1,828,308
Cash flow hedge reserve		(499,289)	-
Other reserve		(3,449,263,158)	-
Retained earnings (accumulated losses)		108,645,125	(5,897,007)
Total equity		<u>32,467,890</u>	<u>3,354,961,301</u>
Non-current liabilities			
Employees' end of service benefits	13	419,057	362,420
Current liabilities			
Amounts due to related parties	7	378,946,373	345,965,124
Accounts payable and accruals	15	119,296,785	118,993,706
Derivative financial instruments	12	64,195	-
Bank borrowings	14	-	24,988,496
		<u>498,307,353</u>	<u>489,947,326</u>
Total liabilities		<u>498,726,410</u>	<u>490,309,746</u>
TOTAL EQUITY AND LIABILITIES		<u><u>531,194,300</u></u>	<u><u>3,845,271,047</u></u>

Mr. Waheed Rehman
Head Operations
12 July 2017

Mr. Sanjay Kumar Pandit
Head Finance
12 July 2017

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect the adjustments and reclassifications made as detailed in note 24.

The attached notes 1 to 25 form part of these financial statements.

Fujairah Gold FZC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Share capital AED	Legal reserve AED	Cash flow hedge reserve AED	Other reserve AED	Retained earnings (accumulated losses) AED	Total AED
Balance at 1 April 2015	68,360,000	1,701,517	-	-	(7,038,125)	63,023,392
Total comprehensive income for the year	-	-	-	-	1,267,909	1,267,909
Increase in paid up share capital (Note 10)	3,290,670,000	-	-	-	-	3,290,670,000
Transfer to legal reserve (Note 11)	-	126,791	-	-	(126,791)	-
Balance at 31 March 2016	3,359,030,000	1,828,308	-	-	(5,897,007)	3,354,961,301
Profit for the year	-	-	-	-	127,269,036	127,269,036
Other comprehensive income	-	-	(499,289)	-	-	(499,289)
Total comprehensive income for the year	-	-	(499,289)	-	127,269,036	126,769,747
Short term loan to a related party (Note 7a)	-	-	-	(3,449,263,158)	-	(3,449,263,158)
Transfer to legal reserve (Note 11)	-	12,726,904	-	-	(12,726,904)	-
Balance at 31 March 2017	3,359,030,000	14,555,212	(499,289)	(3,449,263,158)	108,645,125	32,467,890

The attached notes 1 to 25 form part of these financial statements.

Fujairah Gold FZC

STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	<i>Notes</i>	<i>2017</i> <i>AED</i>	<i>2016</i> <i>AED</i>
OPERATING ACTIVITIES			
Profit for the year		127,269,036	1,267,909
Adjustment for:			
Depreciation and amortisation	5 (a), (b)	5,027,409	4,925,784
Loss on disposal of property, plant and equipment		20,739	32,426
Provision for employees' end of service benefits	13	134,363	134,317
Allowance for doubtful advances	8	12,842,245	12,842,245
Interest income	19 (b)	(122,878,575)	(35,714,583)
Finance costs	19 (a)	6,240,238	10,752,758
Operating cash flows before changes in working capital		<u>28,655,455</u>	<u>(5,759,144)</u>
Inventories		47,370,981	(11,558,622)
Derivative financial instruments		4,320,419	9,013,929
Due from related parties		(768,411)	(2,580,962)
Accounts and other receivables		(18,632,278)	34,760,970
Due to related parties		32,981,249	(15,517,153)
Accounts payable and accruals		303,079	110,361,108
Cash generated from operations		<u>94,230,494</u>	<u>118,720,126</u>
Employees' end of service benefits paid	13	(77,726)	(79,332)
Interest paid		(6,240,238)	(10,752,758)
Net cash flows generated from operating activities		<u><u>87,912,530</u></u>	<u><u>107,888,036</u></u>
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5 (a)	(393,395)	(424,801)
Additions to intangible assets	5 (b)	(126,264)	-
Proceeds from disposal of property, plant and equipment		32,800	71,910
Net cash flows used in investing activities		<u><u>(486,859)</u></u>	<u><u>(352,891)</u></u>
FINANCING ACTIVITIES			
Proceeds from issuance of share capital		-	3,290,670,000
Increase in short term loans to a related party		-	(3,290,670,000)
Decrease in bank borrowings		(24,988,496)	(106,387,198)
Net cash flows used in financing activities		<u><u>(24,988,496)</u></u>	<u><u>(106,387,198)</u></u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>62,437,175</u>	<u>1,147,947</u>
Cash and cash equivalents at the beginning of the year		<u>3,918,474</u>	<u>2,770,527</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	<u><u>66,355,649</u></u>	<u><u>3,918,474</u></u>

The attached notes 1 to 25 form part of these financial statements.

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 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”), and the applicable requirements of UAE Laws.

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

The financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective statement, or a material reclassification of items in the financial statements.

Changes in accounting policies

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 2016, except for the adoption of the following new standards, amendments and interpretation effective as of 1 January 2016.

New and amended standards and interpretations

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016 have been adopted in these financial statements. The application of these revised IFRSs did not have any material impact on the Company’s financial statements.

- IFRS 14 - Regulatory deferral accounts (issued in January 2014), effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.
- Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014), effective for annual periods beginning on or after 1 January 2016. This amendment provides guidance on the accounting for the acquisition of an interest in a joint operation that constitutes a business.
- Amendments to IAS 16 - Property, Plant and Equipment (issued in May 2014), effective for annual periods beginning on or after 1 January 2016. The amendments clarify the acceptable methods of depreciation.
- Amendments to IAS 27 - Equity method in separate financial statements (issued in August 2014) effective for annual periods beginning on or after 1 January 2016. This amendment allows entities to use the equity method as one of the options to account for investments in subsidiaries, associates and joint ventures.
- Amendments to IAS 38 - Intangible assets (issued in May 2014), effective for annual periods beginning on or after 1 January 2016. The amendments clarify the acceptable methods of amortisation.
- Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants (issued in June 2014), effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: applying the consolidation exception (issued in December 2014) that are effective for annual periods beginning on or after 1 January 2016. The amendments provide clarification on the consolidation requirements for investment entities as well as the application of the equity method by a non-investment entity investor to an investment entity investee.
- Amendment to IAS 1 - Disclosure initiative (issued in December 2014) that are effective for annual periods beginning on or after 1 January 2016. The amendments enhance the disclosure in the financial statements and provides more detailed guidance on the nature of information to be disclosed in a set of financial statements.
- Annual improvements to IFRSs (2012-2014) (issued in September 2014). The document contains amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34 that are effective for annual periods beginning on or after 1 January 2016.

2 BASIS OF PREPARATION (continued)

IASB new standards, amendments and interpretations issued but not yet effective

The Company has not adopted the following new accounting standards, amendments and interpretations that have been issued as at 31 March 2017 but are either not yet effective or not early adopted. Management is currently assessing the impact of these standards and interpretations on the Company in the period of their initial application.

- IFRS 9 – Financial instruments: classification and measurement (issued in October 2010), effective date is 1 January 2018, with early adoption permitted.
- IFRS 15 – Revenue from contracts with customers (issued in May 2014), effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.
- Clarifications to IFRS 15 – Revenue from contracts with customers (issued in April 2016), effective for annual periods beginning on or after 1 January 2018. The amendments clarify how to identify a performance obligation in a contract, how to determine whether a company is a principal or an agent and how to determine whether the revenue from granting a license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.
- IFRS 16 – Leases (issued in January 2016), effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only with the adoption of IFRS 15 *Revenue from Contract with Customers*.
- Amendments to IFRS 2 – Share-based payments (issued in June 2016), effective for annual periods beginning on or after 1 January 2018. The amendments clarify how to account for certain types of share-based payment transactions.
- Annual improvements to IFRSs (2014-2016) (issued in December 2016). The document contains amendments to IFRS 1 and IAS 28 that are effective for annual periods beginning on or after 1 January 2018.
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued in December 2016), effective for annual periods beginning on or after 1 January 2018. The interpretation provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.

Management is currently assessing the impact of adopting IFRS 9 and IFRS 15 in the period of their initial application. Other standards, amendments and interpretations are not expected to have any material impact on the Company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenue

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 recognised:

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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, trade and other receivables.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

Subsequent measurement

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

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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, trade and other payables.

Subsequent measurement

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

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".

This category generally applies to interest-bearing loans and borrowings and trade payables.

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 there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

iv. Fair value measurement

The fair values of financial instruments measured at amortised cost are disclosed in Note 23. 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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

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.

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 statement of profit or loss 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 statement of profit or loss 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 profit or loss.

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 profit or loss.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

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.

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

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.

Estimates and assumptions

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

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position 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:

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.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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, inventories were AED 279,558,774 (2016: AED 326,929,755) and the provision for slow and obsolete inventories was AED 764,404 (2016: AED 645,780). 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.

Impairment of trade receivables

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, gross trade receivables was AED 100,115,948 (2016: AED 78,495,528) and there was no provision required for doubtful debts. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Impairment of due from related parties

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, gross amount of due from related parties was AED 4,462,108 (2016: AED 3,693,697) and there was no provision required for doubtful debts. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

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.

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NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2017

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 2015	8,924,369	82,989,885	559,450	1,001,674	10,909,067	104,384,445
Additions	-	80,986	80,000	8,724	255,091	424,801
Disposals	-	-	(173,450)	(40,136)	-	(213,586)
Transfers	334,528	10,501,856	-	38,145	(10,874,529)	-
At 31 March 2016	9,258,897	93,572,727	466,000	1,008,407	289,629	104,595,660
Additions	-	69,604	148,000	40,320	135,471	393,395
Disposals	-	-	(128,000)	(26,000)	-	(154,000)
Transfers	6,450	-	-	(6,450)	-	-
At 31 March 2017	9,265,347	93,642,331	486,000	1,016,277	425,100	104,835,055
Accumulated depreciation:						
At 1 April 2015	1,330,372	18,460,451	236,376	469,583	-	20,496,782
Charge for the year	306,117	4,353,023	115,901	150,743	-	4,925,784
Relating to disposals	-	-	(83,075)	(26,175)	-	(109,250)
At 31 March 2016	1,636,489	22,813,474	269,202	594,151	-	25,313,316
Charge for the year	308,403	4,485,842	86,291	134,592	-	5,015,128
Relating to disposals	-	-	(81,193)	(19,268)	-	(100,461)
Relating to transfer	323	-	-	(323)	-	-
At 31 March 2017	1,945,215	27,299,316	274,300	709,152	-	30,227,983
Net carrying amount:						
At 31 March 2017	7,320,132	66,343,015	211,700	307,125	425,100	74,607,072
At 31 March 2016	7,622,408	70,759,253	196,798	414,256	289,629	79,282,344

- 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.

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NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2017

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

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

	<i>2017</i> <i>AED</i>	<i>2016</i> <i>AED</i>
Cost of sales (Note 16)	4,794,246	4,659,140
General and administrative expenses (Note 17)	220,882	266,644
	<u>5,015,128</u>	<u>4,925,784</u>

5(b) INTANGIBLE ASSETS

	<i>Software license AED</i>
<i>Cost:</i>	
Additions during the year	126,264
At 31 March 2017	<u>126,264</u>
<i>Accumulated amortisation:</i>	
Charge for the year (Note 17)	12,281
At 31 March 2017	<u>12,281</u>
Net carrying amount: At 31 March 2017	<u>113,983</u>

6 INVENTORIES

	<i>31 March 2017 AED</i>	<i>31 March 2016 AED (Restated)</i>
Finished and semi processed metals (a)	46,929,603	88,007,888
Raw materials in hand (b)	-	1,136,241
Raw materials in transit (c)	228,247,494	233,237,479
Spare parts and consumables	4,381,677	4,548,147
Total inventories at the lower of cost and net realisable value	<u>279,558,774</u>	<u>326,929,755</u>

- (a) Finished and semi processed metals mainly comprise gold, silver, copper, platinum and palladium.
- (b) Raw materials in hand comprise copper cathode and precious metal slime.
- (c) Raw materials in transit comprise copper cathode and precious metal slime delivered by the seller 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 16 for details of inventories recognised an expense during the years ended 31 March 2017 and 2016.

7 RELATED PARTY BALANCES AND TRANSACTIONS

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

Amounts due from/ to related parties were as follows:

	<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
Short term loan to a related party:		
Twin Star Mauritius Holding Limited, Mauritius (a)	3,449,263,158	3,326,384,583
Less: adjustment of the loan (Note a)	(3,449,263,158)	-
	<u>-</u>	<u>3,326,384,583</u>
Due from related parties:		
Sterlite Technologies Limited, India (b)	4,371,647	3,693,697
Vedanta Limited, India – Copper Division	90,461	-
	<u>4,462,108</u>	<u>3,693,697</u>
Due to related parties:		
Vedanta Limited, India (b)	375,830,835	343,827,425
Vedanta Resources Plc, U.K. (b)	243,794	2,137,338
Vedanta Limited –Corporate (b)	8,401	-
Hindustan Zinc Ltd, India (b)	2,863,343	-
Sterlite Industries Limited, India (b)	-	361
	<u>378,946,373</u>	<u>345,965,124</u>

- (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) 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.

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NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2017

7 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Transactions:

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

	<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
Purchase of precious metal slime	1,125,136,251	1,244,411,900
Purchase of copper cathode	-	18,357,006
Sale of copper rods	35,936,340	14,296,711
Sale of copper lumps and slag	287,065	-
Allocation of stock option plans	566,867	-
Expenses charged to the Company, net	884,917	2,127,383
Interest charged by the related parties (Note 19 a)	1,365,458	541,053
Short term loans given to a related party	-	3,290,670,000
Interest income charged on short term loans to a related party (Note 19 b)	122,878,575	35,714,583

Remunerations and bonuses to key management personnel during the year amounted to AED 3,717,498 (31 March 2016: AED 3,747,116).

8 ACCOUNTS AND OTHER RECEIVABLES

	<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
Trade receivables	100,115,948	78,495,528
Refundable deposits	407,427	548,671
Quotational period reinstatement of metal prices	1,273,893	3,229,780
Advances and other receivables	29,983,936	30,874,947
	<u>131,781,204</u>	<u>113,148,926</u>
Less: Allowance for doubtful advances	(25,684,490)	(12,842,245)
	<u><u>106,096,714</u></u>	<u><u>100,306,681</u></u>

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 2017, the trade receivables amounting to AED 53,520,278 were secured through letters of credit in favour of the Company with the balance being secured by cash advances against documents (31 March 2016: AED 49,124,233). 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>
2017	100,115,948	62,860,924	24,054,896	12,623,457	576,671
2016	78,495,528	31,914,820	-	39,632,676	6,948,032

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NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2017

8 ACCOUNTS AND OTHER RECEIVABLES (continued)

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.

Movements in the allowance for doubtful advances during the year was as follows:

	<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
Balance at the beginning of the year	12,842,245	-
Allowance for doubtful advances provided during the year (Note 17)	12,842,245	12,842,245
Balance at the end of the year	<u>25,684,490</u>	<u>12,842,245</u>

9 CASH AND CASH EQUIVALENTS

	<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
Bank balances	<u>66,355,649</u>	<u>3,918,474</u>

10 SHARE CAPITAL

	<i>31 March 2017 AED</i>	<i>31 March 2016 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 2016:

	<i>Shareholding %</i>	<i>No. of shares</i>	<i>AED</i>
Malco Energy Limited, India	97.96	32,906,700	3,290,670,000
Copper Mines of Tasmania PTY Limited, Australia	2	669,928	66,992,800
Thalanga Copper Mines PTY Limited, Australia	0.04	13,672	1,367,200
	<u>100</u>	<u>33,590,300</u>	<u>3,359,030,000</u>

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NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2017

10 SHARE CAPITAL (continued)

At 31 March 2017:

	<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>

As at 31 March 2017, the legal formalities for transfer of shares held by Copper Mines of Tasmania, Australia to Malco Energy Limited, India were in progress.

11 LEGAL RESERVE

In accordance with the Company 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 2017 AED</i>	<i>31 March 2016 AED</i>
Derivative financial (liabilities) / assets	<u>(64,195)</u>	<u>4,755,513</u>

13 EMPLOYEES' END OF SERVICE BENEFITS

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

	<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
Balance at the beginning of the year	362,420	307,435
Provided during the year	134,363	134,317
Paid during the year	(77,726)	(79,332)
Balance at the end of the year	<u>419,057</u>	<u>362,420</u>

14 BANK BORROWINGS

	<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
Overdraft	-	3,110,757
Trust receipts	-	21,877,739
	<u>-</u>	<u>24,988,496</u>

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NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2017

14 BANK BORROWINGS (continued)

The principal features of the Company's bank borrowings are as follows:

Bank overdraft

- Bank overdraft is repayable on demand.
- Interest on overdraft account is computed and added to the account on monthly basis.
- Interest rates on overdraft account is based on LIBOR plus a fixed margin.

Trust receipts

- Trust receipts are form of bank credit facility granted against the purchase of raw materials.
- Interest on trust receipts are calculated for the duration of the repayment period and are charged and collected by the financing bank on maturity.

The bank borrowings are secured by a comfort letter issued by a related party in favour of the lending bank.

15 ACCOUNTS PAYABLE AND ACCRUALS

	<i>31 March 2017 AED</i>	<i>31 March 2016 AED (Restated)</i>
Trade payables	104,227,883	111,165,268
Accruals and other payables	15,068,902	7,828,438
	<u>119,296,785</u>	<u>118,993,706</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 23.

16 COST OF SALES

	<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
Raw materials costs	2,743,805,720	3,033,046,991
Employees costs	14,398,563	10,026,424
Packing materials, spares consumption and repairs	9,185,106	8,915,242
LPG, diesel and lubricants	6,863,167	7,037,264
Freight inward charges	4,793,099	5,380,910
Depreciation of property, plant and equipment (Note 5a)	4,794,246	4,659,140
Electricity and water charges	3,855,520	3,121,804
Hire charges	2,554,130	2,436,053
Other costs	91,029	162,439
	<u>2,790,340,580</u>	<u>3,074,786,267</u>

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NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2017

17 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
Allowance for doubtful advances (Note 8)	12,842,245	12,842,245
Legal and professional charges	1,132,955	1,194,424
Employees costs	591,387	5,239,935
Travelling expenses	590,587	602,057
Lease rent	539,318	508,093
Communication costs	304,954	285,507
Depreciation of property, plant and equipment (Note 5a)	220,882	266,644
Insurance	147,590	200,143
Maintenance expenses	76,630	336,558
Amortisation of intangible assets (Note 5b)	12,281	-
Other expenses	142,745	747,468
	<u>16,601,574</u>	<u>22,223,074</u>

18 SELLING AND DISTRIBUTION EXPENSES

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

19(a) FINANCE COSTS

	<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
Export bill negotiation charges	2,124,618	1,395,975
Interest on bank borrowings	1,507,194	3,062,739
Interest charged by a related party (Note 7)	1,365,458	541,053-
Other bank charges	1,242,968	5,752,991
	<u>6,240,238</u>	<u>10,752,758</u>

19(b) INTEREST AND OTHER INCOME

	<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
Interest income from short term loans to a related party (Note 7)	122,878,575	35,714,583
Interest income from customers	4,362,677	3,641,363
Other income	364,360	473,437
	<u>127,605,612</u>	<u>39,829,383</u>

20 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
Bank guarantees	-	8,569,400

21 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>31 March 2017 AED</i>	<i>31 March 2016 AED</i>
Within one year	382,864	382,864
More than 1 year and less than 5 years	1,795,283	1,688,890
More than 5 years	1,139,259	1,628,515
	3,317,406	3,700,269

22 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 from the year ended 31 March 2016.

23 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.

Fair value of the Company's financial assets that are measured at fair value on recurring basis

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 2017 AED	31 March 2016 AED		
Derivative financial liabilities	64,195		Level 2	Broker statements based on LME / LBMA market prices
Derivative financial assets		4,755,513	Level 2	Broker statements based on LME / LBMA market prices

23 FINANCIAL INSTRUMENTS (continued)**Fair value measurement (continued)***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.

31 March 2017

	<i>Level 1</i> <i>AED</i>	<i>Level 2</i> <i>AED</i>	<i>Level 3</i> <i>AED</i>	<i>Total</i> <i>AED</i>
Derivative financial liabilities	-	64,195	-	64,195

31 March 2016

	<i>Level 1</i> <i>AED</i>	<i>Level 2</i> <i>AED</i>	<i>Level 3</i> <i>AED</i>	<i>Total</i> <i>AED</i>
Derivative financial assets	-	4,755,513	-	4,755,513

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.

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.

23 FINANCIAL INSTRUMENTS (continued)

Credit risk management (continued)

Credit risk is primarily related to the trade and other receivable balances which were presented in the statement of financial position net of any applicable allowances for losses that were estimated by the Company's management based on prior experience and prevailing economic conditions. Current year sales include AED 902,736,052 being sales to 3 main customers (year ended 31 March 2016: AED 1,117,910,000 being sales to 3 main customers).

The credit risks related to liquid funds are limited as the counterparties are banks with sound reputation.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

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. The management undertakes suitable procedures to minimise risks associated with transactions denominated in currencies other than AED and US Dollars.

24 COMPARATIVES

During the year, the Company's management identified certain prior period adjustments relating to goods in transit amounting to AED 102,918,323 which were not recognised as per the shipping terms entered into with the suppliers. The financial statements were restated to recognise the inventories and the related payables as at 31 March 2016. There is no impact on the profit for the year ended 31 March 2016 or the equity as at 31 March 2016.

In addition to the above adjustments, amounts due from related parties amounting to AED 3,693,697 have been reclassified from accounts receivable and prepayments to due from related parties in order to conform to the presentation for the current year. Accordingly, the corresponding amounts in the statement of cash flows were also changed.

25 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Shareholders and authorised for issue on 12 July 2017.