# FUJAIRAH GOLD L.L.C. FZC

**Independent auditor's report and financial statements for the year ended 31 March 2016**

**Fujairah Gold L.L.C. FZC**

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Deloitte & Touche (M.E.)
Al-Fujairah National
Insurance Co. Bldg., Suite 63
P.O. Box 462
Fujairah
United Arab Emirates

Tel: +971 (0) 9 222 2320
Fax: +971 (0) 9 222 5202
www.deloitte.com/middleeast

## INDEPENDENT AUDITOR'S REPORT

**The Shareholders**
**Fujairah Gold L.L.C. FZC**
**Fujairah**
**United Arab Emirates**

**Report on the Financial Statements**

We have audited the accompanying financial statements of **Fujairah Gold L.L.C. FZC, (the "Company"), Fujairah,** which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## INDEPENDENT AUDITOR'S REPORT (continued)

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Fujairah Gold L.L.C. FZC, Fujairah** as of 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 8 (a) to the financial statements which discloses the full details of the short term loan of US $ 900 million granted to a related party at an interest rate of 4 % per annum, which is secured by a corporate guarantee issued by Vedanta Resources Plc, U.K. in favor of the Company.

**Report on Other Legal and Regulatory Requirements**

Also, in our opinion, the Company has maintained proper books of accounts and the physical inventory was properly conducted. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the provisions of Fujairah Free Zone Authority's regulations or the Company's Articles of Association which might have materially affected the financial position of the Company or its financial performance.

**27 April 2016**

Deloitte & Touche

## Statement of financial position
## As at 31 March 2016

| | Note | 31 March 2016 AED | 31 March 2015 AED |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | **79,282,344** | 83,887,663 |
| **Current assets** | | | |
| Inventories | 6 | **224,011,432** | 315,371,133 |
| Financial assets at FVTPL | 7 | **4,755,513** | 13,769,442 |
| Short term loan due from a related party | 8 | **3,326,384,583** | - |
| Due from a related party | 8 | **-** | 1,112,735 |
| Accounts and other receivables | 9 | **104,000,378** | 147,909,896 |
| Cash and cash equivalents | 10 | **3,918,474** | 2,770,527 |
| **Total current assets** | | **3,663,070,380** | 480,933,733 |
| **Total assets** | | **3,742,352,724** | 564,821,396 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 11 | **3,359,030,000** | 68,360,000 |
| Legal reserve | 12 | **1,828,308** | 1,701,517 |
| Accumulated losses | | **(5,897,007)** | (7,038,125) |
| **Total shareholders' equity** | | **3,354,961,301** | 63,023,392 |
| **Non-current liabilities** | | | |
| Provision for employees' end of service indemnity | 13 | **362,420** | 307,435 |
| **Current liabilities** | | | |
| Due to related parties | 8 | **345,965,124** | 361,482,277 |
| Bank borrowings | 14 | **24,988,496** | 131,375,694 |
| Accounts and other payables | 15 | **16,075,383** | 8,632,598 |
| **Total current liabilities** | | **387,029,003** | 501,490,569 |
| **Total liabilities** | | **387,391,423** | 501,798,004 |
| **Total shareholders' equity and liabilities** | | **3,742,352,724** | 564,821,396 |

The accompanying notes form an integral part of these financial statements.

## Statement of comprehensive income
## for the year ended 31 March 2016

| | Note | **2016 AED** | 2015 AED |
|---|---|---|---|
| Sales | | **3,079,062,530** | 3,598,468,674 |
| Cost of sales | 16 | **(3,074,786,267)** | (3,590,856,018) |
| **Gross profit** | | **4,276,263** | 7,612,656 |
| General and administrative expenses | 17 | **(22,223,074)** | (7,657,533) |
| Selling and distribution expenses | 18 | **(9,861,905)** | (10,708,648) |
| Interest and other income | 19 | **39,829,383** | 6,117,216 |
| Finance costs | | **(10,752,758)** | (5,887,985) |
| **Profit/(loss) for the year** | 20 | **1,267,909** | (10,524,294) |
| Other comprehensive income for the year | | **-** | - |
| **Total comprehensive profit/ (loss) for the year** | | **1,267,909** | (10,524,294) |

The accompanying notes form an integral part of these financial statements.

**Statement of changes in equity**
**for the year ended 31 March 2016**

| | Share capital AED | Legal Reserve AED | Retained earnings/ (accumulated losses) AED | Net AED |
|---|---|---|---|---|
| Balance at 31 March 2014 (unaudited) | 68,360,000 | 1,701,517 | 3,486,169 | 73,547,686 |
| Loss for the year ended 31 March 2015 | - | - | (10,524,294) | (10,524,294) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the year | - | - | (10,524,294) | (10,524,294) |
| Balance at 31 March 2015 | 68,360,000 | 1,701,517 | (7,038,125) | 63,023,392 |
| Profit for the year ended 31 March 2016 | - | - | 1,267,909 | 1,267,909 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the year | - | - | 1,267,909 | 1,267,909 |
| Increase in paid up share capital (Note 11) | 3,290,670,000 | - | - | 3,290,670,000 |
| Transfer to legal reserve (Note 12) | - | 126,791 | (126,791) | - |
| | 3,290,670,000 | 126,791 | (126,791) | 3,290,670,000 |
| **Balance at 31 March 2016** | **3,359,030,000** | **1,828,308** | **(5,897,007)** | **3,354,961,301** |

The accompanying notes form an integral part of these financial statements.

## Statement of cash flows
## for the year ended 31 March 2016

| | 2016<br>AED | 2015<br>AED |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(loss) for the year | **1,267,909** | (10,524,294) |
| Adjustment for: | | |
| Depreciation of property, plant and equipment | **4,925,784** | 4,485,857 |
| Loss on disposal of property, plant and equipment | **32,426** | - |
| Loss on write off of property, plant and equipment | **-** | 4,860 |
| Provision for employees' end of service indemnity | **134,317** | 121,999 |
| Allowance for doubtful advances | **12,842,245** | - |
| Finance costs | **10,752,758** | 5,887,985 |
| **Operating cash flows before changes in operating assets and liabilities** | **29,955,439** | (23,593) |
| Decrease in inventories | **91,359,701** | 144,781,747 |
| Decrease/(increase) in financial assets at FVTPL | **9,013,929** | (11,431,779) |
| Decrease/(increase) in due from a related party | **1,112,735** | (1,112,735) |
| Decrease/(increase) in accounts and other receivables | **31,067,273** | (5,477,932) |
| Decrease in due to related parties | **(15,517,153)** | (27,534,593) |
| Increase/(decrease) in accounts and other payables | **7,442,785** | (65,494,437) |
| **Cash generated from operations** | **154,434,709** | 33,706,678 |
| Employees' end of service indemnity paid | **(79,332)** | (16,914) |
| Finance costs paid | **(10,752,758)** | (5,887,985) |
| **Net cash generated from operating activities** | **143,602,619** | 27,801,779 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(424,801)** | (11,416,526) |
| Proceeds from disposal of property, plant and equipment | **71,910** | - |
| **Net cash used in investing activities** | **(352,891)** | (11,416,526) |
| **Cash flows from financing activities** | | |
| Proceeds from increase in paid up share capital | **3,290,670,000** | - |
| Increase in short term loan due from a related party | **(3,326,384,583)** | - |
| Decrease in Shareholder's current account | **-** | (25,365,427) |
| (Decrease)/increase in bank borrowings | **(106,387,198)** | 5,675,163 |
| **Net cash used in financing activities** | **(142,101,781)** | (19,690,264) |
| **Net increase/(decrease) in cash and cash equivalents** | **1,147,947** | (3,305,011) |
| Cash and cash equivalents at the beginning of the year | **2,770,527** | 6,075,538 |
| **Cash and cash equivalents at the end of the year (Note 10)** | **3,918,474** | 2,770,527 |

The accompanying notes form an integral part of these financial statements.

## 1. Company and operations

Fujairah Gold L.L.C. 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 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.

The address of the Company's registered office is P.O. Box 3992, Fujairah, United Arab Emirates.

## 2. Application of new and revised International Financial Reporting Standards (IFRS)

### 2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.
- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

### 2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| IFRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative | 1 January 2016 |
| Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations | 1 January 2016 |
| Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |

## 2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

### 2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* relating to bearer plants | 1 January 2016 |
| Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements | 1 January 2016 |
| Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities | 1 January 2016 |
| Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34 | 1 January 2016 |
| Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9 | When IFRS 9 is first applied |
| IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 | When IFRS 9 is first applied |
| Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture | Effective date deferred indefinitely |
| IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) | 1 January 2018 |

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

## 2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

### 2.2 New and revised IFRS in issue but not yet effective (continued)

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) (continued) | |

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised

- Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

- Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

| | |
|---|---|
| IFRS 16 Leases | 1 January 2019 |

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

## 2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

### 2.2 New and revised IFRS in issue but not yet effective (continued)

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| IFRS 15 Revenue from Contracts with Customers | 1 January 2018 |

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

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

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Management anticipates that these new and revised standards, interpretations and amendments will be adopted in the Company's financial statements for the year beginning 1 April 2016 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 15, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual year beginning 1 January 2018. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

## 3. Significant accounting policies

### 3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

### 3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at fair value or at amortised cost as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies adopted are set out below.

### 3.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

*3.3.1 Sale of goods*

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

*3.3.2 Interest income*

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

### 3.4 Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in Arab Emirates Dirhams (“AED”), which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements of the Company, transactions in currencies other than the Company’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

**Notes to the financial statements**
**for the year ended 31 March 2016 (continued)**

## 3. Significant accounting policies (continued)

### 3.5 Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Where applicable, investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

### 3.6 Property, plant and equipment

Capital work in progress is stated at cost less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other property, plant and equipment items were carried at cost less accumulated depreciation and any accumulated impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss when incurred.

Depreciation is charged so as to write off the cost of assets, other than capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The estimated useful lives of property, plant and equipment are as follows:

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

## 3. Significant accounting policies (continued)

### 3.7 Impairment of tangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 3.8 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 realizable 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 realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

## 3. Significant accounting policies (continued)

### 3.9 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 3.10 Employee benefits

*3.10.1 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.

*3.10.2 Provision for employees' end of service indemnity*

Provision is also made for the full amount of end of service indemnity due to non-UAE national employees in accordance with the UAE Labour Law and is based on current remuneration and their period of service at the end of the reporting period.

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.

### 3.11 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

## 3. Significant accounting policies (continued)

### 3.12 Financial assets

The Company's financial assets include cash and cash equivalents, financial assets 'at fair value through profit or loss' (FVTPL), short term loan due from a related party, due from a related party and accounts and other receivables (excluding prepaid expenses and advances to suppliers). Short term loan due from a related party, due from a related party and trade and other receivables (excluding prepaid expenses and advances to suppliers) are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

*3.12.1 Cash and cash equivalents*

Cash and cash equivalents comprise of cash on hand and demand deposit, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

*3.12.2 Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the profit or loss.

## 3. Significant accounting policies (continued)

### 3.12 Financial assets (continued)

*3.12.3 Loans and receivables*

Loans and receivables that have fixed or determinable payments are initially measured at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*3.12.4 Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is an objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*3.12.5 Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another Company. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

## 3. Significant accounting policies (continued)

### 3.13 Financial liabilities and equity instruments issued by the Company

*3.13.1 Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

*3.13.2 Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

*3.13.3 Financial liabilities*

Accounts and other payables, bank borrowings and due to related parties are classified as 'other financial liabilities'.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

*3.13.3 Financial liabilities* (continued)

*Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short term payable when the recognition of interest would be immaterial.

*3.13.4 Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

### 3.14 Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to commodity price risk.

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. All the derivative financial instruments are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. A derivative financial instrument is presented as non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivative financial instruments are presented as current assets or current liabilities.

## 3. Significant accounting policies (continued)

### 3.15 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 recognized 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.

## 4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *4.1 Critical judgements in applying accounting policies*

In the process of applying Company's accounting policies, the management is of the opinion that there is no instance of application of judgements which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations described below.

### *4.2 Key sources of estimation uncertainty*

The following are 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.

*4.2.1 Estimated useful lives of property, plant and equipment*

The cost of items of property, plant and equipment is depreciated on a systematic basis over the estimated useful lives of the assets. Management has determined the estimated useful lives of each asset and/ or category of assets based on the following factors:

- Expected usage of the assets;
- Expected physical wear and tear, which depends on operational and environmental factors; and
- Legal or similar limits on the use of the assets.

Management considers the depreciation method utilized reflects the pattern in which the assets' future economic benefits are expected to be consumed by the Company.

Management has not made estimates of residual values for any items of property, plant and equipment at the end of their useful lives.

## 4. Critical accounting judgments and key sources of estimation uncertainty (continued)

### *4.2 Key sources of estimation uncertainty* (continued)

*4.2.2 Impairment of assets values*

At each reporting date the management reviews the assets values to determine that their book values have not exceeded amounts recoverable from them. The management estimates the recoverable amount of various assets individually or based on the cash generating unit to which the individual asset belongs.

*4.2.3 Fair value of financial assets at FVTPL*

The fair value of commodity future contracts is determined using valuation techniques and inputs as disclosed in Note 24.

The derivative instruments becomes favourable (asset) or unfavourable (liability) as a result of fluctuations in market rates relative to the terms agreed with the counter party. However, the fair value could fluctuate significantly from time to time and may result in further losses or gains in the future periods.

*4.2.4 Inventory valuation*

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

*4.2.5 Provisional pricing basis*

In accordance with the prevailing international market practice, purchase of raw materials such as Dore Anode and Copper Cathode and sale of precious metals are accounted for on provisional invoice basis pending final invoice in terms of Purchase Contract/Sales Contract respectively. The cases where quotational period price are not finalized as at the reporting date, are restated at London Metal Exchange (LME)/ London Bullion Market Association (LBMA) rates as on the reporting date and adjustments are made based on the metal contents as per laboratory assessments done by the Company pending final invoice.

**Notes to the financial statements**
**for the year ended 31 March 2016 (continued)**

## 5. Property, plant and equipment

| | Factory buildings AED | Plant and machinery AED | Vehicles AED | Furniture, fixtures and office equipment AED | Capital work in progress AED | Total AED |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 31 March 2014 | 8,924,369 | 82,619,380 | 440,000 | 1,005,955 | 46,140 | 93,035,844 |
| Additions | - | 370,505 | 119,450 | 63,644 | 10,862,927 | 11,416,526 |
| Write off | - | - | - | (67,925) | - | (67,925) |
| At 31 March 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** |
| **Accumulated depreciation** | | | | | | |
| At 31 March 2014 | 1,031,632 | 14,538,485 | 146,310 | 357,563 | - | 16,073,990 |
| Charge for the year | 298,740 | 3,921,966 | 90,066 | 175,085 | - | 4,485,857 |
| Eliminated on write off | - | - | - | (63,065) | - | (63,065) |
| At 31 March 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 |
| Eliminated on disposal | - | - | (83,074) | (26,175) | - | (109,250) |
| **At 31 March 2016** | **1,636,489** | **22,813,474** | **269,203** | **594,151** | **-** | **25,313,316** |
| **Carrying amount** | | | | | | |
| **At 31 March 2016** | **7,622,408** | **70,759,254** | **196,797** | **414,256** | **289,629** | **79,282,344** |
| At 31 March 2015 | 7,593,997 | 64,529,434 | 323,074 | 532,091 | 10,909,067 | 83,887,663 |

- Property, plant and equipment are erected 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 under commissioning.

**Notes to the financial statements**
**for the year ended 31 March 2016 (continued)**

## 6. Inventories

| | **31 March 2016 AED** | 31 March 2015 AED |
|---|---|---|
| Finished and semi processed metals (a) | **88,007,888** | 112,653,372 |
| Raw materials in hand (b) | **1,136,241** | 29,678,286 |
| Raw materials in transit (c) | **130,319,156** | 167,476,863 |
| Spare parts and consumables | **4,548,147** | 5,562,612 |
| | **224,011,432** | 315,371,133 |

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

(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.

## 7. Financial assets at FVTPL

| | **31 March 2016 AED** | 31 March 2015 AED |
|---|---|---|
| Commodity future contracts that are not designated in hedge accounting relationships | **4,755,513** | 13,769,442 |

Future contracts with nominal values of US$ 57.53 million as of 31 March 2016 (31 March 2015: US$ 163.30 million) have fixed payments as per prevailing rates on settlement dates.

## 8. Related party balances and transactions

Related parties include the Company's major shareholders, directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

Amounts due from/ to related parties were as follows:

| | **31 March 2016 AED** | 31 March 2015 AED |
|---|---|---|
| **Short term loan due from a related party:** | | |
| Twin Star Mauritius Holding Limited, Mauritius (a) | **3,326,384,583** | - |
| **Due from a related party:** | | |
| Sterlite Technologies Limited, India (b) | **-** | 1,112,735 |
| **Due to related parties:** | | |
| Vedanta Limited, India (b) | **343,827,425** | 360,771,793 |
| Vedanta Resources Plc, U.K. (b) | **2,137,338** | 709,383 |
| Sterlite Industries Limited, India (b) | **361** | 1,101 |
| | **345,965,124** | 361,482,277 |

## 8. Related party balances and transactions (continued)

(a) On 4 December 2015, the Board of Directors of M/s. Copper Mines of Tasmania PTY Limited, Australia and M/s. Thalanga Copper Mines PTY Limited, Australia (both original Shareholders of the Company) approved to advance in tranches US$ 1 billion as short term loan at 4% per annum to M/s. Twin Star Mauritius Holding Limited, Mauritius (a related party) for general corporate purpose and short term funding requirements. However, as of 31 March 2016, the amount loaned was US$ 900 million. The total short term loan receivable of AED 3,326 million includes interest receivable of AED 35,714,583 up to 31 March 2016. The full amount of short term loan and all the other obligations mentioned in the approved loan agreement with the related party are fully secured by a corporate guarantee by Vedanta Resources Plc, U.K. in favor of the Company.

(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.

### Transactions:

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

| | **31 March 2016 AED** | 31 March 2015 AED |
|---|---|---|
| Purchase of precious metal slime | **1,244,411,900** | 1,417,716,783 |
| Purchase of copper cathode | **18,357,006** | 638,855,316 |
| Sale of copper rods | **14,296,711** | 23,576,050 |
| Sale of copper lumps and slag | **-** | 304,447 |
| Advance paid to the Chairman of the Company | **-** | 5,343,894 |
| Interest charged by the related parties | **541,053** | 667,788 |
| Expenses charged to the Company | **2,131,629** | 110,418 |
| Expenses recharged by the Company | **4,246** | 5,781 |
| Short term loan given to a related party | **3,290,670,000** | - |
| Interest income charged on short term loan due from a related party | **35,714,583** | - |

Remunerations and bonuses to key management personnel during the year amounted to AED 3,747,116 (31 March 2015: AED 4,107,212).

Transactions with related parties are entered into on commercial terms agreed upon with management.

**Notes to the financial statements**
**for the year ended 31 March 2016 (continued)**

## 9. Accounts and other receivables

| | **31 March 2016 AED** | 31 March 2015 AED |
|---|---|---|
| Trade receivables | **82,189,225** | 94,187,082 |
| Refundable deposits | **548,671** | 710,225 |
| Quotational period reinstatement of metal prices | **3,229,780** | 10,649,178 |
| Advances and other receivables | **30,874,947** | 42,363,411 |
| | **116,842,623** | 147,909,896 |
| Less: Allowance for doubtful advances | **(12,842,245)** | - |
| | **104,000,378** | 147,909,896 |

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. The trade receivables of AED 49,124,233 (31 March 2015: AED 33,780,362) are 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.

As per the prevailing market practice, where quotational period price are not finalized as at the reporting date, the prices are restated at closing London Metal Exchange (LME)/ London Bullion Market Association (LBMA) rates as on 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.

Advances and other receivables include AED 19,068,259 (31 March 2015: AED 19,068,259) due from a supplier in the Republic of Chile. The Company has filed a criminal complaint against this supplier. Based on management's estimate, AED 9,534,130 is provided for as an allowance for doubtful advances against this balance.

Advances and other receivables also include AED 6,616,231 (31 March 2015: AED 6,616,231) due from another supplier in the Republic of Chile. The Company's legal counsel is following up this supplier in the Republic of Chile. Based on management's estimate, AED 3,308,115 is provided for as an allowance for doubtful advances against this balance.

There are no trade receivable balances outstanding more than 180 days.

Movement of the allowance for doubtful advances during the year was as follows:

| | **31 March 2016 AED** | 31 March 2015 AED |
|---|---|---|
| Balance at the beginning of the year | **-** | - |
| Allowance for doubtful advances provided during the year | **12,842,245** | - |
| **Balance at the end of the year** | **12,842,245** | - |

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.

**Notes to the financial statements**
**for the year ended 31 March 2016 (continued)**

## 10. Cash and cash equivalents

| | 31 March 2016 AED | 31 March 2015 AED |
|---|---|---|
| Bank balances: | | |
| Current accounts | **3,918,474** | 2,770,527 |
| | **3,918,474** | 2,770,527 |

## 11. Share capital

| | 31 March 2016 AED | 31 March 2015 AED |
|---|---|---|
| Subscribed share capital of 37,246,600 shares (31 March 2015: 683,600 shares) at par value of AED 100 each | **3,724,660,000** | 68,360,000 |
| Less: Unpaid share capital of 3,656,300 shares (31 March 2015: Nil) at par value of AED 100 each | **(365,630,000)** | - |
| Paid up share capital of 33,590,300 shares (31 March 2015: 683,600 shares) at par value of AED 100 each | **3,359,030,000** | 68,360,000 |

On 28 November 2015, the Board of Directors of M/s. Malco Energy Limited, India resolved to invest US$ 1 billion in equity share capital of Fujairah Gold L.L.C. FZC in one or more tranches. In the same context, on 4 December 2015, the Board of Directors of M/s. Copper Mines of Tasmania PTY Limited, Australia and M/s. Thalanga Copper Mines PTY Limited, Australia (both original Shareholders of the Company) also resolved to admit M/s. Malco Energy Limited, India as the new major shareholder and increase the total number of subscribed shares of the Company to 37,246,600 shares at par value of AED 100 each and issue new shares as fully paid up once money is received in one or more tranches.

As of 31 March 2016, only US$ 900 million was received through two tranches; the first tranche of US$ 500 million and second tranche of US$ 400 million were received by the Company on 11 December 2015 and 5 January 2016, respectively. Total 32,906,700 shares at par value of AED 100 each were allotted and consequently, the shareholding structure of the Company has changed where in M/s. Malco Energy Limited, India became the major shareholder holding 97.96% of the total share capital.

The capital contributed by the Shareholders was as follows:

**At 31 March 2016:**

| | **Shareholding %** | **No. of shares** | **AED** |
|---|---|---|---|
| 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 |
| | 100 | 33,590,300 | 3,359,030,000 |

At 31 March 2015:

| | Shareholding % | No. of shares | AED |
|---|---|---|---|
| Copper Mines of Tasmania PTY Limited, Australia | 98 | 669,928 | 66,992,800 |
| Thalanga Copper Mines PTY Limited, Australia | 2 | 13,672 | 1,367,200 |
| | 100 | 683,600 | 68,360,000 |

## 12. Legal reserve

In accordance with the Articles of Incorporation issued by the Fujairah Free Zone Authority, the Company has to establish a legal reserve by appropriation of 10% of 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 Authority's regulations.

## 13. Provision for employees' end of service indemnity

| | **31 March 2016 AED** | 31 March 2015 AED |
|---|---|---|
| Balance at the beginning of the year | **307,435** | 202,350 |
| Charged to expenses | **134,317** | 121,999 |
| Amounts paid | **(79,332)** | (16,914) |
| **Balance at the end of the year** | **362,420** | 307,435 |

## 14. Bank borrowings

| | **31 March 2016 AED** | 31 March 2015 AED |
|---|---|---|
| Overdraft | **3,110,757** | 26,437,948 |
| Trust receipts | **21,877,739** | 104,937,746 |
| | **24,988,496** | 131,375,694 |

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 premium.

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.

**Notes to the financial statements**
**for the year ended 31 March 2016 (continued)**

## 15. Accounts and other payables

| | **31 March 2016 AED** | 31 March 2015 AED |
|---|---|---|
| Trade payables | **8,246,945** | 5,942,444 |
| Accruals and other payables | **7,828,438** | 2,690,154 |
| | **16,075,383** | 8,632,598 |

## 16. Cost of sales

| | **31 March 2016 AED** | 31 March 2015 AED |
|---|---|---|
| Raw materials costs | **3,033,046,991** | 3,546,525,228 |
| Employees costs | **10,026,424** | 8,861,664 |
| Depreciation | **4,659,140** | 4,220,814 |
| Packing materials, spares consumption and repairs | **8,915,242** | 8,211,303 |
| LPG, diesel and lubricants | **7,037,264** | 13,741,737 |
| Hire charges | **2,436,053** | 2,691,940 |
| Freight inward charges | **5,380,910** | 5,652,404 |
| Electricity and water charges | **3,121,804** | 662,758 |
| Other costs | **162,439** | 288,170 |
| | **3,074,786,267** | 3,590,856,018 |

## 17. General and administrative expenses

| | **31 March 2016 AED** | 31 March 2015 AED |
|---|---|---|
| Employees costs | **5,239,935** | 4,762,171 |
| Travelling expenses | **602,057** | 437,438 |
| Lease rent | **508,093** | 350,293 |
| Legal and professional charges | **1,194,424** | 912,526 |
| Communication costs | **285,507** | 287,589 |
| Insurance | **200,143** | 321,337 |
| Depreciation | **266,644** | 265,043 |
| Allowance for doubtful advances | **12,842,245** | - |
| Maintenance expenses | **336,558** | - |
| Other expenses | **747,468** | 321,136 |
| | **22,223,074** | 7,657,533 |

## 18. Selling and distribution expenses

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

**Notes to the financial statements**
**for the year ended 31 March 2016 (continued)**

## 19. Interest and other income

| | 31 March 2016 AED | 31 March 2015 AED |
|---|---|---|
| Interest income from customers | **3,641,363** | 5,375,116 |
| Interest income from a borrower related party | **35,714,583** | - |
| Other income | **473,437** | 742,100 |
| | **39,829,383** | 6,117,216 |

## 20. Profit /(loss) for the year

Profit /(loss) for the year is arrived at after charging the following expenses:

| | 31 March 2016 AED | 31 March 2015 AED |
|---|---|---|
| Employees costs | **15,266,359** | 13,623,835 |
| Depreciation | **4,925,784** | 4,485,857 |

## 21. Commitments and contingent liabilities

| | 31 March 2016 AED | 31 March 2014 AED |
|---|---|---|
| Bank guarantees | **8,569,400** | 8,517,000 |
| Letters of credit for purchase of raw materials and spares | **-** | 111,151 |
| Commitments for purchase of property, plant and equipment | **-** | 1,537,149 |

## 22. 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:

| | 31 March 2016 AED | 31 March 2015 AED |
|---|---|---|
| Within one year | **382,864** | 370,092 |
| More than 1 year and less than 5 years | **1,688,890** | 1,631,626 |
| More than 5 years | **1,628,515** | 2,068,998 |
| | **3,700,269** | 4,070,716 |

## 23. Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the stakeholders through the optimization of the debt and equity capital. The Company's overall strategy remains unchanged from year ended 31 March 2015.

### Capital gearing ratio

The Company reviews the capital structure on a quarterly basis. As part of this review, the Company considers the cost of capital and the risks associated with capital.

The gearing ratio at the reporting date was as follows:

| | **31 March 2016 AED** | 31 March 2015 AED |
|---|---|---|
| Debt (i) | **24,988,496** | 131,375,694 |
| Cash and cash equivalents (Note 10) | **(3,918,474)** | (2,770,527) |
| Net debt | **21,070,022** | 128,605,167 |
| Equity (ii) | **3,354,961,301** | 63,023,392 |
| Net debt to equity ratio (times) | **0.006** | 2.04 |

(i) Debt is defined as bank borrowings (see Note 14).
(ii) Equity includes share capital, legal reserve and accumulated losses.

## 24. Financial instruments

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, 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.

**Notes to the financial statements**
**for the year ended 31 March 2016 (continued)**

## 24. Financial instruments (continued)

### Fair value measurement (continued)

*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:

| Financial assets | Fair value as at 31 March 2016 AED | 31 March 2015 AED | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable input | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| Financial assets at FVTPL | **4,755,513** | 13,769,442 | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward rates (from observable yield curves at the end of the reporting period) and contract rates, discounted at a rate that reflects the credit risk of various counterparties. | NA | NA |

*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.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 24. Financial instruments (continued)

**Fair value measurement (continued)**

**31 March 2016**

| | Level 1 AED | Level 2 AED | Level 3 AED | Total AED |
|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | |
| Commodity future contracts that are not designated in hedge accounting relationships | **-** | **4,755,513** | **-** | **4,755,513** |

31 March 2015

| | Level 1 AED | Level 2 AED | Level 3 AED | Total AED |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Commodity future contracts that are not designated in hedge accounting relationships | - | 13,769,442 | - | 13,769,442 |

There were no transfers between levels during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

**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 analyzing 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 minimize 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.

## 24. Financial instruments (continued)

**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.

If interest rates on bank borrowings had been 100 basis points higher/ lower throughout the year and all other variables were held constant, the Company's profit for the year ended 31 March 2016 would increase/decrease by AED 249,885 (Loss for the year ended 31 March 2015 would increase/decrease by AED 1,313,757).

**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.

Most of the activities of the Company are carried out in the United Arab Emirates.

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 1,117,910,000 being sales to 3 main customers (Year ended 31 March 2015: AED 1,446,887,927 being sales to 3 main customers). Total trade receivables due from the above main customers amounted to AED Nil as at 31 March 2016 (31 March 2015: AED 11,653,963).

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, which has 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.

## 24. Financial instruments (continued)

### Liquidity risk management (continued)

Maturity of the Company's financial assets and liabilities as at the reporting date was as follows:-

**Financial assets:**

**31 March 2016**

| | Within 1 year AED | 2 years – 5 years AED | Total AED |
|---|---|---|---|
| Financial assets at FVTPL | 4,755,513 | - | 4,755,513 |
| Short term loan due from a related party | 3,326,384,583 | - | 3,326,384,583 |
| Accounts and other receivables | 86,030,653 | - | 86,030,653 |
| Cash and cash equivalents | 3,918,474 | - | 3,918,474 |
| **Total** | **3,421,089,223** | **-** | **3,421,089,223** |

31 March 2015

| | Within 1 year AED | 2 years – 5 years AED | Total AED |
|---|---|---|---|
| Financial assets at FVTPL | 13,769,442 | - | 13,769,442 |
| Due from a related party | 1,112,735 | - | 1,112,735 |
| Accounts and other receivables | 110,936,765 | - | 110,936,765 |
| Cash and cash equivalents | 2,770,527 | - | 2,770,527 |
| Total | 128,589,469 | - | 128,589,469 |

**Financial liabilities:**

**31 March 2016**

| | Within 1 year AED | 2 years – 5 years AED | Total AED |
|---|---|---|---|
| Due to related parties | 345,965,124 | - | 345,965,124 |
| Bank borrowings | 24,988,496 | - | 24,988,496 |
| Accounts and other payables | 16,075,383 | - | 16,075,383 |
| **Total** | **387,029,003** | **-** | **387,029,003** |

31 March 2014

| | Within 1 year AED | 2 years – 5 years AED | Total AED |
|---|---|---|---|
| Due to related parties | 361,482,277 | - | 361,482,277 |
| Bank borrowings | 131,375,694 | - | 131,375,694 |
| Accounts and other payables | 8,632,598 | - | 8,632,598 |
| Total | 501,490,569 | - | 501,490,569 |

## 24. Financial instruments (continued)

**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 linked with it as the AED rate is fixed to the US dollar. The management undertakes suitable procedures to minimize risks associated with transactions denominated in currencies other than AED and US$.

## 25. Approval of financial statements

The financial statements were approved by the Shareholders and authorized for issue on 27 April 2016.