FUJAIRAH GOLD FZC

FINANCIAL STATEMENTS

31 MARCH 2022

Ernst & Young Middle East
(Dubai Branch)
P.O. Box 9267
Ground Floor, ICD Brookfield Place
Al Mustaqbal Street
Dubai International Financial Centre
Dubai
United Arab Emirates

Tel: +971 4 701 0100
+971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
ey.com

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

Opinion

We have audited the financial statements of Fujairah Gold FZC (the "Company"), which comprise the statement of financial position as at 31 March 2022, 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 2022, 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 Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Shareholder for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER 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 the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

For Ernst & Young

Signed by:
Thodla Hari Gopal
Partner
Registration No.: 689

10 June 2022

Dubai, United Arab Emirates

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

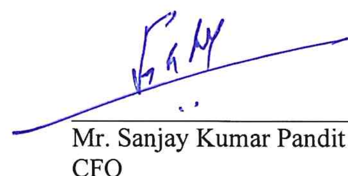
	Notes	***2022 AED***	*2021 AED*
Revenue from contracts with customers	16	**2,000,820,240**	1,619,285,830
Direct costs	17	**(2,008,156,651)**	(1,616,715,952)
GROSS (LOSS) / PROFIT		**(7,336,411)**	2,569,878
General and administrative expenses	18	**(2,569,606)**	(2,205,476)
Provision for doubtful advances paid to a related party	7	**(78,145,728)**	(78,145,729)
Selling and distribution expenses	19	**(10,825,039)**	(8,359,835)
Finance costs	20	**(17,086,737)**	(17,679,478)
Interest and other income	21	**1,748,641**	2,541,197
LOSS FOR THE YEAR		**(114,214,880)**	(101,279,443)
Other comprehensive (loss) / income:			
Other comprehensive (loss) / income that may be reclassified to profit or loss in subsequent periods:			
Net (loss) /gain on cash flow hedges		**(1,482,548)**	7,138,418
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(115,697,428)**	(94,141,025)

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

STATEMENT OF FINANCIAL POSITION
As at 31 March 2022

	Notes	*2022 AED*	*2021 AED*
ASSETS			
Non-current assets			
Property, plant and equipment	5(a)	**53,407,792**	55,590,099
Right-of-use assets	23	**817,534**	1,188,360
		54,225,326	56,778,459
Current assets			
Inventories	6	**87,663,276**	169,758,332
Due from related parties	7	**-**	78,147,404
Accounts receivables, prepayments and other receivables	8	**85,924,192**	153,065,954
Derivative financial instruments	12	**624,431**	181,517
Cash at banks	9	**26,672,676**	3,153,481
		200,884,575	404,306,688
TOTAL ASSETS		**255,109,901**	461,085,147
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**3,359,030,000**	3,359,030,000
Legal reserve	11	**14,773,023**	14,773,023
Cash flow hedge reserve		**(898,717)**	583,831
Other reserve	7	**(3,449,263,158)**	(3,449,263,158)
Accumulated losses		**(217,289,696)**	(103,074,816)
Deficiency of assets		**(293,648,548)**	(177,951,120)
Non-current liabilities			
Employees' end of service benefits	13	**597,411**	679,617
Loan from a related party	7	**419,660,640**	-
Lease liabilities	23	**284,927**	641,114
		420,542,978	1,320,731
Current liabilities			
Due to related parties	7	**36,909,103**	31,119,462
Loan from a related party	7	**-**	300,639,240
Accounts payable, accruals and other payables	14	**90,967,958**	145,462,486
Bank borrowings	15	**-**	160,123,494
Lease liabilities	23	**338,410**	370,854
		128,215,471	637,715,536
Total liabilities		**548,758,449**	639,036,267
TOTAL EQUITY AND LIABILITIES		**255,109,901**	461,085,147

Mr. Puneet Khurana
CEO



Mr. Sanjay Kumar Pandit
CFO

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Share capital AED	*Legal reserve AED*	*Cash flow hedge reserve AED*	*Other reserve AED*	*(Accumulated losses) / retained earnings AED*	*Total AED*
Balance at 1 April 2020	3,359,030,000	14,773,023	(6,554,587)	(3,449,263,158)	(1,795,373)	(83,810,095)
Loss for the year	-	-	-	-	(101,279,443)	(101,279,443)
Other comprehensive income for the year	-	-	7,138,418	-	-	7,138,418
Total comprehensive loss for the year	-	-	7,138,418	-	(101,279,443)	(94,141,025)
Balance at 31 March 2021	3,359,030,000	14,773,023	583,831	(3,449,263,158)	(103,074,816)	(177,951,120)
Balance as at 1 April 2021	3,359,030,000	14,773,023	583,831	(3,449,263,158)	(103,074,816)	(177,951,120)
Loss for the year	-	-	-	-	(114,214,880)	(114,214,880)
Other comprehensive loss for the year	-	-	(1,482,548)	-	-	(1,482,548)
Total comprehensive loss for the year	-	-	(1,482,548)	-	(114,214,880)	(115,697,428)
Balance at 31 March 2022	**3,359,030,000**	**14,773,023**	**(898,717)**	**(3,449,263,158)**	**(217,289,696)**	**(293,648,548)**

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

STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Notes	*2022* *AED*	*2021* *AED*
OPERATING ACTIVITIES			
Loss for the year		**(114,214,880)**	(101,279,443)
Adjustment to reconcile the profit to net cash flows:			
Depreciation and amortization	5(a),5(b), 23	**5,368,252**	5,409,947
Loss/ (gain) on disposal of property, plant and equipment		**9,958**	(23,866)
Provision for employees' end of service benefits	13	**158,924**	127,583
Allowance for non-moving inventories	6	**(112,381)**	191,825
Allowance for doubtful advances	7	**78,145,728**	78,145,729
Finance costs	20	**17,086,737**	17,679,478
		(13,557,662)	251,253
Working capital adjustments			
Decrease in inventories		**82,207,437**	31,706,968
(Increase) / decrease in derivative financial instruments		**(1,925,462)**	9,946,905
Decrease / (increase) in due from related parties		**1,676**	(1,676)
Decrease/ (increase) in accounts receivables, prepayments and other receivables		**67,141,762**	(105,152,357)
(Decrease) / Increase in due to related parties		**(5,904,488)**	12,932,063
Decrease in accounts payable, accruals and other payables		**(54,361,728)**	(6,798,588)
Cash flows from / (used in) operations		**73,601,535**	(57,115,432)
Employees' end of service benefits paid	13	**(241,130)**	(174,004)
Interest paid		**(5,433,360)**	(8,304,910)
Net cash flows from/ (used in) operating activities		**67,927,045**	(65,594,346)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5(a)	**(2,825,077)**	(356,051)
Proceeds from disposal of property, plant and equipment		**-**	79,426
Net cash flows used in investing activities		**(2,825,077)**	(276,625)
FINANCING ACTIVITIES			
Net movement in bank borrowings		**(156,030,154)**	5,416,654
Loan from a related party, net		**119,021,400**	33,428,850
Payment of principal portion of lease liabilities		**(480,679)**	(449,587)
Net cash flows (used in) / from financing activities		**(37,489,433)**	38,395,917
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**27,612,535**	(27,475,054)
Cash and cash equivalents at the beginning of the year		**(939,859)**	26,535,195
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	**26,672,676**	(939,859)

The attached notes 1 to 26 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 license 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 ("Ultimate Parent Company"), Bahamas and the intermediate holding company is Vedanta Limited ("Intermediate Holding Company").

2.1 BASIS OF PREPARATION

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

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and trade receivables (subject to provisional pricing), which are measured at fair value.

The financial statements of the Company are presented in the currency of the primary economic environment in with the Company operates (i.e. presentation currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in United Arab Emirates Dirhams ("AED"), which is the presentation currency for the financial statements.

2.2 FUNDAMENTAL ACCOUNTING CONCEPT

The Company incurred a loss of AED 114,214,880 (2021: AED 101,279,443) for the year ended 31 March 2022 and had a deficiency of assets of AED 293,648,548 (2021: AED 177,951,120) as of 31 March 2022. Further, the Company had net current assets of AED 72,669,104 as at 31 March 2022 (2021: net current liabilities of AED 233,408,848). Note 25 to the financial statements sets out the Company's objectives, policies and processes for managing Company's financial risk including capital management and provide details of Company's exposure to credit risk, liquidity risk and interest risk from financial instruments.

Vedanta Limited - Sterlite Copper application for renewal of Consent to Operate ("CTO") for existing copper smelter at Tuticorin was rejected by the Tamil Nadu Pollution Control Board ("TNPCB") in April 2018. Subsequently, the Government of Tamil Nadu issued directions to close and seal the existing copper smelter plant permanently. The Principal Bench of National Green Tribunal ("NGT") ruled in favour of Sterlite Copper but its order was set aside by the Supreme Court vide its judgment dated 18 February 2019, on the sole basis of maintainability. Vedanta Limited had filed a writ petition before the Madras High Court challenging various orders passed against it. On 18 August 2020, the Madras High Court dismissed the writ petitions filed by Vedanta Limited, which has been challenged by Vedanta Limited in the Supreme Court while also seeking interim relief to access the plant for care and maintenance. The hearing on care and maintenance could not be listed at Supreme Court. Instead, the matter is now being heard on merits.

The financial statements have been prepared on a going concern basis as management believes that, in the foreseeable future, the Company will be able to generate profitable cash flows and the Intermediate Holding Company has resolved to provide the necessary financial support to the Company to enable it to continue its operations and meet its obligations as and when they fall due.

2.3 CHANGES IN ACCOUNTING POLICIES & DISCLOSURES

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 March 2021, except for the adoption of the following new standards, amendments and interpretation effective as of 1 January 2021.

New and amended standards and interpretations
The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 as noted below:

- Interest Rate Benchmark Reform – Phase 2: *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*
- Covid-19-Related Rent Concessions beyond 30 June 2021 *Amendments to IFRS 16*

The adoption of the above amendments and improvements had no significant impact on the financial statements of the Company.

Standards issued but not yet effective
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Contents	***Effective date***
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 8: Definition of Accounting estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendment to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Reference to the Conceptual Framework: Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract: Amendments to IAS 37	1 January 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards: Subsidiary as a first-time adopter	1 January 2022
IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022

The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective. The Company is in the process of assessing the impact of the above to its 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 Recognition

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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

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

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

Contract balances
Trade receivables
A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in the section Financial instruments - initial recognition and subsequent measurement.

Contract assets
A contract asset is the right to consideration in exchange for goods to the customer. If the Company performs by transferring goods to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is a principal in all its revenue arrangements, since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks. The specific recognition criteria described below must also be met before revenue is recognized.

Value Added Tax (VAT)
Revenue, expenses and assets are recognised at amounts net of value added tax except:

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

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

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

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

The asset's 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 with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon 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.

Intangible asset includes software and it is amortised over the estimated useful life of the software license of 5 years.

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 most recent 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.

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 subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

The Company's financial assets consist of cash at banks, trade and other receivables, refundable deposits, due from related parties and derivative financial instruments.

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

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

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

The Company's financial assets at amortised cost include cash at banks, trade and other receivables (not subject to provisional pricing), due from related parties and derivative financial instruments. Refer below to 'Financial assets at fair value through profit or loss' for a discussion of trade receivables (subject to provisional pricing).

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, e.g., derivative instruments, financial assets designated upon initial recognition at fair value through profit or loss, e.g., debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that do not pass the SPPI test are required to be classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As IFRS 9 has the SPPI test for financial assets, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety. This is applicable to the Company's trade receivables (subject to provisional pricing). These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant QP stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements being recognised in 'fair value gains/losses on provisionally priced trade receivables' in the statement of profit or loss and other comprehensive income.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of an Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

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

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

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

For trade receivables (not subject to provisional pricing), bank balance and due from related parties, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognised in the statement of comprehensive income.

ii. Financial liabilities

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

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

The Company's financial liabilities include amounts due to related parties, loan from a related party, bank borrowings and lease liabilities and trade and other payables.

Subsequent measurement
For the purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loan from a related party and borrowings)

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

This category includes accounts payable and accruals (including amounts due to related parties which are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

ii. Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at amortised cost (loan from a related party and borrowings)
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in 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. This category generally applies to interest-bearing loans and borrowings.

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

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

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if:

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

Fair value measurement
The fair values of financial instruments measured at amortised cost are disclosed in note 24. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
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.

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 Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedge relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying 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 comprehensive income as direct costs. 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 comprehensive income as part of direct costs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Fair value hedges (continued)
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 statement of comprehensive income.

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

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income (OCI) in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of comprehensive income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

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

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

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

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, until such time as the assets are substantially ready for their intended use. 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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed to the statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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.

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.

Leases
Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Company as a lessee
(i) Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment, refer the accounting policy on impairment of non-financial assets.

(ii) Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. Refer note 23 for the Company's lease liabilities.

(iii) Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and leasehold premises (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below USD 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

- *Identifying performance obligation*

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

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Revenue from contracts with customers (continued)

- *Determining the timing of satisfaction of performance obligation*

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

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

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

- *Consideration of significant financing component in a contract*

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

Leases

The Company makes certain judgements in determining the lease term for contracts that is or contains a lease:

- The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.
- The Company has the option to renew the lease term for some of its leases. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in a business strategy).
- The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent of the use of a specific asset or assets or the arrangement conveys the right to use the asset.
- The Company has several lease contracts that include termination options. However, the Management does not expect to exercise termination options included in the lease contracts.

Use of estimates

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

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

Provision for expected credit losses on trade receivables

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

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Use of estimates (continued)

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

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

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

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

At the reporting date, gross inventories were AED 88,987,915 (2021: AED 171,195,352) and the provision for slow and obsolete inventories was AED 1,324,639 (2021: AED 1,437,020). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Impairment of due from a related party
An estimate of the collectible amount of due from a related party 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 a related party was AED 234,437,186 (2021: AED 234,438,862) and there was a provision of AED 234,437,186 (2021: AED 156,291,458) for doubtful advances.

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.

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.

Going concern
The management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

5(a) 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 1 April 2020	9,292,902	93,712,549	458,500	1,222,738	412,750	105,099,439
Additions	-	76,905	80,000	89,966	109,180	356,051
Disposals	-	(34,800)	(140,000)	-	-	(174,800)
At 31 March 2021	9,292,902	93,754,654	398,500	1,312,704	521,930	105,280,690
Additions	-	235,712	100,000	73,631	2,415,734	2,825,077
Disposals	-	(25,960)	-	-	-	(25,960)
At 31 March 2022	**9,292,902**	**93,964,406**	**498,500**	**1,386,335**	**2,937,664**	**108,079,807**
Accumulated depreciation:						
At 1 April 2020	2,870,469	40,557,572	330,996	1,027,352	-	44,786,389
Charge for the year	311,158	4,550,524	46,504	115,255	-	5,023,441
Relating to disposals	-	(11,328)	(107,911)	-	-	(119,239)
At 31 March 2021	3,181,627	45,096,768	269,589	1,142,607		49,690,591
Charge for the year	311,158	4,550,419	54,203	81,646	-	4,997,426
Relating to disposals	-	(16,002)	-	-	-	(16,002)
At 31 March 2022	**3,492,785**	**49,631,185**	**323,792**	**1,224,253**	-	**54,672,015**
Net carrying amount:						
At 31 March 2022	**5,800,117**	**44,333,221**	**174,708**	**162,082**	**2,937,664**	**53,407,792**
At 31 March 2021	6,111,275	48,657,886	128,911	170,097	521,930	55,590,099

- 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 purchase and installation of a gas pipeline in the PMR and CCR Plant for the supply of PNG gas. This pipeline will be put to use and capitalized in June 2022. Capital work-in-progress also includes the cost of machinery which is yet to be commissioned and physically lying at premises of Company's one of the related parties.

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

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

	2022	*2021*
	AED	*AED*
Direct costs (note 17)	**4,861,577**	4,861,682
General and administrative expenses (note 18)	**135,849**	161,759
	4,997,426	5,023,441

Impairment testing approach
Property, plant and equipment (excluding capital work-in-progress) and right-of-use assets (note 23) as at 31 March 2022 has been allocated to cash-generating unit for impairment testing as follows:

Continuous Copper Caste Rod (CCR) cash-generating unit – AED 29,382 thousand
Precious Metals Refinery (PMR) cash-generating unit – AED 21,905 thousand

The Company performed its annual impairment test in March 2022 and 2021. The recoverable amount of the cash-generating unit is determined based on a value in use calculation, using cash flow projections based on budgets approved by senior management. The key assumptions of the value in use calculations are those regarding discount rates and growth rates. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. The growth rates are based on management estimates having regard to industry growth rates.

No impairment charge was recognised during the year ended 31 March 2022 (2021: Nil).

5(b) INTANGIBLE ASSETS

	Software license AED
Cost:	
At 1 April 2021 and as at 31 March 2022	**126,264**
Accumulated amortisation:	
At 1 April 2020	106,979
Charge for the year (note 18)	19,285
At 1 April 2021	126,264
Charge for the year (note 18)	-
At 31 March 2022	**126,264**
Net carrying amount:	
At 31 March 2022	-
At 31 March 2021	-

6 INVENTORIES

	2022 *AED*	*2021* *AED*
Finished and semi processed metals (a)	**57,219,102**	40,183,727
Raw materials in hand (b)	**5,830,677**	687,867
Raw materials in transit (c)	**20,326,245**	124,954,564
Spare parts and consumables	**5,611,891**	5,369,194
Less: Allowance for non-moving inventories	**(1,324,639)**	(1,437,020)
Total inventories at the lower of cost and net realisable value	**87,663,276**	169,758,332

(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 silver sand delivered by the supplier to the shipping agent and the bill of lading is issued according to the terms of the purchase agreement signed between the Company and its supplier.

See note 17 for details of inventories recognised as an expense during the years ended 31 March 2022 and 2021.

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

	2022 *AED*	*2021* *AED*
At 1 April	**1,437,020**	1,245,195
Charge for the year	**(112,381)**	191,825
At 31 March	**1,324,639**	1,437,020

7 RELATED PARTY BALANCES AND TRANSACTIONS

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

Balances with related parties included in the statement of financial position are as follows:

	2022 *AED*	*2021* *AED*
Loan to a related party:		
Twin Star Mauritius Holding Limited, Mauritius (a)		-
Bloom Fountain Limited (b)	**3,449,263,158**	3,449,263,158
Less: Adjustment of the loan (a)	**(3,449,263,158)**	(3,449,263,158)
	-	-
Due from a related parties:		
Konkola Copper Mines Plc (c)	**234,437,186**	234,437,186
Less: Provision for doubtful advances (c)	**(234,437,186)**	(156,291,458)
Vedanta Limited, Jharsuguda	**-**	1,676
	-	78,147,404

7 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

	2022 *AED*	*2021* *AED*
Due to related parties:		
Cairn India Holdings Limited (f)	**25,887,477**	14,220,634
Hindustan Zinc Ltd, India (d)	**9,345,840**	15,490,580
Vedanta Limited – Corporate (d)	**1,484,380**	1,269,461
Vedanta Limited, India (d)	**191,406**	138,787
	36,909,103	31,119,462
Loan from a related party:		
Cairn India Holdings Limited (e)	**419,660,640**	300,639,240

(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 favor of the Company, as indicated earlier, had been revoked. Hence, in accordance with the accounting policies described in note 2, the Company fully adjusted the short-term loan balance (including accrued interest) as at 27 March 2017, that had been extended to TSMHL directly in the statement of changes in equity.

(b) On 22 March 2018, the Company has entered into an assignment agreement with TSMHL and Bloom Fountain Limited (BFL) with respect to the assignment of the loan payable by TSHML to the Company of an amount of USD 900 million along with the corresponding interest accrued till date to BFL.

(c) During the year ended 31 March 2019, the Company had given trade advance of USD 69 million to Konkola Copper Mines Plc ("KCM") (one of the fellow subsidiaries domiciled in Zambia) for procurement of copper cathodes.

A provisional liquidator ('PL') was appointed to manage the KCM's affairs on 21 May 2019, after ZCCM Investments Holdings Plc (ZCCM-IH), an entity majority owned by the Government of Zambia and a 20.6% shareholder in KCM, filed a winding up petition against KCM. KCM's majority shareholder, Vedanta Resources Holdings Limited (VRHL), and its parent company, Vedanta Resources Limited (VRL), are contesting the winding up petition in the Zambian courts and have also commenced arbitration against ZCCM-IH, consistent with their position that arbitration is the agreed dispute resolution process, together with an application to the South African courts to stay the winding up proceedings consistent with the agreement to arbitrate. Meanwhile, KCM has not been supplying goods to the Group, which it was supposed to as per the terms of the advance.

The balance of outstanding receivables from KCM as at the reporting date is Nil (after providing for AED 234,437,186 as doubtful advances). Management, based on its assessment of the merits of the case backed by legal opinions and considering the actions taken by VRL and VRHL, believes that there is a high probability of success and does not expect any further material adjustment to the net carrying amount of the advance recoverable.

(d) The amounts outstanding are unsecured and will be settled in cash. No guarantees have been received or given.

(e) During October 2019, the company has availed an unsecured loan from Cairn India Holdings Limited, Jersey with a total limit of USD 100 million at an interest rate of 12 months LIBOR plus 200 bps p.a. for 2 years. On 5 May 2021, Cairn India Holdings Limited, increased the total limit of an unsecured loan to USD 150 million at a revised interest rate of 12 months LIBOR plus 250 bps p.a. The amount utilized as at the reporting date is USD 114.24 million (2021 USD 81.84 million). The loan is repayable on 14 October 2023.

7 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

	2022 *AED*	*2021* *AED*
Loan from a related party	**181,470,900**	33,428,850
Payments made to a related party	**62,449,500**	-
Purchase of silver sand	**19,703,490**	27,128,387
Sale of copper rods	**13,556,339**	1,833,811
Interest charged by a related party (note 20)	**11,666,844**	9,557,761
Expenses charged to the Company, net	**249,236**	717,066
Allocation of stock option plans	**122,342**	60,769
Purchase of Stores & Spares	**28,519**	24,969

Remunerations and bonuses to key management personnel during the year amounted to AED 7,062,217 (2021: AED 3,151,797).

8 ACCOUNTS RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	2022 *AED*	*2021* *AED*
Trade receivables – amortised cost - (note 16.2)	**80,217,425**	106,954,533
Trade receivables (subject to provisional pricing) – fair value (note 16.2)	**674,235**	42,032,392
Advances and other receivables	**3,561,098**	1,782,928
VAT receivables	**1,153,473**	1,978,433
Refundable deposits	**317,961**	317,668
	85,924,192	153,065,954

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 2022, trade receivables amounting to AED 9,793,418 (31 March 2021: AED 14,475,458) were secured through letters of credit in favour of the Company with the balance being secured by cash advances against documents. Interest is charged to customers for credit periods allowed as per signed sale agreements. There are no impaired trade receivables.

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

			Past due but not impaired			
	Total *AED*	*Not due* *AED*	*<60 days* *AED*	*61-90 days* *AED*	*91-180 days* *AED*	*>180 days* *AED*
2022	**80,891,660**	**80,891,660**	**-**	**-**	**-**	**-**
2021	148,986,925	82,140,150	66,846,775	-	-	-

Trade receivables (subject to provisional pricing), are exposed to future commodity price movements over the QP and, hence, fail the SPPI test and are measured at fair value up until the date of settlement. These trade receivables are initially measured at the amount at which the Company expects to be entitled, being the estimate of the price expected to be received at the end of the QP. As per the prevailing market practice, where quotational period price are not finalised as at the reporting date, the prices are restated at Forward London Metal Exchange (LME) / London Bullion Market Association (LBMA) rates as at the reporting date and adjustments are made based on the metal contents as per laboratory assessments done by the Company's technicians pending final invoice.

9 CASH AT BANKS

	2022 *AED*	*2021* *AED*
Cash at banks	**26,672,676**	3,153,481

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

	2022 *AED*	*2021* *AED*
Cash at banks	**26,672,676**	3,153,481
Bank overdraft (note 15)	**-**	(4,093,340)
	26,672,676	(939,859)

10 SHARE CAPITAL

	2022 *AED*	*2021* *AED*
Authorised share capital of 37,246,600 shares at par value of AED 100 each	**3,724,660,000**	3,724,660,000
Issued and paid up share capital of 33,590,300 shares at par value of AED 100 each	**3,359,030,000**	3,359,030,000

The capital contributed by the Shareholders was as follows:

At 31 March 2022:

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

At 31 March 2021:

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

11 LEGAL RESERVE

In accordance with the Company's Articles of Association, 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

	2022	*2021*
	AED	*AED*
Derivative financial asset	**624,431**	181,517

The derivative financial instruments as at 31 March relates to futures commodity contracts of nominal amount of AED 74,982,142 with net sell position outstanding as at 31 March 2022 (2021: Net buy position AED 89,318,135). These financial instruments will mature by April 2022, May 2022 and June 2022.

13 EMPLOYEES' END OF SERVICE BENEFITS

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

	2022	*2021*
	AED	*AED*
Balance at the beginning of the year	**679,617**	726,038
Provided during the year	**158,924**	127,583
Paid during the year	**(241,130)**	(174,004)
Balance at the end of the year	**597,411**	679,617

14 ACCOUNTS PAYABLE, ACCRUALS AND OTHER PAYABLES

	2022	*2021*
	AED	*AED*
Trade payables	**40,767,673**	139,325,762
Accruals and other payables	**8,990,194**	4,540,842
Contract liabilities (note 16.2)	**41,210,091**	1,595,882
	90,967,958	145,462,486

Terms and conditions of the above financial liabilities:

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

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

15 BANK BORROWINGS

	2022 *AED*	*2021* *AED*
Working capital borrowing	**-**	108,000,900
Bank overdraft	**-**	4,093,340
Trust receipts	**-**	48,029,254
	-	160,123,494

The company had availed a working capital facility of USD 50 million from Axis Bank Ltd., India. It carried interest of USD LIBOR plus 2.5% per annum and was secured by a corporate guarantee of Vedanta Limited. The loan was fully repaid during the year. The corporate guarantee issued by Vedanta Limited had been revoked.

16 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2022 *AED*	*2021* *AED*
Sale of goods	**2,000,820,240**	1,619,285,830

16.1 Disaggregated revenue information

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

	2022 *AED*	*2021* *AED*
Geographical markets		
Sultanate of Oman	**662,376,249**	456,369,565
Hong Kong	**302,665,934**	1,391,185
United Arab Emirates	**270,865,740**	218,119,830
Switzerland	**185,581,392**	-
Japan	**101,403,452**	-
India	**83,094,215**	85,131,033
South Africa	**81,170,607**	73,414,057
Saudi Arabia	**67,025,753**	399,499,058
Others	**246,636,898**	385,361,102
	2,000,820,240	1,619,285,830
Timing of revenue recognition		
Goods transferred at a point in time	**2,000,820,240**	1,619,285,830

16.2 Contract balances

	2022 *AED*	*2021* *AED*
Trade receivables (note 8)	**80,891,660**	148,986,925
Contract liabilities (note 14)	**41,210,091**	1,595,882

16 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

16.2 Contract balances (continued)

During the year, the Company recognised revenue amounting to AED 1,595,882 (2021: AED 5,345,889) that were included in the contract liabilities as at the beginning of the year.

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

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

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

16.3 Performance obligations:

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

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

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

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

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

17 DIRECT COSTS

	2022 *AED*	*2021* *AED*
Raw materials costs	**1,969,706,753**	1,583,810,623
Employees costs	**15,936,965**	11,328,462
LPG, diesel and lubricants	**5,626,687**	4,378,863
Depreciation of property, plant and equipment and right-of-use assets [Note 5(a) and 23]	**5,232,403**	5,228,903
Freight inward charges	**4,389,392**	4,832,026
Packing materials, spares consumption and repairs	**3,084,950**	3,103,660
Electricity and water charges	**2,117,513**	2,129,277
Expenses relating to short term leases and leases of low-value assets (Note 23)	**1,234,959**	1,084,934
Other costs	**827,029**	819,204
	2,008,156,651	1,616,715,952

18 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 *AED*	*2021* *AED*
Legal and professional charges	**701,190**	578,530
Employees costs	**678,512**	363,523
Travelling expenses	**396,914**	465,053
Insurance	**234,610**	182,326
Communication costs	**226,403**	203,314
Depreciation of property, plant and equipment [Note 5(a)]	**135,849**	161,759
Maintenance expenses	**1,949**	28,672
Amortisation of intangible assets [Note 5(b)]	**-**	19,285
Other expenses	**194,179**	203,014
	2,569,606	2,205,476

19 SELLING AND DISTRIBUTION EXPENSES

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

20 FINANCE COSTS

	2022 *AED*	*2021* *AED*
Interest charged by a related party (note 7)	**11,666,844**	9,557,761
Interest on bank borrowings	**2,119,651**	5,373,219
Export bill negotiation charges	**1,227,652**	1,279,118
Accretion of interest on lease liabilities (note 23)	**92,048**	126,183
Other bank charges	**1,980,542**	1,343,197
	17,086,737	17,679,478

21 INTEREST AND OTHER INCOME

	2022 *AED*	*2021* *AED*
Interest income from customers	**1,673,455**	2,151,944
Other income	**75,186**	389,253
	1,748,641	2,541,197

22 CONTINGENT LIABILITIES

As at 31 March 2022, the Company had contingent liabilities in respect of bank guarantees amounting to AED 11,500,000 (2021: AED 7,050,000).

23 LEASES

The Company has lease contracts for land, factory building, staff accommodation, machineries and equipment used in its operations. Leases of land and building generally have lease terms of 15 years. Staff accommodation, machineries and equipment are normally on a lease for an annual basis with a renewal option. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company also has certain leases of staff accommodation, machineries and equipment with lease terms of 12 months or less or low value assets. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. The rental expenses associated with such short-term and low-value leases of AED 1,234,959 (2021: AED 1,084,934) are recorded under the direct costs (note 17).

a) Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year ended 31 March 2022:

	Land *AED*	*Building* *AED*	*Total* *AED*
Cost:			
At 1 April 2021 and 31 March 2022	495,866	1,425,734	1,921,600
Accumulated depreciation:			
1 April 2021	189,226	544,014	733,240
Charge for the year	95,751	275,075	370,826
At 31 March 2022	**284,977**	**819,089**	**1,104,066**
Net carrying amount			
At 31 March 2021	306,640	881,720	1,188,360
At 31 March 2022	**210,889**	**606,645**	**817,534**

b) Set out below are the carrying amounts of lease liabilities and the movements during the year ended 31 March 2022 and 2021:

	2022 *AED*	*2021* *AED*
At 1 April	**1,011,968**	1,335,372
Accretion of interest (note 20)	**92,048**	126,183
Payments	**(480,679)**	(449,587)
At 31 March	**623,337**	1,011,968
Non-current liabilities	**284,927**	641,114
Current liabilities	**338,410**	370,854
At 31 March	**623,337**	1,011,968

23 LEASES (continued)

c) The following are the amounts recognised in the statement of comprehensive income:

	2022 ***AED***	*2021* *AED*
Depreciation expense in respect of right-of-use assets	**370,826**	367,221
Finance cost recognized associated with the lease liabilities (note 20)	**92,048**	126,183
Expenses relating to short term leases and leases of low-value assets (note 17)	**1,234,959**	1,084,934
Total amount recognised in the statement of comprehensive income	**1,697,833**	1,578,338

d) Extension of leases and sensitivity:

The Company has several lease contracts that include extension and termination options. These options are negotiated by the Management to provide flexibility in managing the leased-asset portfolio and align with Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see note 4).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

	Within five years AED	***More than five years AED***	***2022 Total AED***
Extensions options expected not to be exercised	**721,019**	**-**	**721,019**
	721,019	**-**	**721,019**

24 FINANCIAL INSTRUMENTS

Significant accounting policies

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

Fair value measurement

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

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

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

Nature	*Fair value as at* ***31 March 2022 AED***	*31 March 2021 AED*	*Fair value hierarchy*	*Valuation techniques and key inputs*
Derivative financial asset	**624,431**	181,517	Level 2	Broker statements based on LME / LBMA market prices
Trade receivables	**674,235**	42,032,392	Level 2	Market observable inputs

24 FINANCIAL INSTRUMENTS (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 2022

	Level 1 *AED*	*Level 2* *AED*	*Level 3* *AED*	*Total* *AED*
Derivative financial asset		**624,431**		**624,431**
Trade receivables (subject to provisional pricing)	-	**674,235**	-	**674,235**

31 March 2021

	Level 1 *AED*	*Level 2* *AED*	*Level 3* *AED*	*Total* *AED*
Derivative financial asset	-	181,517	-	181,517
Trade receivables (subject to provisional pricing)	-	42,032,392	-	42,032,392

There were no transfers between levels during the year.

25 FINANCIAL RISK MANAGEMENT

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. The main risks arising from Company's financial instruments are market risk, interest rate risk, credit risk, liquidity risk and currency risk.

The Company seeks to minimise the effects of risks related to financial instruments. The Company's policies in this regard 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.

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.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's loss before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ decrease in basis points	***Effect on loss before tax***	
		2022	***2021***
AED	**+50%**	**(2,517,486)**	(2,043,201)
AED	**- 50%**	**2,517,486**	2,043,201

25 FINANCIAL RISK MANAGEMENT (continued)

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

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

	2022	*2021*
	AED	*AED*
Due from related parties, net	**-**	78,147,404
Trade receivables	**80,891,660**	148,986,925
Bank balances	**26,672,676**	3,153,481
Refundable deposits	**317,961**	317,668
	107,882,297	230,605,478

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

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. Further, there is no prior history of defaults. Its five largest customers account for 96% of outstanding trade receivable as at 31 March 2022 (2021: 88%).

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

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities.

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.

25 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)
The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 March, based on contractual payment dates and current market interest rates.

At 31 March 2022:

	Less than 1 year AED	***1 to 2 years AED***	***2 to 5 years AED***	***Total AED***
Loan from a related party	**11,664,713**	**425,946,624**	**-**	**437,611,337**
Trade payable	**40,767,673**	**-**	**-**	**40,767,673**
Due to related parties	**36,909,103**	**-**	**-**	**36,909,103**
Accruals and other payables	**8,990,194**	**-**	**-**	**8,990,194**
Lease liabilities	**480,679**	**240,340**	**-**	**721,019**
	98,812,362	**426,186,964**	**-**	**524,999,326**

At 31 March 2021:

	Less than 1 year AED	*1 to 2 years AED*	*2 to 5 years AED*	*Total AED*
Loan from a related party	305,600,390	-	-	305,600,390
Trade payable	139,325,762	-	-	139,325,762
Bank borrowings	160,890,972	-	-	160,890,972
Due to related parties	31,119,462	-	-	31,119,462
Accruals and other payables	4,540,842	-	-	4,540,842
Lease liabilities	480,679	480,679	240,340	1,201,698
	641,958,107	480,679	240,340	642,679,126

Changes in liabilities arising from financing activities

	1 April 2021 AED	***Net cashflow movement AED***	***Other non-cash items AED***	***31 March 2022 AED***
Bank borrowings	**160,123,494**	**(160,123,494)**	**-**	**-**
Loan from a related party	**300,639,240**	**119,021,400**	**-**	**419,660,640**
Lease liabilities (current and non-current) (note 23)	**1,011,968**	**(480,679)**	**92,048**	**623,337**
	461,774,702	**(41,582,773)**	**92,048**	**420,283,977**

	1 April 2020 AED	*Net cashflow movement AED*	*Other non-cash items AED*	*31 March 2021 AED*
Bank borrowings	150,613,500	9,509,994	-	160,123,494
Loan from a related party	267,210,390	33,428,850	-	300,639,240
Lease liabilities (current and non-current) (note 23)	1,335,372	(449,587)	126,183	1,011,968
	419,159,262	42,489,257	126,183	461,774,702

25 FINANCIAL RISK MANAGEMENT (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 currently pegged with the US Dollars (1 USD = 3.6735 AED). The management undertakes suitable procedures to minimise risks associated with transactions denominated in currencies other than AED and US Dollars.

Capital Management
The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the stakeholders through the optimisation of the debt and equity capital. The Company's overall strategy remains unchanged for the year ended 31 March 2022 and 2021.

26 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Shareholder and authorised for issue on 10 June 2022.