

SAMPLE GOLD DMCC

Dubai, UAE.

2nd Audited Financial Statements

December 31, 2014

Parag Parekh and Co

Chartered Accountants

Dubai - Mumbai

CONTENTS

P A G E

Index	2
Independent Auditor's Report	3
Components of Financial Statements	
> Statement of Financial Position	4
> Income Statement	5
> Statement of Changes in Equity	6
> Cash Flow Statement	7
> Accounting Policies and Explanatory Notes	8 to 13
> Property, Plant and Equipment Schedule	14

Independent Auditor's Report to the Shareholders of SAMPLE GOLD DMCC, Dubai, U.A.E.

We have audited the accompanying financial statements of SAMPLE GOLD DMCC as at December 31, 2014, which comprise the statement of financial position, the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with International Financial Reporting Standards for Small and Medium Sized Entities, and for such internal control as management determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of SAMPLE GOLD DMCC, Dubai, U.A.E. as at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards for Small and Medium Sized Entities and comply, where appropriate, with the Memorandum and Articles of Association of the Company and the DMCC Company Regulations No. 1/03.

Other Matters

As required by the DMCC Company Regulations 1/03, we further confirm that we have obtained all informations and explanations necessary for our audit and that proper books of accounts have been kept by the Company. We are not aware of any violation of the above mentioned Regulations and Memorandum and Articles of Association of the Company, which may have had material effect on the business of the Company or on its financial position.

Chartered Accountants
Dubai, United Arab Emirates
Dated : January 31, 2015

SAMPLE GOLD DMCC
Dubai, United Arab Emirates

Statement of Financial Position
As at December 31, 2014

As at
31.12.2013

All figures are expressed in U.A.E. Dirhams

	Note		
Non Current Assets			
Property, Plant and Equipment (Net)	Sch	9,123,976	8,520,566
Capital Work in Progress	3	0	880,254
		9,123,976	9,400,820
Current Assets			
Inventories	4	4,835,185	2,822,069
Trade Receivables	5	959,228	687,322
Advance to Suppliers		248,047	47,745
Cash and Bank Balances	6	438,482	2,328,888
Deposits, Advances and Prepayments		321,812	275,724
	(A)	6,802,754	6,161,748
Current Liabilities			
Trade Payables		834,539	2,873,408
Advance from Customers		665,303	2,542,729
Other Payables		1,169,730	0
Provisions		118,878	57,514
	(B)	2,788,450	5,473,651
Net Current Assets	(A - B)	4,014,304	688,097
Net Assets		13,138,280	10,088,917
Shareholders' Equity			
Share Capital		200,000	200,000
Partner Current Accounts		9,018,343	8,423,597
Accumulated Profits		3,919,937	1,465,320
		13,138,280	10,088,917

We confirm that we are responsible for these financial statements, including selecting the accounting policies and making the judgments underlying them. We also confirm that we have made available all relevant accounting records and information for their compilation. These financial statements were approved on January 31, 2015 and signed on behalf of the board by

Director

Auditor's Report Page - 2

parag parekh and co
chartered accountants
dubai - mumbai

SAMPLE GOLD DMCC
Dubai, United Arab Emirates

Statement of Income

Year ended December 31, 2014

Y.E.
31.12.2013

All figures are expressed in U.A.E. Dirhams

	Note		
Sales	16	201,036,359	95,737,979
Cost of Sales	16	-196,154,135	-92,809,827
Gross Profit		<u>4,882,224</u>	<u>2,928,152</u>
Expenses			
Personnel Expenses		570,029	284,160
Rent		350,367	216,450
Admin Expenses		813,484	572,870
Selling Expenses		178,344	112,344
Depreciation	Sch	537,334	328,058
Sub-total		<u>2,449,558</u>	<u>1,513,882</u>
Profit from Operations		2,432,666	1,414,270
Other Income		21,951	51,050
Net Profit taken to Statement of Financial Position		<u>2,454,617</u>	<u>1,465,320</u>

These financial statements were approved on behalf of the Board and signed by

Director

Auditor's Report Page - 2

SAMPLE GOLD DMCC

Dubai, United Arab Emirates

Statement of Changes in Equity

Year ended December 31, 2014

All figures are expressed in U.A.E. Dirhams

	Share Capital	Partners Current Account	Accumulated Profits	Total
Balance as at 1.1.2014	200,000	8,423,597	1,465,320	10,088,917
Funds Introduced	0	594,746	0	594,746
Transfer from Statement of Income	0	0	2,454,617	2,454,617
Balance as at 31.12.2014	<u>200,000</u>	<u>9,018,343</u>	<u>3,919,937</u>	<u>13,138,280</u>
Balance as at 1.1.2013	0	0	0	0
Funds Introduced	200,000	8,423,597	0	8,623,597
Transfer from Statement of Income	0	0	1,465,320	1,465,320
Balance as at 31.12.2013	<u>200,000</u>	<u>8,423,597</u>	<u>1,465,320</u>	<u>10,088,917</u>

SAMPLE GOLD DMCC
Dubai, United Arab Emirates

Cash Flow Statement

Year ended December 31, 2014

YE
31.12.2013

All figures are expressed in U.A.E. Dirhams

Cash flow from Operating Activities

Net Profit	2,454,617	1,465,320
Add : Depreciation	537,334	328,058
Net Operating Profit before changes in operating assets and liabilities	<u>2,991,951</u>	<u>1,793,378</u>
Inventories	-2,013,116	-2,822,069
Trade Receivables	-271,906	-687,322
Advance to suppliers	-200,302	-47,745
Deposits, Advances Prepayments	-46,088	-275,724
Advance from Customers	-1,877,426	2,542,729
Trade Payables	-2,038,869	2,873,408
Provisions	61,364	57,514
Cash used in operations	<u>-3,394,392</u>	<u>3,434,169</u>

Cash Flow from Investing Activities

Purchase of Property, Plant and Equipment	-260,490	-8,848,624
Capital Work in Progress		-880,254
Net Cash used in Investing Activities	<u>-260,490</u>	<u>-9,728,878</u>

Cash Flow from Financing Activities

Funds Introduced	594,746	8,623,597
Other payables	1,169,730	0
Net Cash flow from Financing Activities	<u>1,764,476</u>	<u>8,623,597</u>

Changes in cash and cash equivalents	-1,890,406	2,328,888
Cash and cash equivalents at beginning	2,328,888	0
Cash and cash equivalents at end	<u>438,482</u>	<u>2,328,888</u>
	0	0

Supplemental Cash Flow Statement Information

Non-Cash Transactions	Nil	Nil
-----------------------	-----	-----

SAMPLE GOLD DMCC

Dubai, United Arab Emirates

Accounting Policies and Explanatory Notes

Year ended December 31, 2014

All figures are expressed in U.A.E. Dirhams

1a Legal Status

SAMPLE GOLD DMCC is registered as Limited Liability Company with Dubai Multi Commodities Centre, Dubai, U.A.E., as per the DMCC Company Regulation No. (1/03).

Dubai Multi Commodities Centre has issued *Industrial Licence* No.123 dated January 1, 2013.

The registered office of the Company is located at Unit no. 123, Bldg. No. Y, DMCC, Dubai, U.A.E.

Following are the Shareholders as per Memorandum of Association dated January 1, 2013.

<i>Name of the Shareholders</i>	<i>Nationality</i>	<i>Shares Held</i>
Mr. ABC	India	100
Mr. XYZ	India	100

Share Capital of the Company is AED 200,000/- divided into 200 shares of AED 1,000/- each.

1b Business Activities

The company is engaged in manufacturing of Gold Jewellery.

2 Accounting Policies

The following accounting policies have been consistently applied by the management in the preparation of the financial statements. The financial statements are prepared in accordance with International Financial Reporting Standards for Small and Medium Sized Entities.

a Accounting Basis

These financial Statements are prepared under the accrual basis of accounting except for staff terminal benefits. Under the accrual basis, transactions and events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

b Measurement Basis

These Financial Statements have been prepared on historical cost basis.

c **Preparation basis**

The financial statements are prepared in U.A.E. Dirhams, which is considered to be the company's principal trading currency.

d. **Property, Plant and Equipment**

The cost of property, plant and equipment is their purchase cost together with any incidental expenses of acquisition.

Depreciation on property, plant and equipment has been computed from the date purchase *except* Machinery and Tools for which depreciation has been computed from the date of start of manufacturing jewellery or date of purchase whichever is later, on straight-line method at the annual rates estimated to write off the cost of the assets over its expected useful lives as under :

Freehold Factory Premises	4%
Machinery and Tools	12.50%
Furniture & Fixture	20%
Computers	33.33%
Office Equipment	20%
Vehicles	25%

e **Impairment of tangible assets**

At each Statement of Financial Position date, the company reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised in the income statement unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

f **Inventories**

Inventories of pure gold is valued at net realisable value prevailing at the Balance Sheet Date. International Financial Reporting Standard – 2 for inventory permits the valuation of inventory of mineral ore viz. Gold at net realisable value. This policy is also in accordance with well established practice in gold jewellery business.

The making charges on physical inventory of gold jewellery has been valued at lower of average cost and net realisable value.

Cost excludes all the expenses incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimate of selling price in the ordinary course of business less selling expenses.

No provision is made for slow moving and non moving gold jewellery as it can be melted and new gold jewellery can be made.

g **Margin paid against unfixed gold taken & vice versa**

As per the practice prevalent in the gold jewellery business, margin represents amounts paid to the lender of gold when gold is obtained on unfixed basis and vice versa. Margin acts as a security for the lender of gold. When the buyer (borrower) wishes to fix the price of gold, the amount paid as margin is adjusted against the amount payable for the price of gold purchased.

h **Foreign Currencies**

- i Transactions in foreign currency are converted into U.A.E. Dirhams at the rates ruling when entered into.
- ii Monetary foreign currency balances are converted into U.A.E. Dirhams at the rate of exchange ruling at the Balance Sheet date.
- iii Resultant gain or loss is taken to Income Statement.

i **Accounting for Operating Leases - where the company is a lessee**

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

j **Revenue Recognition**

Business activities of the Company is Gold Jewellery sales
Gold Jewellery Sales comprises of the pure gold value and jewellery making charges.

Gold Jewellery Making Charges

Revenue from jewellery making charges is recognized in the income statement when the jewellery is sold on fixed gold rate basis and on unfixed gold rate basis.

Pure Gold Portion of Gold Jewellery Sales

Revenue from pure gold portion of gold jewellery sales is recognized in the income statement when pure gold portion is sold on fixed gold rate basis and also when earlier unfixed gold position is fixed by the

k **Movements in pure gold**

Unrecognised

It is a frequent practice that when gold jewellery is received from a supplier on unfixed basis, the company repays in pure gold instead of fixing the gold value. Such payments of pure gold do not reflect in the annual volume of purchase or sales of either parties.

Recognised

Pure gold received from customers and conversion of it into jewellery (at a making charge) is reflected in the Grams and AED value of gold purchases and gold sales respectively by applying the same per gram rate.

l **Cash and Cash Equivalents**

Cash and Cash Equivalents for the purpose of cash flow statement comprises of cash in hand, bank overdraft repayable on demand, bank current and call accounts, fixed deposits free from lien with a maturity date of three months or less from the date of deposit.

3 **Capital Work in Progress**

i	Advance for Freehold staff accommodation	0	880,254
	Purchase of staff accommodation registered on 27th January, 2014 with Land Dept.		
		0	880,254

4 **Inventories**

		Pure Gold <i>Qty (Grams)</i>	Pure Gold <i>Qty (Grams)</i>
a	Gold and Gold Jewellery at 31.12.2014		
	Physical Inventory (including WIP)	24,883.85	34,849.33
	Melting Scrap (refinable)	4,383.78	0.00
	Gold unfixed from trade receivable	10,641.75	5,114.75
	Gold unfixed to trade payables	-8,776.90	-20,112.64
	<i>Owned Inventory (Quantity in grams)</i>	31,132.48	19,851.44
b	Rate per Ounce (31.1035 Grams)	USD 1,315	USD 1,201
	Derived Rate per Gram in AED	AED 155.31	AED 141.90
c	Value	(a*b) 4,835,185	2,816,919
	Making charges on physical gold jewellery	0	5,150
		4,835,185	2,822,069

5	Trade Receivables	<u>959,228</u>	<u>687,322</u>
	Ageing		
	1 to 60 Days	959,228	
	As at 23.1.2015 subsequently received from customers	797,991	
6	Cash and Bank Balances		
	Cash in Hand	130,555	23,207
	Balances with Banks in Current Account	<u>307,927</u>	<u>2,305,681</u>
		<u>438,482</u>	<u>2,328,888</u>
7	Related Party Transactions		

There are no related party transactions and balances during the period.

8 **Financial Instruments**

Fair Values

The fair values of the company's financial assets and liabilities approximate to their carrying values.

Credit Risk, Interest Rate Risk and Exchange Rate Risk Exposure.

Credit Risk

Financial assets which potentially expose the organisation to credit risk comprise mainly of bank current and fixed deposit accounts, trade receivables and margin paid against unfixed gold received.

The company's bank current accounts are placed with high credit quality financial institutions.

There is no credit risk with respect to margin paid against unfixed gold received as this margin is being paid against the receipt of gold on unfixed basis.

Exchange Rate Risk

There is no significant exchange rate risk as substantial part of the financial assets and financial liabilities are denominated in U.A.E. Dirhams or U.S. Dollars to which the dirham is fixed.

9 **Significant Events occurring after the Statement of Financial Position date**

There were no significant events occurring after the statement of financial position date which require disclosure in the financial statements.

10	Number of Personnel	23	16
----	----------------------------	----	----

11 **Previous Year's Figures**

Previous year's figures are re-grouped or re-arranged wherever necessary so as to conform to the current year's presentation.

12 In the opinion of the management all the assets as shown in the financial statements are existing and realisable at the amount shown against them, and there are no liabilities against the company, contingent or otherwise, not included in the above financial statements.

15 Sales and Cost of sales

Year Ended December 31, 2014

	Pure Gold Grams	Average Rate	Gold Value	Making Charges	Total
Sales of pure gold & gold jewellery	684,816.84	152.55	104,471,137	2,538,428	107,009,565
Sales of unfixed gold jewellery - contra	592,051.64	155.31	91,951,540	2,075,254	94,026,794
	<u>1,276,868.48</u>		<u>196,422,677</u>	<u>4,613,682</u>	<u>201,036,359</u>
Opening Stock	19,851.44	-141.90	2,816,919	5,150	2,822,069
Purchases of pure gold and jewellery	696,097.88	152.21	105,955,813	0	105,955,813
Purchase of unfixed gold jewellery - contra	592,051.64	155.31	91,951,540	0	91,951,540
Direct and Other Manufacturing Expenses	0.00	0	0	259,898	259,898
Closing Stock	-31,132.48	155.31	-4,835,185	0	-4,835,185
Cost of sales (b)	<u>1,276,868.48</u>		<u>195,889,087</u>	<u>265,048</u>	<u>196,154,135</u>
Gross Profit (a - b)			<u>533,590</u>	<u>4,348,634</u>	<u>4,882,224</u>

Year Ended December 31, 2013

Sales of pure gold & gold jewellery	494,486.26	147.24	72,810,383	2,426,428	75,236,811
Sales of unfixed gold jewellery - contra	139,921.87	141.90	19,854,911	646,257	20,501,168
	<u>634,408.13</u>		<u>92,665,294</u>	<u>3,072,685</u>	<u>95,737,979</u>
Opening Stock	0	0	0	0	0
Purchases of pure gold and jewellery	514,337.70	146.69	75,446,910	142,619	75,589,529
Purchase of unfixed gold jewellery - contra	139,921.87	141.90	19,854,911	0	19,854,911
Direct and Other Manufacturing Expenses	0	0	0	187,456	187,456
Closing Stock	-19,851.44	141.90	-2,816,919	-5,150	-2,822,069
Cost of sales (b)	<u>634,408.13</u>		<u>92,484,902</u>	<u>324,925</u>	<u>92,809,827</u>
Gross Profit (a - b)			<u>180,392</u>	<u>2,747,760</u>	<u>2,928,152</u>

parag parekh and co
chartered accountants
dubai - mumbai

SAMPLE GOLD DMCC
Dubai, United Arab Emirates

Property, Plant and Equipment Schedule

Year ended December 31, 2014

All figures are expressed in U.A.E. Dirhams

	Freehold Factory Premises	Machinery & Tools	Furniture & Fixture	Computers	Office Equipment	Vehicles	Total
Rate of Depreciation (SLM)	4%	12.50%	20%	33.33%	20%	25%	
Cost							
As at 1.1.2014	2,158,049	5,509,258	733,655	77,763	177,585	192,314	8,848,624
Additions	880,254	247,479	8,530	0	4,481	0	1,140,744
As at 31.12.2014	3,038,303	5,756,737	742,185	77,763	182,066	192,314	9,989,368
Depreciation							
As at 1.1.2014	86,322	122,868	58,460	9,460	18,100	32,848	328,058
For the year	57,521	351,919	73,426	12,853	17,773	23,842	537,334
As at 31.12.2014	143,843	474,787	131,886	22,313	35,873	56,690	865,392
Net Value							
As at 31.12.2014	2,894,460	5,281,950	610,299	55,450	146,193	135,624	9,123,976
As at 1.1.2014	2,071,727	5,386,390	675,195	68,303	159,485	159,466	8,520,566

Notes:

- Freehold Factory Premises are in the name of the company covering 646.95 Square Meter, Situated at Floor X, Building Y, DMCC, Dubai amounting to 2,158,049/-.
- The company has purchased staff Accomodation 5 units each of 229 sq.ft., located at Building No.Y, DMCC, Dubai, U.A.E amounting to 889,265/-.