

**Damas International Limited
and its subsidiaries**

**Unaudited interim condensed consolidated
financial statements**

30 September 2009

Board of Directors

Tawfique Abdulla (*Chairman and Managing Director*)
Tamjid Abdulla (*Deputy Managing Director*)
Tawhid Abdulla (*Director*)
H.E. Mr. Mohamed Alabbar (*Non-Executive Independent Director*)
Aamer Abdul Jalil Mohd Al Fahim (*Non-Executive Director*)
Dr Gaetano Cavalieri (*Non-Executive Independent Director*)
John Harper (*Non-Executive Independent Director*)
Dr Maryam Matar (*Non-Executive Independent Director*)
Essam Abdulkadir Al Muhaidib (*Non-Executive Independent Director*)
Ammar A. Alkhudairy (*Non-Executive Independent Director*)

Auditors

Ernst & Young

Bankers

ABN Amro Bank N.V, Dubai Branch
Abu Dhabi Commercial Bank, Dubai
Barclays Bank, Dubai
BNP Paribas, Dubai
Calyon Corporate & Investment Bank, Dubai
Diamond Bank Switzerland Ltd, Switzerland
Dubai Bank, Dubai
Emirates Bank International, Dubai
First Gulf Bank, Abu Dhabi
Gulf International Bank, Bahrain
HSBC Bank Middle East, Dubai
Lloyd TSB Bank Plc, Dubai
Mashreq Bank, Dubai
National Bank of Ras Al Khaimah, Dubai
National Bank of Dubai, Dubai
Standard Chartered Bank, Dubai
United Arab Bank, Dubai
Union National Bank, Dubai

Bullion Banks

Bank of Nova Scotia, London
Hollandsche Bank, Rotterdam
HSBC Bank Middle East, Dubai
National Bank of Dubai
National Bank of Fujairah
Standard Bank London, London
Standard Chartered Bank, Dubai

Syndicated Banks

ABN Amro Bank N.V., Dubai Branch
Bank Muscat International B.S.C
Bank of Bahrain & Kuwait – Bahrain
Bank of Taiwan, London Branch
Barclays Bank Plc
BNP Paribas
Commercial Bank of Dubai PSC
Doha Bank
State bank of India - Bahrain
Efibanca SPA - Rome
First Gulf Bank
First Commercial Bank LTD., London Branch
Gulf International Bank B.S.C
International Bank of Qatar (Q.S.C)
National Bank of Abu Dhabi
National Bank of Dubai P.J.S.C
The Arab Investment Company S.A.A (OBU)
Union National Bank

Registered Office

Damas International Limited
P.O. Box 1522,
3rd Floor, New Gold Center,
Suite No 57/58,
Deira, Dubai – UAE

Damas International Limited and its subsidiaries
INTERIM CONSOLIDATED INCOME STATEMENT
For the period ended 30 September 2009 (Unaudited)

	<i>Notes</i>	<i>Six months ended 30 September 2009 AED'000</i>
Revenue		1,667,526
Cost of sales		<u>(1,347,896)</u>
Gross profit		319,630
General administration, selling and distribution expenses		(224,156)
Finance costs		(73,793)
Finance income		22,504
Share of results of equity accounted investments		9,103
Impairment loss on net assets of a subsidiary	4	(22,894)
Impairment loss on equity accounted investments	5	(138,162)
Provision against doubtful loan	13	(311,511)
Provision against consignment and receivables exposures	6	(243,278)
Gain on fair valuation of investments carried at fair value through profit or loss		538
Other income		7,730
Loss for the period from continuing operations		<u>(654,289)</u>
Discontinued operations		
Loss from discontinued operations	7	<u>(60,585)</u>
Loss for the period		<u>(714,874)</u>
Attributable to:		
Shareholders of the parent		(713,328)
Non-controlling interests		(1,546)
		<u>(714,874)</u>
Earnings per share		
-Basic and diluted earnings per share -AED		<u>(0.72)</u>
Earnings per share for continuing operations		
-Basic and diluted earnings per share -AED		<u>(0.66)</u>

The attached explanatory notes 1 to 17 form part of these interim condensed consolidated financial statements.

Damas International Limited and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2009 (Unaudited)

	<i>Six months ended 30 September 2009 AED'000</i>
Loss for the period	(714,874)
Other comprehensive Income	
Exchange difference on translation of continuing foreign operations	(6,256)
Exchange difference on translation of discontinued foreign operations	2,841
Other comprehensive income for the period	(3,415)
Total comprehensive income for the period	(718,289)
Total comprehensive income attributable to:	
Shareholders of the parent	(716,743)
Non-controlling interests	(1,546)
	(718,289)

The attached explanatory notes 1 to 17 form part of these interim condensed consolidated financial statements.

Damas International Limited and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2009

	<i>Notes</i>	30 September 2009 AED'000 (Unaudited)	31 March 2009 AED'000 (Audited)
ASSETS			
Non current assets			
Property, plant and equipment		435,147	482,999
Goodwill		539,655	556,969
Intangible assets		62,240	74,818
Investments accounted for using the equity method		347,320	398,180
Other financial assets		73,543	72,928
Long term loans to related parties	11	53,539	102,964
		<u>1,511,444</u>	<u>1,688,858</u>
Current assets			
Inventories	8	1,547,990	2,023,202
Margin to trade payables against unfixed gold		4,515	440
Accounts receivable and prepayments	9	308,369	457,243
Bank balances and cash	10	899,268	1,081,495
Due from related parties	11	927,438	433,387
Other financial assets	13	114,046	558,816
		<u>3,801,626</u>	<u>4,554,583</u>
Assets of disposal group classified as held for sale	7	116,916	-
		<u>3,918,542</u>	<u>4,554,583</u>
TOTAL ASSETS		<u><u>5,429,986</u></u>	<u><u>6,243,441</u></u>

The attached explanatory notes 1 to 17 form part of these interim condensed consolidated financial statements.

Damas International Limited and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 September 2009

	<i>Notes</i>	<i>30 September 2009 AED'000 (Unaudited)</i>	<i>31 March 2009 AED'000 (Audited)</i>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent			
Share capital		3,633,932	3,633,932
Statutory reserve		99,060	99,064
Currency translation reserve		(921)	2,879
(Accumulated losses)/Retained earnings		(250,534)	409,075
Less: equity transaction costs		(7,006)	(7,006)
Less: merger reserve		(1,278,128)	(1,278,128)
Reserves pertaining to discontinued operations		(53,330)	-
		<u>2,143,073</u>	<u>2,859,816</u>
Non – controlling interests		32,929	23,751
		<u>2,176,002</u>	<u>2,883,567</u>
TOTAL EQUITY			
Non-current liabilities			
Interest bearing loans and borrowings	14	301,327	545,792
Long term loans from directors	12	150,000	150,000
Employees' end of service benefits		22,428	23,679
		<u>473,755</u>	<u>719,471</u>
Current liabilities			
Interest bearing loans and borrowings	14	727,345	800,737
Accounts payable and accruals		1,707,636	1,597,060
Margin from trade receivables against unfixed gold		212,482	214,874
Due to related parties	11	16,615	27,732
		<u>2,664,078</u>	<u>2,640,403</u>
Liabilities directly associated with the assets classified as held for sale	7	116,151	-
		<u>2,780,229</u>	<u>2,640,403</u>
TOTAL LIABILITIES		3,253,984	3,359,874
		<u>3,253,984</u>	<u>3,359,874</u>
TOTAL EQUITY AND LIABILITIES		5,429,986	6,243,441
		<u>5,429,986</u>	<u>6,243,441</u>

On behalf of the Board of Directors

Damas International Limited and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Six month period ended 30 September 2009 (Unaudited)

	<i>Notes</i>	<i>Six months ended 30 September 2009 AED '000</i>
OPERATING ACTIVITIES		
Loss for the period from continuing operations		(654,289)
Loss from discontinued operations	7	(60,585)
		<hr/>
Loss for the period		(714,874)
Non cash adjustments to reconcile loss before tax to net cash flows		
Depreciation		22,639
Impairment loss on goodwill	7	18,715
Intangible assets amortised		5,859
Impairment loss on intangible assets		6,521
Impairment loss on net assets of a subsidiary	4	22,894
Impairment loss on equity accounted investments	5	138,162
Provision against doubtful loan	13	311,511
Provision against consignment and receivables exposures	6	243,278
Provision for inventories		7,406
Provision for doubtful debts		824
Provision for employees' end of service benefits (net)		1,760
Advances / bad debts written off		6,648
Finance income		(22,504)
Finance costs		75,671
Share of results of equity accounted investments		(9,103)
Loss on fair valuation of derivatives (IRS)		1,286
Movement in unrealised gain on revaluation of forward contracts		140,022
Gain on fair value of investments designated as fair value through profit or loss		(538)
Gain from sale of available for sale investments		(95)
Dividend income from available for sale investments		(1,830)
Provision for Director's remuneration		4,161
		<hr/>
		258,413
Working capital adjustments:		
Inventories		157,786
Accounts receivables and prepayments		86,066
Margin to trade payables against unfixed gold		(4,076)
Due from related parties		(4,384)
Due to related parties		(1,255)
Accounts payable and accruals		(135,962)
Margin from trade receivables against unfixed gold		(2,393)
		<hr/>
Cash from operations		354,195
Interest paid		(79,039)
		<hr/>
Net cash from operating activities		275,156
		<hr/>

The attached explanatory notes 1 to 17 form part of these interim condensed consolidated financial statements.

Damas International Limited and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Six month period ended 30 September 2009 (Unaudited)

	<i>Notes</i>	<i>Six months ended 30 September 2009 AED '000</i>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment		(15,162)
Additions to intangibles		(600)
Proceeds from disposal of property, plant and equipment		1,755
Dividends received from available for sale investments		1,830
Dividends received from equity accounted investments		16,371
Net foreign exchange differences		(10,194)
		<hr/>
Net cash used in investing activities		(6,000)
		<hr/> <hr/>
FINANCING ACTIVITIES		
Term loans repaid during the period		(256,908)
Term loans availed during the period		4,330
Net movement in trust receipts		10,263
Net movement in local bills discounting		10,997
Interest on fixed deposit		14,346
Net movement in long term deposits and fixed Deposits placed under lien		(186,954)
Net movement in Directors' drawings	12	(109,009)
Net movement in minority interests		10,724
Net movement in long term loan to related parties		(3,013)
		<hr/>
Net cash used in financing activities		(505,224)
		<hr/> <hr/>
DECREASE IN CASH AND CASH EQUIVALENTS		
		(236,068)
Cash and cash equivalents at the beginning of the period		371,651
		<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	135,583
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The attached explanatory notes 1 to 17 form part of these interim condensed consolidated financial statements.

Damas International Limited and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months period ended 30 September 2009 (Unaudited)

Attributable to share holders of the Company

	<i>Share capital AED'000</i>	<i>Statutory reserve AED'000</i>	<i>Currency translation reserve AED'000</i>	<i>Retained earnings AED'000</i>	<i>Equity Transaction cost AED'000</i>	<i>Merger reserve AED'000</i>	<i>Discontinued operations (note 7) AED'000s</i>	<i>Total share holders equity AED'000</i>	<i>Non-controlling interest AED'000</i>	<i>Total equity AED'000</i>
At 1 April 2009	3,633,932	99,064	2,879	409,075	(7,006)	(1,278,128)	-	2,859,816	23,751	2,883,567
Loss for the period	-	-	-	(659,609)	-	-	(53,719)	(713,328)	(1,546)	(714,874)
Other comprehensive income	-	-	(3,415)	-	-	-	-	(3,415)	-	(3,415)
Total comprehensive income	-	-	(3,415)	(659,609)	-	-	(53,719)	(716,743)	(1,546)	(718,289)
Exchange difference on statutory reserve	-	(4)	4	-	-	-	-	-	-	-
Discontinued operations	-	-	(389)	-	-	-	389	-	-	-
Other movements, net	-	-	-	-	-	-	-	-	10,724	10,724
At 30 September 2009 (Unaudited)	3,633,932	99,060	(921)	(250,534)	(7,006)	(1,278,128)	(53,330)	2,143,073	32,929	2,176,002

The attached explanatory notes 1 to 17 form part of these interim condensed consolidated financial statements.

1 ACTIVITIES

Damas International Limited ("the Company") is a company limited by shares and incorporated in the Dubai International Financial Center (the "DIFC") on April 14, 2005 as per certificate of incorporation no. 0038 issued by the Registrar of Companies, the DIFC. The Company and its subsidiaries constitute the Group ("the Group").

The Company's registered office is at P.O. Box 1522, 3rd Floor, New Gold Center, Suite No. 57/58, Deira, Dubai, UAE.

The Group is primarily involved in the business of trading in gold and gold jewellery, diamond jewellery, pearls, watches, silver and precious stones on wholesale and retail basis. The interim condensed consolidated financial statements of the Company as at 30 September 2009 comprise the Company and the subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 September 2009 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual consolidated financial statements of Damas International Limited as at 31 March 2009.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements of Damas International Limited for the period ended 31 March 2009, except for the adoption of new Standards and Interpretations noted below:

- *IFRS 8 Operating segments*

The standard requires disclosure of information about the company's operating segments and replaces the requirements to determine the primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any impact on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment reporting. Disclosures about each of these segments are shown under note 3.

3 SEGMENT INFORMATION

The Group's operations are organised into six operating segments: Gold bullion, gold jewellery (wholesale and retail), diamond jewellery (wholesale and retail), pearl jewellery, watches and silver, precious stones and others (wholesale and retail) categorised as others. The Group accounts for inter-segment sales as if the sales were to third parties, that is, at current market prices. The Group evaluates the performance of its segments and allocates resources to them based on this evaluation.

The following table presents revenue and profit relating to the Group's operating segments for the period ended 30 September 2009. Included within the corporate, consolidation and eliminations columns are certain balances, which due to their nature, are not allocated to segments.

Damas International Limited and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2009

3 SEGMENT INFORMATION (continued)

Operating segments

Period ended 30 September 2009

Particulars	Gold Bullion	Gold jewellery	Diamond jewellery	Pearl jewellery	Watches	Others	Amount in AED'000		Total
							Unallocated and Corporate	Consolidation adjustments	
Revenue									
External revenue	24,216	1,136,278	410,330	21,640	40,563	34,499	-	-	1,667,526
Internal revenue (note a)	-	679,498	204,384	11,495	27,796	-	-	(923,173)	-
Total revenue	24,216	1,815,776	614,714	33,135	68,359	34,499	-	(923,173)	1,667,526
Segment results									
Non cash expenses (note b)	-	(197)	(9,596)	67	(2,385)	-	(36,570)	-	(48,861)
Share of results of equity accounted investments	-	-	(936)	(121)	4,215	-	5,945	-	9,103
Segment profit/ (loss) (note c)	-	128,079	137,918	9,072	13,117	3,942	(946,417)	-	(654,289)
Segment assets as at 30 September 2009	-	130,051	1,577,034	68,130	130,612	84,070	3,323,173	-	5,313,070

Note a: Inter segment revenues are eliminated on consolidation.

Note b: Non cash expenses are depreciation, amortisation of intangible, provision for inventory and bad debts and bad debts written off from continuing operations.

Note c: Profit of each operating segment does not include finance income of AED 22 million, finance cost of AED 74 million, impairment loss on net assets of a subsidiary of AED 22 million, impairment loss on equity accounted investments of AED 138 million, provision against doubtful loan of AED 312 million and provision against consignment and receivables exposure of AED 243 million. These have been classified as part of unallocated and corporate in the above reporting.

Damas International Limited and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2009 (Unaudited)

4 IMPAIRMENT LOSS ON NET ASSETS OF A SUBSIDIARY

During the period, the Group has written off AED 6 million of net assets relating to Damas Europe SPA pursuant to decision made by the Board of Directors of the subsidiary to cease operations. In addition, a provision was made amounting to AED 16 million (Euro 3 million) relating to a corporate guarantee extended by Damas LLC to a bank of this subsidiary. The management is not expecting any further loss on winding up over and above the net assets and the corporate guarantee. Subsequent to the period end a decision was taken to place Damas Europe SPA in liquidation. No further losses are expected to arise as a result of the liquidation process.

5 IMPAIRMENT LOSS ON EQUITY ACCOUNTED INVESTMENTS

	<i>Six months ended 30 September 2009 AED '000</i>
Impairment loss on a jointly controlled entity	119,412
Impairment loss on an associate	18,750
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	138,162
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Note a

During the period, the Company has made an impairment provision on its entire investment in one of its jointly controlled entities amounting to AED 68 million. Further, the management has provided for AED 51 million of gold provided to this entity on an unfixed basis at the spot rate of gold at the end of the period. Provision was considered necessary due to the continued losses reported by this entity and concerns over the recoverability of the unfixed gold provided to the entity. Legal action is being taken to enforce recovery of these amounts.

Note b

During the period, the management has made an impairment provision on its investment made in an associate amounting to AED 18 million owing to uncertainty of availability of future cash profits to recover the investment made.

6 PROVISION AGAINST CONSIGNMENT AND RECEIVABLES EXPOSURE

The Group provides gold on an unfixed basis to customers against cash margin. As at 30 September 2009 the value of gold lying with certain parties at the spot rate was in excess of the cash margin held by AED 161 million (31 March 2009: AED 147 million). The exposure moves with movements in the spot price of gold and to mitigate its risk the Company seeks to carry an equivalent volume of unfixed gold positions with financial institutions.

Included under cost of inventory on hand (note 8) is gold supplied on a consignment basis to certain parties amounting to AED 143 million (1,198,780 grams at the spot rate) (31 March 2009: AED 50.1 million (458,503 grams at the spot rate)).

Included under gold unfixed with trade receivables (note 8) are balances amounting to AED 87 million (730,018 grams at the spot rate) (31 March 2009: 10.3 million (94,075 grams at the spot rate)) of gold lying with certain parties.

Included in unimpaired receivables (note 9) are debts amounting to AED 53 million (31 March 2009: AED 47 million) due from particular consignment debtors and AED 32 million (31 March 2009: AED 54 million) due from certain high net worth customers who are familiar and acquainted with certain Directors.

Total exposure on the above balance amounts to AED 476 million, for which management has made a provision amounting to AED 243 million. Certain directors have provided personal guarantees against these exposures in the amount of AED 150 million. Management would seek to enforce these guarantees should the exposures not be recovered.

Damas International Limited and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2009 (Unaudited)

7 DISCONTINUED OPERATION

7(i) DIT Group SPA

On 28 September 2009, the Group publicly announced the decision of its Board of Directors to dispose of DIT Group SPA, Italy. The Group has decided to place this Company in liquidation in order to prevent further losses.

As at 30 September 2009, DIT Group SPA was classified as a disposal group held for sale and as a discontinued operation.

The results of DIT SPA are as follows:

	<i>Six months ended 30 September 2009 AED'000</i>
Revenue	13,540
Cost of sales	(29,238)
Gross loss	(15,698)
General administration, selling and distribution expenses	(24,381)
Finance costs	(1,878)
Impairment loss on goodwill	(18,715)
Other income	87
Loss for the period from discontinuing operations	(60,585)
Attributable to:	
Shareholders of the parent	(53,719)
Non -controlling interests	(6,866)
	(60,585)

The major classes of assets and liabilities of DIT SPA classified as held for sale as at 30 September 2009 is as follows:

	<i>30 September 2009 AED'000</i>
Property, plant and equipment	18,776
Inventories	68,579
Accounts receivable and prepayments	28,785
Bank balances and cash	776
Assets of disposal group classified as held for sale	116,916
Liabilities	
Interest bearings loans and borrowings	81,871
Employees' end of service benefits	1,958
Accounts payable and accruals	32,322
Liabilities directly associated with assets classified as held for sale	116,151
Net assets directly associated with disposal group	765

Damas International Limited and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2009 (Unaudited)

7 DISCONTINUED OPERATION (continued)

7(i) DIT Group SPA (continued)

The net cash flows incurred by DIT Group SPA are as follows:

	<i>30 September 2009 AED'000</i>
Operating activities	(8,913)
Investing activities	62
Financing activities	4,387
Net cash outflow	(4,464)
<i>Earnings per share:</i>	
Basic and diluted from discontinued operation	(0.05)

8 INVENTORIES

	<i>30 September 2009 AED'000 (Unaudited)</i>	<i>31 March 2009 AED'000 (Audited)</i>
Cost of inventory on hand (net of consignment inventory) (gold and gold jewellery, diamonds, pearls, watches, silver and other precious stones)	2,378,206	3,157,759
Gold unfixed with trade receivables	516,826	541,851
Gold unfixed with jointly controlled entities/associated companies	249,526	299,993
Provision for gold purchases	1,328,269	1,101,640
Gold (unfixed) received on loan from banks	(2,523,486)	(2,945,410)
Gold unfixed from trade payables	(115,352)	(67,421)
Gold unfixed from joint venture's contribution	(16,357)	(25,862)
	1,817,632	2,062,550
Less: Provision for slow moving/ obsolete inventories/unfixed exposures	(269,642)	(39,348)
Net inventories	1,547,990	2,023,202

Notes:

Inventories are hypothecated to the banks against the borrowing facilities obtained by the Group (note 14).

Included in the inventory above are the making charges related to own and unfixed jewellery amounting to AED 114 million (31 March 2009: AED 142 million)

The Group in the normal course of business borrows and buys gold on an unfixed basis which it converts into gold jewellery or trades as bullion. This jewellery and bullion is further used as stock in trade and is sold to various customers on a fixed or unfixed basis. On occasion the Group enters into forward purchases and forward sales to minimise the price risk to which it is being exposed.

Revaluation of open forward contracts at fair market value as at 30 September 2009 has resulted in an unrealised gain of AED 113 million (31 March 2009: AED 253.1 million)

Damas International Limited and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2009 (Unaudited)

8 INVENTORIES (continued)

This revaluation gain is grouped in other financial assets (note 13) under current assets in the balance sheet. The Group monitors these forward contracts as part of its own/book stock as follows:

	<i>30 September 2009 AED'000</i>	<i>31 March 2009 AED'000</i>
Net inventory (as above)	1,547,990	2,023,203
Provision for gold purchases	(1,328,269)	(1,101,640)
Forward purchases (at cost)	1,329,796	1,816,880
Economic position of Group's inventory	1,549,517	2,738,443

9 ACCOUNTS RECEIVABLES AND PREPAYMENTS

	<i>30 September 2009 AED'000</i>	<i>31 March 2009 AED'000</i>
Trade receivables	234,771	344,751
Provision for doubtful debts	(36,972)	(27,549)
	197,799	317,202
Dues from credit card companies	1,952	2,952
Prepaid expenses	28,081	34,271
Advances and other receivables	66,528	87,484
Deposits	14,009	15,334
	308,369	457,243

Trade receivables are hypothecated to banks against the borrowing facilities (note 14).

10 BANK BALANCE AND CASH

Cash and cash equivalents in the statement of cash flows consist of the following balance sheet amounts:

	<i>30 September 2009 AED'000 (Unaudited)</i>	<i>31 March 2009 AED'000 (Audited)</i>
Fixed deposits and margins with banks	861,089	1,026,187
Bank balances and cash	38,179	55,308
Total bank balances and cash	899,268	1,081,495
Less:		
Bank overdraft (note 14)	(112,096)	(102,237)
Fixed deposits and margins under lien	(581,477)	(596,521)
Long term fixed deposits	(62,952)	(11,086)
Cash and cash equivalents relating to discontinued operations	(7,160)	-
Cash and cash equivalents at the end of the period	135,583	371,651

Damas International Limited and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2009 (Unaudited)

11 RELATED PARTY TRANSACTIONS

Related parties represent subsidiaries, associates, joint ventures, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The sales to and purchases from related parties are made at normal market prices. Pricing policies and terms of these transactions are approved by the Group's management.

Significant transactions with related parties during the six months ended 30 September 2009 are as follows:

	<i>30 September 2009</i>	
	<i>Amount in AED'000</i>	
	<i>Sales</i>	<i>Purchases</i>
Jointly controlled entities and associated companies	129,755	12,481
Directors (see note below)	-	-
Total	<u>129,755</u>	<u>12,481</u>

Further to the above, a Director has withdrawn 1,940,250 grams of gold on an unfixed basis during the period against which a provision of AED 231 million has been debited to their current account at the spot rate of 30 September 2009 (note 12)

Balances with related parties included in the balance sheet are as follows:

	<i>30 September 2009</i>			<i>31 March 2009</i>		
	<i>Long term loans AED'000</i>	<i>Due from related parties AED'000</i>	<i>Due to related parties AED'000</i>	<i>Long term loans AED'000</i>	<i>Due from related parties AED'000</i>	<i>Due to related parties AED'000</i>
Jointly controlled entities and associate companies	54,558	177,615	16,615	104,696	177,391	27,732
Less: Provision for additional losses of an associate in excess of contributed capital	(1,019)	(81)	-	(1,732)	(3,528)	-
Directors (refer note 12)	-	749,904	-	-	259,524	-
	<u>53,539</u>	<u>927,438</u>	<u>16,615</u>	<u>102,964</u>	<u>433,387</u>	<u>27,732</u>

The Executive Directors have provided personal guarantees amounting to AED 150 million (31 March 2009: AED 150 million) in respect of risks associated with unfixed gold lying with certain parties, dues from particular consignment debtors and certain high net worth and important customers (note 6).

Compensation of key management personnel

The remuneration of Executive Directors and other members of key management during the period was as follows:

	<i>Six months ended</i>
	<i>30 September</i>
	<i>2009</i>
	<i>AED'000</i>
Short-term benefits	4,200
Sitting fees	170
	<u>4,370</u>

Damas International Limited and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2009 (Unaudited)

12 DIRECTORS' CURRENT ACCOUNT

	<i>30 September 2009 AED'000 (Unaudited)</i>	<i>31 March 2009 AED'000 (Audited)</i>
Opening balance	259,524	34,811
Net drawings during the period/year	109,009	314,318
Add: Fixed deposit utilised by a bank against a loan in the name of a company owned by certain directors	150,131	-
Add: Provision against gold unfixed with director	231,240	-
Cost of property purchased from directors	-	(85,851)
Cash paid by a director for acquisition of interest in a subsidiary	-	(3,242)
Remuneration of directors	-	(512)
	<hr/>	<hr/>
Balance as at 30 September/31 March	749,904	259,524

The above balances relate to Mr. Tawfique Abdulla, Mr. Tamjid Abdulla and Mr. Tawhid Abdulla. Against the balance above there are loans due to these directors amounting to a total of AED 150 million which are subordinated to bank facilities.

Subsequent to the period end, the management has entered in to a Settlement Agreement with the concerned directors wherein they have undertaken to repay an amount of US\$55 million within 6 months; an aggregate of US\$110 million within 12 months; and an aggregate of US\$165 million within 18 months; and, should there be any balance in excess of the US\$165 million as a result of any findings arising from an ongoing independent investigation or otherwise, any such excess amounts in cash and/or unencumbered assets within 24 months. All payments are to be made in cash and/or unencumbered assets.

As part of the Settlement Agreement, the concerned directors have produced a list of assets that are potentially available for liquidation to be converted by them into cash and/or to be contributed to the Group as unencumbered assets to meet their obligations under the Settlement Agreement. Such assets consist principally of real estate investments in the Middle East and North Africa (including a number of residential and commercial buildings and units in the United Arab Emirates) and an investment in a shopping mall in Turkey.

As part of the Settlement Agreement, the concerned directors have pledged 350 million of their shares in the Company that would be transferred in whole or in part back to the Company in the event the terms of the Settlement Agreement are breached. These shares had a market value of AED 275 million as at 25 November 2009.

As at the date of authorisation of this financial statement, the process of independent valuation of the assets available for liquidation is still under process. An independent investigation is also ongoing into transactions undertaken by the former CEO and Managing Director of the Company. This investigation is being overseen by a subcommittee of the Board.

Subsequent to the period end due to increase in the price of gold and additional transactions the amount due from the directors was AED 635 million as at 25 November 2009 (net of loans due to directors amounting to AED 150 million).

Damas International Limited and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2009 (Unaudited)

13 OTHER FINANCIAL ASSETS

	<i>30 September 2009 AED'000 (Unaudited)</i>	<i>31 March 2009 AED'000 (Audited)</i>
Corporate loan receivable	311,511	304,747
Less: provision against doubtful loan*	(311,511)	-
Unrealised gain on forward contracts	113,046	253,069
Held to maturity	1,000	1,000
	<hr/>	<hr/>
Balance as at 30 September/31 March	114,046	558,816
	<hr/> <hr/>	<hr/> <hr/>

* A subsidiary of the Company had provided a loan amounting to AED 294 million (USD 80 million) to Dubai Ventures Group Limited ("Dubai Ventures") at a rate of interest of 6% p.a. which was due to be repaid in August 2009. On 18 August 2009 an investment agreement was signed with Dubai Ventures, wherein Dubai Ventures confirmed that all monies previously provided to it under the loan facility were held by it as money provided for investment purposes and would be transferred into an investment account over which Dubai Ventures would have discretionary management powers. Subsequently when the Group requested information as to the nature and value of the investments held in the investment management account they were informed that the account held shares in Damas International Limited with a value of only AED 73.5 million and that no other assets were available to the Company. Although discretion had been given to Dubai Ventures in respect of investment choice, the Board of Directors of Damas International Limited had not authorised Dubai Ventures to invest in shares of the Company. The Board intends to dispute Dubai Ventures actions in this regard and will seek to recover the full amount due under the original loan facility agreement. For reasons of prudence a provision has been made amounting to AED 312 million against the total loan amount including accrued interest.

14 INTEREST BEARING LOANS AND BORROWINGS

	<i>30 September 2009 AED'000 (Unaudited)</i>	<i>31 March 2009 AED'000 (Audited)</i>
Current		
Bank overdrafts	112,096	102,237
Trust receipts	136,355	127,466
Short term loan*	469,816	533,330
Local bills discounting	9,078	37,704
	<hr/>	<hr/>
	727,345	800,737
	<hr/>	<hr/>
Non current		
Long-term loan*	301,327	545,792
	<hr/>	<hr/>
Total	1,028,672	1,346,529
	<hr/> <hr/>	<hr/> <hr/>

* (net of debt issuance costs of AED 4.7 million (31 March 2009: AED 5.1 million)).

Damas International Limited and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2009 (Unaudited)

15 EARNINGS PER SHARE (EPS)

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no potentially dilutive shares as at 30 September.

*Six months ended
30 September
2009*

Earnings:

Loss attributable to equity shareholders of the Company- AED'000 (713,328)

Shares:

Weighted average number of shares outstanding for calculating basic EPS 989,228,009

Basic and diluted earning per share AED (0.72)

16 CONTINGENCIES AND COMMITMENTS

Contingencies

At 30 September 2009, stand-by-letters of credit provided by banks in favour of suppliers of gold, who have lent unfixed gold amounted to AED 2,137.97 million. Letters of credit, and other bank guarantees as at 30 September 2009 amounted to AED 10.27 million. Corporate guarantees given by the Company towards bank borrowings of associates and jointly controlled entities as at 30 September 2009 amounted to AED 14.32 million.

Legal case

Outstanding legal cases against the Group as at 30 September 2009 include a case under arbitration relating to its subsidiary in Italy, DIT group SPA (formerly Stefan Hafner SPA) ("the subsidiary"), the facts of which have been elaborated in the annual accounts as at 31 March 2009. During the six months period ended 30 September 2009, there have been no significant developments in the case as compared to 31 March 2009

Capital commitments

At 30 September 2009, the Group had capital commitments of AED 8.49 million primarily relating to expenditure committed for future building facilities for use by the Group.

17 GOING CONCERN

The increasing spot price for gold has resulted in a decline in sales and an increase in margin calls from financial institutions from whom the Group obtains gold loans. These factors combined with the amounts withdrawn by a director (note 12) have resulted in a significant decline in the liquidity of the Company. It has also resulted in the Group defaulting on certain of their facilities subsequent to the period end and a number of financial institutions reassessing their facilities with the Group.

Discussions are currently ongoing with banks regarding renewal/restructuring of facilities and securing sustained funding to carry on its operations. As part of this process the Group has signed an agreement with certain institutions that may result in certain diamond inventory being sold at a loss in future as an additional cost of finance. Additional funding is required to ensure that the Company can continue its operations and meet its financial obligations as they fall due.

Whilst the results of the negotiations with the banks cannot be determined at this time, the Board of Directors has elected to prepare these financial statements on a going concern basis as they are optimistic that agreement will ultimately be reached with the banks.