

Independent Reasonable Assurance Report  
(ISAE 3000 engagements)

Kaloti Jewellers Factory Ltd

27 November 2013

 **ERNST & YOUNG**

27 November 2013

Dubai, United Arab Emirates

**Independent Reasonable Assurance Report on Kaloti Jewellers Factory Ltd's Refiner's Compliance report**

**Introduction**

We were engaged by Kaloti Jewellery International DMCC to perform a reasonable assurance engagement on Kaloti Jewellers Factory Ltd's refiner's consolidated compliance report (the "Refiner's Consolidated Compliance Report ") covering the period from 1 June 2012 to 31 December 2012 and, in cases where high and medium risks deviations were noted, the subsequent corrective action plan implemented until 3 August 2013 (the "Refiner's Compliance Report ").

**Scope**

The objective of this engagement is to provide an opinion on whether the Refiner's Consolidated Compliance Report describes fairly the activities undertaken to demonstrate compliance and whether management's overall conclusion has been drawn in accordance with the requirements of the DMCC's Practical Guidance for Market Participants in the Gold and Precious Metals Industry Version 1 - April 2012 (the "DMCC's Practical Guidance ") and with the DMCC Review Protocol on Responsible Sourcing of Precious Metals in issuance as at the date of this report (the "DMCC Review Protocol").

**Management's Responsibilities**

The management of Kaloti Jewellers Factory Ltd is responsible for the preparation and public disclosure of the Refiner's Consolidated Compliance Report in accordance with the DMCC's Practical Guidance. This responsibility includes conformance with Steps 1 to 5 of the DMCC's Practical Guidance, and Implementation of a Corrective Action Plan for all non-compliances identified. The criteria identified by the management as relevant for demonstrating compliance with the DMCC's Practical Guidance are the activities described within the Refiner's Consolidated Compliance Report.

**Our independence**

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standard Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in out in the DMCC Review Protocol to carry out the assurance engagement.



### Our responsibility

Our responsibility is to report, in accordance with ISAE 3000 standard, on whether the Refiner's Consolidated Compliance Report describes fairly the activities undertaken during the period from 1 June 2012 to 31 December 2012 and, in cases where high and medium risk deviations are noted the subsequent corrective action plan implemented to demonstrate compliance with the DMCC's Practical Guidance and whether management's overall conclusion has been drawn in accordance with the requirements of the DMCC's Practical Guidance and with the DMCC Review Protocol.

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements *ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board and the guidance set out in the DMCC Review Protocol. This standard requires that we plan and perform this engagement to obtain a reasonable level of assurance.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the fairness of the Refiner's Consolidated Compliance Report and the fact that management's overall conclusion has been drawn in accordance with the requirements of the DMCC's Practical Guidance and with the DMCC Review Protocol. The nature, timing and extent of procedures selected depend on our judgment, including the risk of material misstatements, whether due to fraud or error, in the Refiner's Consolidated Compliance Report. In making those risk assessments, we considered internal control relevant to Kaloti Jeweller's Factory Ltd preparation of the Refiner's Consolidated Compliance Report. A reasonable assurance engagement also includes:

- ▶ *Walkthrough of Kaloti Jewellery International DMCC and Kaloti Jewellers Factory Ltd's due diligence process to gain an understanding of implemented controls and procedures*
- ▶ *Discussions with Kaloti Jewellery International DMCC and Kaloti Jewellers Factory Ltd's management, compliance and operations team on the content of the report and various supply chain due diligence processes in place.*
- ▶ *Discussions with selected suppliers on documentation available on the supply chain.*
- ▶ *Site visits to the refinery to evaluate if the management system is in place as described in the compliance report.*
- ▶ *During site visits we have interviewed personnel from the logistics, operations, safe, refining process, laboratory and accounts that are directly linked with either sourcing, processing or storing the gold.*
- ▶ *Testing of account opening procedures and due diligence conducted by Kaloti Jewellery International DMCC before engaging with a potential gold supplying counter party*

- ▶ *Testing, on a sample basis, of relevant transactions undertaken by Kaloti Jewellery International DMCC and Kaloti Jewellers Factory Ltd to evaluate if due diligence processes are being followed*
- ▶ *Review of whether systems used for registering, adapting, aggregating and reporting are satisfactory*
- ▶ *Obtaining and considering evidence from Kaloti Jewellery International DMCC and Kaloti Jewellers Factory Ltd to support the assertions and claims made in the Refiner's Consolidated Compliance Report*
- ▶ *Review of the Refiner's Corrective Action Plan in respect of any high or medium risk deviations identified*
- ▶ *Testing on a sample basis to ensure that rectified policies and procedures as described in the Refiners Corrective Action Plan are being implemented.*
- ▶ *Review the statements made by the management in the Refiner's Consolidated Compliance Report as compared to the findings arising from the above procedures performed.*

The procedures performed relate to the reporting period from 1 June 2012 to 31 December 2012 ("the initial period") and do not extend to any assertions made in the Refiner's Consolidated Compliance Report regarding events subsequent to that period other than corrective actions implemented in consideration of areas where high or medium risk deviations were noted. The remediation of such deviations was tested for the period from 4 August 2013 to 3 October 2013.

We have no responsibility to report on the operations of the Refiner for any period subsequent to 31 December 2012.

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

#### **Inherent limitations**

Non-financial information, such as that included in the Refiner's Consolidated Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by refiners to comply with the DMCC's Practical Guidance may differ. It is important to read Kaloti Jeweller's Factory Ltd's gold supply chain policy available on its website.

Our testing of the accuracy of selected qualitative statements in the Refiner's Consolidated Compliance Report relating to the material issues (such as management assertions and performance claims) were done through interviews and sample document reviews. A limited number of gold supplying counterparty interviews were undertaken.

The authenticity of documents produced by gold supplying counterparties was not checked by contacting the respective government organizations.



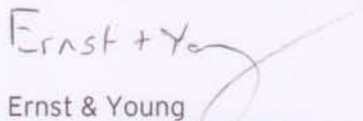
### Opinion

In our opinion, the Refiner's Consolidated Compliance Report dated 27 November 2013, in all material respects, describes fairly the activities undertaken during the period from 1 June 2012 to 31 December 2012 and, in cases where high and medium risks deviations were noted, the subsequent corrective action plan implemented to demonstrate compliance and management's overall conclusion contained therein is in accordance with the requirements of the DMCC's Practical Guidance for Market Participants in the Gold and Precious Metals Industry, version 1 April 2012 and with the DMCC Review Protocol on Responsible Sourcing of Precious Metals in issuance as at the date of this report.

### *Emphasis of Matter*

Without modifying our conclusion, we draw attention to

- the respective instances of deviations noted for the period from 1 June 2012 to 31 December 2012 set out in the Refiner's Consolidated Compliance Report at the end of Steps 1 and 2 that have been subject to a subsequent corrective action plan; and
- the description at the end of Step 2 of the Consolidated Compliance Report of the corrective actions on assisting suppliers in moving away from cash settlement that was remediated in November 2013 subsequent to the implementation of the corrective action plan

  
Ernst & Young  
Dubai, United Arab Emirates  
27 November 2013

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