VERIGOLD JEWELLERY DMCC

Consolidated Financial Statements

31 March 2017

Registered office:

Unit No: AU-18-J
Gold Tower (AU)
Plot No: JLT-PH1-13A
Jumeirah Lakes Towers
Dubai, U.A.E.

VERIGOLD JEWELLERY DMCC

Consolidated Financial Statements
31 March 2017

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Manager's Report

The manager submits his report and consolidated financial statements for the first year ended 31 March 2017.

Results and dividend

Profit for the year amounted to US $ 3,040,504/-. To conserve the financial resources of the company no dividend is declared.

Review of the business

The company is registered to carry out the activity of trading in crystal products, jewellery, pearls and precious stones, imitation jewellery, watches, clocks and spare parts.

Events since the end of the year

There were no important events, which have occurred since the year end that materially affects the company.

Shareholder and its interest

The sole shareholder, as at 31 March 2017, and its interest, as of that date in the share capital of the company was as follows:

Name of shareholder	*Country of Incorporation*	*No. of shares*	*AED*	*Equivalent US $*
Renaissance Jewellery Limited	India	300	300,000	81,800

Auditors

A resolution to re-appoint **KSI Shah & Associates** as auditors and fix their remuneration will be put to the board at the annual general meeting.

Mr. Darshil Atul Shah
Manager

Independent Auditors' Report to the Shareholder of VERIGOLD JEWELLERY DMCC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **VERIGOLD JEWELLERY DMCC,** (the "Company"), which comprise of the statement of financial position as of 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year and a summary of significant accounting policies and explanatory notes.

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the company as of 31 March 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 consolidated financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the UAE, 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.

Other Information

Management is responsible for the other information. Other information comprises the directors' report, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we concluded that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report to the Shareholder of VERIGOLD JEWELLERY DMCC

Report on the Audit of the Consolidated Financial Statements (contd.):

Responsibilities of Management and Those Charged With Governance for the Consolidated Financial Statements

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

In preparing the consolidated 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 management.

Independent Auditors' Report to the Shareholder of VERIGOLD JEWELLERY DMCC

Report on the Audit of the Consolidated Financial Statements (contd.):

- 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance 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.

Report on Other Legal and Regulatory Requirements

We further confirm that we have obtained all information and explanations necessary for our audit and that proper financial records have been maintained by the company in accordance with the DMCC Company Regulations No. 1/03 issued in 2003. To the best of our knowledge and belief no violations of said regulations have occurred which would have had a material effect on the business of the company or on its financial position.

KSI Shah & Associates

For KSI Shah & Associates
Dubai, U.A.E.
Signed by:
Sonal P. Shah (Registration No. 123)

P.O. Box 71241
Dubai - U.A.E.
KSI SHAH & ASSOCIATES

15 May 2017

VERIGOLD JEWELLERY DMCC

Consolidated Statement of Financial Position
At 31 March 2017

	Notes	2017 US $	2016 US $
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,241,206	28,307
Intangible assets	7	59,472	-
		1,300,678	**28,307**
Current assets			
Inventories	8	3,045,228	283,530
Trade and other receivables	9	6,624,567	7,044,081
Available for sale investment	10	5,603,513	-
Prepayments		69,278	16,334
Cash and cash equivalents	11	799,850	274,936
		16,142,436	**7,618,881**
TOTAL ASSETS		**17,443,114**	**7,647,188**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	81,800	81,800
Accumulated profits		4,241,682	1,201,178
Investment revaluation reserve	10	276,328	-
Equity funds		**4,599,810**	**1,282,978**
Non-controlling interest	13	(210,220)	-
Total equity		**4,389,590**	**1,282,978**
Current liability			
Bank borrowings	14	2,461,079	-
Trade and other payables	15	10,592,445	6,364,210
		13,053,524	**6,364,210**
TOTAL EQUITY AND LIABILITIES		**17,443,114**	**7,647,188**

The accompanying notes 1 to 23 form an integral part of these consolidated financial statements.
The Independent Auditors' Report is set forth on page 2 to 4.
Approved by the director on 15th May 2017 and signed on its behalf by.

For VERIGOLD JEWELLERY DMCC

Mr. Pratik Praful Shah
Director and POA holder

P.O.Box: 26884 DUBAI - U.A.E.
VERIGOLD JEWELLERY DMCC

VERIGOLD JEWELLERY DMCC

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2017

	Notes	2017 US $	2016 US $
Sales		50,754,577	13,399,869
Cost of sales	16	(46,905,610)	(11,720,923)
Gross profits		**3,848,967**	**1,678,946**
Other income	17	313,951	73
Expenses	18	(1,019,306)	(455,343)
Finance charges paid to bank		(32,674)	-
Profit for the year		**3,110,938**	**1,223,676**
ATTRIBUTABLE TO:			
Equity holders of the parent company		3,040,504	1,223,676
Non-controlling interest in subsidiary company		70,434	-
Profit for the year		**3,110,938**	**1,226,676**
Other comprehensive income: *Item that may be reclassified subsequently to income statement:*			
Net change in fair value on available for sale financial instruments		276,328	-
Total comprehensive income for the year		**3,387,266**	**1,223,676**
ATTRIBUTABLE TO:			
Equity holders of the parent company		3,316,832	1,223,676
Non-controlling interest in subsidiary company		70,434	-
Total comprehensive income		**3,387,266**	**1,223,676**

The accompanying notes 1 to 23 form an integral part of these consolidated financial statements.

VERIGOLD JEWELLERY DMCC

Consolidated Statement of Changes in Equity
for the year ended 31 March 2017

	Share capital *US $*	*Accumulated (losses)/profits* *US $*	*Investment revaluation reserve* *US $*	*Non-controlling interest* *US $*	*Total* *US $*
As at 31 March 2015	**81,800**	**(22,498)**	-	-	**59,302**
Profit for the year	-	1,223,676	-	-	1,223,676
As at 31 March 2016	**81,800**	**1,201,178**	-	-	**1,282,978**
Transfer from other comprehensive income (net)	-	-	276,328		276,328
changes during the year	-	-	-	(280,654)	(280,654)
Profit for the year	-	3,040,504	-	70,434	3,110,938
As at 31 March 2017	**81,800**	**4,241,682**	**276,328**	**(210,220)**	**4,389,590**

The accompanying notes 1 to 23 form an integral part of these consolidated financial statements.

VERIGOLD JEWELLERY DMCC

Consolidated Statement of Cash Flows
for the year ended 31 March 2017

	Note	2017 US $	2016 US $
Cash flows from operating activities			
Profit/ (loss) for the year		3,040,504	1,223,676
Adjustments for:			
Depreciation		33,242	1,522
Amortisation of intangible assets		2,586	
Profit on sale of investments		(183,211)	-
Dividend received		(60,968)	-
Interest received		(13,259)	(73)
Operating profit / (loss) before working capital		**2,818,894**	**1,225,125**
Changes in inventories		(2,761,698)	(283,530)
Changes in trade and other receivables and prepayments		366,570	(7,058,437)
Changes in trade and other payables		4,228,235	6,342,155
Net cash from / (used in) operating activities		**4,652,001**	**225,313**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,246,141)	(29,829)
Purchase of intangible assets		(62,058)	
Investment in equities		(7,741,206)	-
Proceeds from sales of equities		2,597,232	-
Dividend received		60,968	-
Interest received		13,259	73
Net cash flows (used in) investing activities		**(6,377,946)**	**(29,756)**
Cash flows from financing activities			
Bank borrowings		2,461,079	-
Changes in non- controlling interest		(210,220)	-
Net cash from financing activities		**2,250,859**	**-**
Net changes in cash and cash equivalents		**524,914**	**195,557**
Cash and cash equivalents at beginning of the year		**274,936**	**79,379**
Cash and cash equivalents at the end of the year	11	**799,850**	**274,936**

The accompanying notes 1 to 23 form an integral part of these consolidated financial statements.

VERIGOLD JEWELLERY DMCC
(Incorporated in the Dubai Multi Commodities Centre)
(Registration No. DMCC 20531)

Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

1. Legal status and business activity

a) **VERIGOLD JEWELLERY DMCC** is a limited liability company registered in the Dubai Multi Commodities Centre under trade license no. DMCC-086073 issued as on 14 December 2014.

b) The company is registered to carry out the activity of trading in crystal products, jewellery, pearls and precious stones, imitation jewellery, watches, clocks and spare parts.

c) The consolidated financial statements of **VERIGOLD DMCC** include the following:

Name of the company	*Country of incorporation*	*Registered activity*	*Percentage of ownership*
VERIGOLD DMCC ("Parent company")	U.A.E Registered under trade license no. DMCC-086073 issued on 14 December 2014	Trading in crystal products, jewellery, pearls and precious stones, imitation jewellery, watches, clocks and spare parts.	100%
Renaissance Jewellery DMCC	U.A.E Registered under license number DMCC-226231 issued on 10th October 2016	Trading in jewellery, pearls and precious stones, non-manufactured precious metal, cutlery, silverware watches clocks and spare parts.	65%

These consolidated financial statements are prepared from the audited financial statements of the parent company and the subsidiary company made up to 31 March 2017.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on or after 1 January 2016 and the applicable requirements of the UAE Commercial Companies Law No. 8 of 1984.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as described in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety as described below:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c) Functional and presentation currency

The functional currency of the company is U.A.E. Dirhams. These consolidated financial statements are presented in United States Dollars (USD), which in the opinion of the management is the most appropriate presentation currency in view of the global presence of the company. U.A.E. Dirham is currently pegged to USD and there are no differences on translation from functional to presentation currency.

d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and subsidiary controlled by the company (its subsidiary).

The control is based on whether,
a) The Investor has power over the investee
b) It is exposed to rights of variable returns and
c) It has the ability to use its power to affect the amount of the returns.

The results of subsidiary acquired or disposed off during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the company.

All intra company transactions, balances, income and expenses are eliminated on consolidation.

VERIGOLD JEWELLERY DMCC

Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

3. Use of estimates and judgment

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgments made in applying accounting policies

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Impairment

At each reporting date, management conducts an assessment of fixed assets and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to the statement of comprehensive income or, if previously a provision was made, it is written off against the provision.

Reversals of provisions against loans and receivables are made to the extent of the related amounts being recovered.

Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at fair value or amortized cost. In judging whether investments in securities are classified as at fair value or amortized cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 Financial Instruments.

Available-for-sale financial assets

The company has elected to classify the investments as available for sale as the company has not classified the investments as either as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss

VERIGOLD JEWELLERY DMCC

Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

Key sources of estimation uncertainty and assumptions

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

Residual values of fixed assets

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

Estimated useful life of fixed assets

Management determines the estimated useful lives and depreciation charge for its fixed assets at the time of addition of the assets and is reviewed on annual basis.

Valuation of inventories

Management undertakes periodic review of all inventories, for both diamond jewellery and polished diamonds. As per the prevailing market practice, the contents of different packets of diamonds are mixed and sorted/resorted. The management ensures that inventories are correctly valued with reference to the quantity, quality and rates for different grades of diamonds.

Inventory provision

Management regularly undertakes a review of the company's inventory, in order to assess the likely realization proceeds, taking in account purchase and replacement prices, age, likely obsolescence, the rate at which goods are being sold and the physical damage. Based on the assessment assumptions are made as to the level of provisioning required.

Doubtful debt provision

Management regularly undertakes a review of the amounts of loans and receivables owed to the company either from third parties or from related parties and assess the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment assumptions are made as to the level of provisioning required.

Impairment

Assessments of net recoverable amounts of fixed assets and all financial assets other than loans and receivables (see above) are based on assumptions regarding future cash flows expected to be received from the related assets.

VERIGOLD JEWELLERY DMCC

Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

Fair value measurements and valuation processes

Some of the group's assets and liabilities are measured at fair value for financial reporting purposes. The directors of the group determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or liability, the group uses market-observable data to the extent it is available. Where Leve l 1 inputs are not available, the group engages third party qualified valuers to perform the valuation. The directors ensure that the appropriate valuation techniques are employed to measure fair value and these are regularly reviewed to understand the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 10

Staff end-of-service gratuity

The company computes the provision for the liability to staff end-of-service gratuity assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

4. Adoption of new and revised International Financial Reporting Standards

a) New and revised International Financial Reporting Standards

The following International Financial Reporting Standards, amendments thereto and interpretations issued by IASB that became effective for the current reporting period and which are applicable to the company are as follows:

- IFRS 14 Regulatory Deferral Accounts
- Disclosure Initiative (Amendments to IAS 1)
- Clarification on acceptable methods of Depreciation and Amortization(Amendments to IAS 16 and IAS 38)
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
- Investment Entities: Applying the Consolidation Exception(Amendment to IFRS 10,IFRS 12 and IAS 28)
- Accounting for acquisitions of Interest in Joint operations (Amendments to IFRS 11)
- Amendments to IAS 19 Employee Benefits
- Equity method in Separate Financial Statements(Amendments to IAS 27)
- Annual Improvements to IFRSs 2012-2014 Cycle

VERIGOLD JEWELLERY DMCC

Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

New and revised International Financial Reporting Standards (contd.):

During the current period, the management has adopted the above standards and amendments to the extent applicable to them from their effective dates.

These amendments have no significant impact on the amounts reported in these consolidated financial statements.

Their adoption has resulted in presentation and disclosure changes only.

b) International Financial Reporting Standards issued in 2014 but not effective

IAS 7 – Disclosure initiatives – The effective date of the standard is set for annual periods beginning on or after 1 January 2017.

IAS 12 – Recognition of Deferred Tax Assets for Unrealized losses – The effective date of the standard is set for annual periods beginning on or after 1 January 2017.

IFRS 9 – Financial Instruments (July 2014 version) this replaces the earlier IFRS 9 and is the final version – The effective date of the standard is set for annual periods beginning on or after 1 January 2018 with choice for early adoption. From February 2015 entities newly applying IFRS 9 will need to apply the version published in July 2014.

IFRS 15 – Revenue from contracts with customers – The effective date of the standard is set for annual periods beginning on or after 1 January 2018.

IFRS 16 – Leases – The effective date of the standard is set for annual periods beginning on or after 1 January 2019.

The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5. Significant accounting policies

a) Depreciation of property, plant and equipment

The cost of fixed assets is depreciated by equal annual installments over their estimated useful lives as under:

Factory building	25 years
Plant and machinery	10 years
Furniture and office equipment	4 years

Depreciation on additions is calculated on a pro-rata basis from the month of additions and on deletion up to the month of deletion of the asset.

VERIGOLD JEWELLERY DMCC

Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

b) Intangible asset

Intangible asset represents goodwill for the excess of the purchase price over the fair value of tangible assets acquired. Goodwill paid is amortized over a period of ten periods.

c) Financial instruments

Financial assets and financial liabilities are recognized when, and only when, the company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred. Financial liabilities are de-recognized when, and only when, they are extinguished, cancelled or expired.

Financial assets

Non derivative financial assets

Initial Recognition and Measurement

Financial assets are recognized on the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the financial instrument. The company determines the classification of its financial assets at initial recognition.

When financials assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent Measurement

The subsequent measurement of non - derivative financial assets depends on their classification as follows:

The company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets and loans and receivables.

During the year, the company has non - derivative financial assets in the form of loans and receivables and available for sale financial assets only.

Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to need for liquidity or in response to changes in the market conditions.

VERIGOLD JEWELLERY DMCC

Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

Available-for-sale financial assets (contd.):

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognized in other comprehensive income and presented in the fair value reserve in equity, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognized in profit or loss. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognized.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to the initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less impairment. Gains and losses are recognized in statement of comprehensive income when the loans and receivables are derecognized or impaired, and through the amortization process.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

d) Inventories

Inventories of gold, gold jewellery and studded jewellery are valued at lower of cost and net realizable value. Cost comprise of invoice value plus attributable direct expenses. Net realizable value is based on estimated selling price less any further costs expected to be incurred for disposal.

e) Margin paid against gold received:

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

f) Trade and other receivables

Trade receivables are carried at the original invoice amount to the customers. An estimate is made for doubtful receivables based on a periodic review of all outstanding amounts. Bad debts are written off when identified.

g) Foreign currency transactions

Transactions in foreign currencies are converted into US Dollars at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into US Dollars at the rate of exchange ruling at the reporting date. Resulting gain or loss is taken to the statement of comprehensive income.

h) Impairment of financial assets

The company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial asset together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the company.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets carrying amount and the present value of estimated future cash flows.

For financial assets carried at amortized cost, the carrying amount is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

If a write-off is later recovered, the recovery is credited to the statement of comprehensive income.

i) Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount.

Where the carrying amount of an asset or cash generating units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. Such reversal is recognized in the statement of comprehensive income.

j) Loans and borrowings

Term loans are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

VERIGOLD JEWELLERY DMCC

Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

Loans and borrowings (contd.):

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

k) Trade and other payables

Liabilities are recognized for amounts to be paid for goods or services received, whether invoiced by the supplier or not.

l) Staff end of service gratuity

Provision is made for end-of-service gratuity payable to the staff, subject to the completion of a minimum service period, at the reporting date in accordance with the local labour laws.

m) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

n) Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership and the lease payments are charged to the statement of comprehensive income on a straight line basis over the period of lease.

The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

o) Revenue recognition

<u>**Sales of goods**</u>

Revenue represents net amount invoiced for goods delivered and for making charges during the year.

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Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

Sales of goods (contd.):

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

Revenue from the sale of studded jewellery is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied.

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

p) **Borrowing costs**

Finance expense comprises of interest expense on bank borrowings and is recognised in the statement of comprehensive income.

q) **Cash and cash equivalents**

Cash and cash equivalents for the purpose of the cash flow statement comprise of cash and cheques on hand, bank balance in current accounts, deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment.

6. Property, plant and equipment

	Factory Units [a] *US.$*	*Plant and machinery* *US.$*	*Furniture and equipment* *US.$*	*Total* *US.$*
Cost				
As at 01.04.2016	-	-	29,829	29,829
Purchases during the period	878,474	343,989	23,678	1,246,141
As at 31.03.2017	**878,474**	**343,989**	**53,507**	**1,275,970**
Depreciation				
As at 01.04.2016			1,522	1,522
Charge for the period	14,641	8,772	9,829	33,242
As at 31.03.2017	**14,641**	**8,772**	**11,351**	**34,764**
Net book value				
As at 31.03.2017	**863,833**	**335,217**	**42,156**	**1,241,206**
As at 31.03.2016	-	-	**28,307**	**28,307**

[a] *Represents office unit at Jewellery and Gemplex Building 3, Dubai, U.A.E.*

In the opinion of management, there was no impairment in respect of any property and equipment. Hence carrying value as at reporting date, approximates their net book value.

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Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

7. Intangible assets

		2017 US $	2016 US $
Goodwill			
Acquire during the period		[a] 62,058	-
As at 31.03.2017	(A)	62,058	-
Amortization			
Charged for the period		2,586	-
As at 31.03.2017	(B)	2,586	-
Net book value	(A – B)	59,472	-

[a] *As per agreement dated 31st October 2016, company purchased plant and machinery with designs, copyrights and trademarks etc. for US$ 245,231/-.As per valuation by the independent valuer, the value of plant and machinery purchased was US$ 183,173/- Excess payment of US$ 62,058/- is considered as goodwill and will be amortised over a period of 10 periods from the date of purchase.*

8. Inventories

	2017 US $	2016 US $
Polished diamond and studded jewellery	1,386,698	283,530
Gold and gold jewellery	1,658,530	-
	3,045,228	283,530

9. Trade and other receivables

Trade receivables *(refer note 19)*	2,694,277	7,039,240
Deposits	28,274	1,980
Other receivables	25,597	2,861
Margin against gold received	3,876,419	-
	6,624,567	7,044,081

10. Investment

Available for sale investments [a, b]		
Cost of equities	5,327,185	-
Net changes in the fair value	276,328	-
Fair value at the reporting date	5,603,513	-

[a] *Represents portfolio of investments in equities.*

[b] *Investments are assigned to the bank against bank borrowings.(refer note 14)*

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Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

10a. Fair value measurement of the company's investment in equities

The fair value / market value of the company's investments in equities as at 31 March 2017 has been valued by the directors based on the information available through brokers.

The details of the company's investments and information about the fair value hierarchy as at 31 March 2017 are as follows:

	Level 1	*Level 2*	*Level 3*	*Fair value as at 31 March 2017*
	US $	*US$*	*US $*	*US $*
Available for sale investments	5,603,513	-	-	5,603,513

There were no transfers between levels 2 and 3 during the year.

Notes: Fair value hierarchy

The categorization of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to the fair value measurements are observable and significance of the inputs to the fair value measurement.

	2017	*2016*
	US $	*US $*

11. Cash and cash equivalents

	2017 US $	2016 US $
Cash on hand	12,555	334
Bank balances in:		
Current accounts	787,295	274,602
	799,850	**274,936**

12. Share capital

	2017 US $	2016 US $
Authorized, issued and subscribed capital		
300 shares of AED 1,000 each	**81,800**	**81,800**
(Converted @ AED 3.667/ US $)		

13. Non-controlling interest

This represents 35% share of the minority shareholder invested on 10th October 2016 in the subsidiary company Renaissance DMCC as below:

	2017	*2016*
	US $	*US $*
Share capital	19,074	-
Accumulated profits	70,434	-
Loan account balance	(299,728)	-
	(210,220)	-

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Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

	2017 US $	2016 US $
14. Bank borrowing		
Term loan from a bank [a]	2,461,079	-

[a] *Secured against assignment of investment (refer note 10)*

15. Trade and other payables

	2017 US $	2016 US $
Trade payables *(refer note 19)*	10,465,379	6,317,154
Accrual and other payables	127,066	47,056
	10,592,445	6,364,210

16. Cost of sales

	2017 US $	2016 US $
Opening stock	283,530	-
Purchase and direct expenses *(refer note 18)*	49,667,307	12,004,453
Closing stock	(3,045,227)	(283,530)
	46,905,610	11,720,923

17. Other income

	2017 US $	2016 US $
Interest received	4,433	73
Dividend received	60,968	-
Profit on sale of investments	183,211	-
Reimbursement of expenses	65,339	-
	313,951	73

18. Expenses

	2017 US $	2016 US $
Director's remuneration	34,877	-
Salaries and benefits	308,057	231,953
Rent	28,229	8,094
Other administration expenses	612,316	213,774
Amortisation of goodwill	2,586	-
Depreciation	33,241	1,522
	1,019,306	455,343

19. Related party transactions

For the purpose of these consolidated financial statements, parties are considered to be related to the company, if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making that party's financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related party may be individuals or other entities.

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Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

Related party transactions (contd.):

The nature and amount of significant transactions during the year are as under:

	Shareholder 2017 US $	*Company under common management and control 2017 US $*	*Total 2017 US $*	*Total 2016 US $*
Sales	67,867	8,753	76,620	876,464
Purchases	11,425,248	-	11,425,248	9,817,566

At the reporting date, balance with a related party was as follows:

	Shareholder 2017 US $	*Company under common management and control 2017 US $*	*Total 2017 US $*	*Total 2016 US $*
Current assets				
Trade receivables	67,867	8,753	76,620	-
Current liabilities				
Trade payables	2,060,630	-	2,060,630	4,183,015

20. Financial instruments

The company has exposure to the following risks from its financial instruments:

a) Credit risk
b) Market risk
c) Liquidity risk

a) Credit risk

Financial assets, which potentially expose the company to concentrations of credit risk, comprise principally of bank balances and trade and other receivables.

Trade and other receivables

As at 31 March 2017, the company's exposure on significant concentration of credit risk from the two receivables within UAE amounted to US $ 817,880/- receivables *(previous year US $ 6,044,992/- receivable from three receivables).*

There is no significant concentration of credit risk from trade receivables outside U.A.E. and outside the industry in which the company operates.

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Notes to the Consolidated Financial Statements
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Bank balances

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

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as exchange rate risk, interest rate risk or other price risk, which will affect the company's income or the value of its holding of financial instruments.

Financial instruments affected by market risk include interest-bearing loans and borrowings, deposits, financial assets at fair value through other comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk

Borrowings from banks are at fixed rates, which are generally prevailing in the international market. Hence interest rate risk is minimum.

Exchange rate risk

There is no significant exchange rate risk as substantially all financial assets and financial liabilities are denominated in US Dollars or UAE Dirhams to which US Dollar is fixed.

c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet financial obligations as they fall due. The liquidity requirements are monitored on a regular basis by the owners and the management who ensure that sufficient funds are made available to the company to meet any future commitments.

21. Financial instruments: Fair value

The fair value of the company's financial assets comprising of trade and other receivables, cash and bank balances and financial liabilities comprising of bank borrowings and trade and other payables approximates to their carrying values.

22. Contingent liability

There was no contingent liability of a significant amount outstanding as at the reporting date.

23. Comparative figures

a) Previous year figures have been regrouped/ reclassified wherever necessary to confirm to the presentation adopted in the current year.

b) Previous year's figures are for parent company as subsidiary was incorporated during the year, hence not comparable with those of current year's figures.