ASIAN STAR DMCC

Financial Statements

31 March 2019

Registered Address:

Unit No. 29 D,
Almas Tower,
Plot No. JLT PH1- A0,
Jumeirah Lakes Towers,
P.O. Box 336186
Dubai, U.A.E.

ASIAN STAR DMCC

Financial Statements
31 March 2019

CONTENTS | ***PAGE***

Independent Auditors' Report to the Shareholder/directors of ASIAN STAR DMCC

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of **ASIAN STAR DMCC,** (the "Company"), which comprise of the statement of financial position as of 31 March 2019, 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 financial statements present fairly, in all material respects the financial position of the company as of 31 March 2019 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 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 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 financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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/directors of ASIAN STAR DMCC

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report to the Shareholder/directors of ASIAN STAR DMCC

Report on the Audit of the 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

11 May 2019

ASIAN STAR DMCC

Statement of Financial Position
At 31 March 2019

	Notes	2019 US $	2018 US $
ASSETS			
Non current assets			
Property and furniture	6	**547,441**	**608,836**
Current assets			
Inventory	7	11,673,394	4,655,712
Loan to a related party	8 , 14	8,750,000	-
Trade and other receivables	9, 14	18,865,954	37,288,735
Cash and bank balances	10	8,003,246	4,251,499
		47,292,594	**46,195,946**
TOTAL ASSETS		**47,840,035**	**46,804,782**
EQUITY AND LIABILITIES			
Equity			
Share capital	11	54,496	54,496
Retained earnings		45,837,445	35,448,869
Total equity		**45,891,941**	**35,503,365**
Current liabilities			
Loan from a director	14	-	2,000,000
Trade and other payables	12 , 14	1,948,094	8,301,417
Loan from a related party	14	-	1,000,000
		1,948,094	**11,301,417**
TOTAL EQUITY AND LIABILITIES		**47,840,035**	**46,804,782**

The accompanying notes 1 to 23 form an integral part of these financial statements.
The Independent Auditors' Report is set forth on page 2 to 4.
Approved by the board of directors on 11th May 2019 and signed on their behalf:

For ASIAN STAR DMCC

Mr. Dharmesh D Shah
Director

ASIAN STAR DMCC

Statement of Comprehensive Income
for the year ended 31 March 2019

	Notes	2019 US $	2018 US $
Sales	14, 15	181,663,218	173,017,763
Cost of sales	16	(169,183,515)	(160,233,833)
Gross profit		**12,479,703**	**12,783,930**
Expenses	14, 17	(1,500,158)	(1,598,708)
Profit from operations		**10,979,545**	**11,185,222**
Interest income	18	44,141	3,740
Finance charges	19	(275,110)	(358,204)
Profit for the year		**10,748,576**	**10,830,758**
Other comprehensive income		-	-
Total comprehensive income for the year		**10,748,576**	**10,830,758**

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

ASIAN STAR DMCC

Statement of Changes in Equity
for the year ended 31 March 2019

	Share capital US $	***Retained earnings US $***	***Loan from a director US $***	***Total US $***
As at 31 March 2017	**54,496**	**24,998,111**	**-**	**25,052,607**
Dividend paid	-	(380,000)	-	(380,000)
Changes during the year	-	-	2,000,000	2,000,000
Profit for the year	-	10,830,758	-	10,830,758
As at 31 March 2018	**54,496**	**35,448,869**	**2,000,000**	**37,503,365**
Dividend paid	**-**	(360,000)	**-**	(360,000)
Changes during the year	-		(2,000,000)	(2,000,000)
Profit for the year	-	10,748,576	-	10,748,576
As at 31 March 2019	**54,496**	**45,837,445**	**-**	**45,891,941**

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

ASIAN STAR DMCC

Statement of Cash Flows
for the year ended 31 March 2019

	Notes	2019 US $	2018 US $
Cash flows from operating activities			
Profit for the year		10,748,576	10,830,758
Adjustments for:			
Finance charges paid to bank		275,110	358,204
Interest Income		(44,141)	(3,740)
Depreciation		61,395	88,895
Operating profit before working capital changes		**11,040,940**	**11,274,117**
Changes in inventory		(7,017,682)	(86,054)
Changes in trade and other receivables		18,422,781	(6,409,341)
Changes in trade and other payables		(6,353,323)	3,681,329
Finance charges paid to bank		(275,110)	(358,204)
Cash generated from/(used in) operating activities		**15,817,606**	**8,101,847**
Cash flows from investing activities			
Changes in fixed deposit		1,000,000	(300,000)
Interest Income		44,141	3,740
Net cash from / (used in) investing activities		**1,044,141**	**(296,260)**
Cash flows from financing activities			
Dividend paid		(360,000)	(380,000)
Proceeds from bank borrowings		-	(4,763,854)
Changes in long term loan given		-	2,712,500
Changes in short term loan		(9,750,000)	(4,300,000)
Loan from a director		(2,000,000)	2,000,000
Net cash from/(used in) financing activities		**(12,110,000)**	**(4,731,354)**
Net increase in cash and cash equivalents		**4,751,747**	**3,074,233**
Cash and cash equivalents at beginning of the year		**3,251,499**	**177,266**
Cash and cash equivalents at end of the year	13	**8,003,246**	**3,251,499**

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

1. Legal status and business activity

a) **ASIAN STAR DMCC** is a free zone limited liability company incorporated on 25 January 2004 in the Dubai Multi Commodities Centre under the trade license No. 30030.

b) The company is registered to carry out trading in pearls, precious stones and jewellery.

2. Basis of preparation

a) Statement of compliance

The 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 2018 and the applicable rules and regulations of the Dubai Multi Commodities Centre.

b) Basis of measurement

The financial statements have been prepared on the historical cost. 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

These 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. UAE Dirham is currently pegged to USD and there are no differences on translation from functional to presentation currency.

ASIAN STAR DMCC

Notes to the Financial Statements
for the year ended 31 March 2019

3. Judgments made in applying accounting policies

The preparation of the 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 financial statements are as follows:

Revenue from contracts with customers

- Timing for transfer of control of goods:

  In case of performance obligation satisfied at point in time, the control of goods is transferred, when physical delivery of the goods to the agreed location has occurred, as a result, the company has a present right to payment and retains none of the significant risks and rewards of the goods.

- Financing components

  The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year from the due date. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Impairment

At each reporting date, management conducts an assessment of property and equipment, investment property 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 income statement 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.

ASIAN STAR DMCC

Notes to the Financial Statements
for the year ended 31 March 2019

Financial assets at fair value through profit or loss

The company has elected to record the investments at fair values through profit and loss account as the financial assets are held primarily for trading. All derivatives (except those designated hedging instruments) and financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short-term profit taking are considered as held for trading.

Financial assets at amortized cost

The Company classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise of:

- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

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 property and equipment

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 property and equipment

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

ASIAN STAR DMCC

Notes to the Financial Statements
for the year ended 31 March 2019

Investment property

The company has elected to adopt the cost model for investment property. Accordingly, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Valuation of diamonds

Management undertakes periodic review of all inventories for 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.

Provision for expected credit losses of trade receivables and contract assets

For trade receivables and contract assets, the Company applies a simplified approach in calculating expected credit losses. The Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime expected credit losses at each reporting date. The Company incorporates forward-looking information into its historical customer default rates.

Impairment of non-financial assets

Assessments of net recoverable amounts of property and equipment, investment property 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.

Revenue from contracts with customers

i. **Determining the transaction price:**

   The Company’s revenue is from sale of goods is derived from fixed price contracts with customers and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. Based on the historical performance of the company, it is highly probable that there will not be reversal of previously recognized revenue on account of the return of goods or volume rebates.

ii. **Allocating the transaction prices:**

   There is a fixed unit price for each item sold to the customer. Therefore, there is no judgment involved in allocating the contract price to each unit ordered in contracts with customers. Where a customer orders more than one item, the Company is able to determine the split of the total contract price between each item by reference to each product’s standalone selling prices (all product lines are capable of being, and are, sold separately).

iii. Provision of rights to return goods, volume rebates and other similar obligations

The Company reviews its estimate of expected returns at each reporting date on basis of the historical data for the returns, rebates and other similar obligations and updates the amounts of the asset and liability accordingly.

4. Adoption of new 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 9 - Financial Instruments
- IFRS 15 – Revenue from contracts with customers
- Clarifications to IFRS 15- Revenue from contracts with customers
- IFRIC Interpretation 22-Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40- Transfers of Investment Property
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IFRS 1 and IAS 28 as per annual improvements to IFRS standards 2014-16 cycle

During the current year, the management has adopted the above standards and amendments to the extent applicable to them from the financial reporting period commencing on or after 1 January 2018.

The significant impacts of IFRS 9, IFRS 15 and other amendments as listed above on the amounts reported and their presentation are disclosed wherever applicable.

b) International Financial Reporting Standards issued but not effective

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

IFRS17 -Insurance Contracts- The effective date of the standard is set for annual periods beginning on or after 1 January 2021.

IFRIC23-uncertainty of Income Tax Position- The effective date of the interpretation is set for annual periods beginning on or after 1 January 2019.

Amendments to IFRS9-Prepayment features with negative compensation. The effective date of the amendment is set for annual periods beginning on or after 1 January 2019.

ASIAN STAR DMCC

Notes to the Financial Statements
for the year ended 31 March 2019

International Financial Reporting Standards issued but not effective (contd.)

Amendments to IAS 28- Long term interests in Associates and Joint Ventures. The effective date of the amendment is set for annual periods beginning on or after 1 January 2019.

Amendments to IFRSs- Annual improvements to IFRS Standards 2015-17 Cycle.

Amendments to IAS19-Plan amendments, curtailments or settlements. The effective date of the amendment is set for annual periods beginning on or after 1 January 2019.

Amendments to IFRS10 and IAS 28-Sale or contribution of assets between an investor and its associate or joint venture. These amendments will apply when they become effective.

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

4b. Significant Changes in the current reporting period

a) <u>IFRS 9 Financial Instruments</u>

The Company has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As permitted by transitional provisions of IFRS 9, the Company elected not to restate the comparative figures. Any adjustments to carrying amounts of financial assets and liabilities at the date of transitions were recognized in opening retained earnings and other reserves of the current year.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 - Financial Instruments: Disclosures.

There is no material impact on adoption of IFRS 9 in the financial statements at the adoption date and the reporting date, however the presentation and disclosure requirements of IFRS 9 have been dealt with as relevant to the Company.

b) <u>IFRS 15 Revenue from contracts with customers:</u>

This standard on revenue recognition replaces IAS 11 “Construction Contracts” and IAS 18 “Revenue” and related interpretations.

ASIAN STAR DMCC

Notes to the Financial Statements
for the year ended 31 March 2019

IFRS 15 Revenue from contracts with customers (contd.):

IFRS 15 is more perspective, provides detailed guidance on revenue recognition and reduced the use of judgment in applying revenue recognition policies and practices as compared to the replaced IFRS and related interpretations.

Revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

The core principle of IFRS 15 is that an entity recognizes revenue as it transfers the promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods or services.

IFRS 15 also includes a comprehensive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainly of revenue and cash flows arising from the entity's contracts with customers.

The Company has assessed that the impact of IFRS 15 is not material on the financial statements of the company as at the adoption date and the reporting date.

5. Significant accounting policies:

a) Depreciation of property and equipment

The cost of property and equipment is depreciated by equal annual installments over their estimated useful lives as under:

Property	20 years
Furniture and office equipment	5 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.

b) Financial instruments

Recognition and Initial measurement

The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs that are directly attributable in relation to financial assets and financial liabilities, other than those carried at fair value through profit or loss (FVTPL), are added to the fair value on initial recognition.

For the purpose of subsequent measurement, financial assets are classified as follows:

ASIAN STAR DMCC

Notes to the Financial Statements
for the year ended 31 March 2019

Financial assets at amortised cost (debt instruments)

Financial assets that are held within a business model whose objective is to hold the asset in order to collect contractual cash flows that are solely payments of principal and interest are subsequently measured at amortised cost less impairments, if any. Interest income calculated using effective interest rate (EIR) method and impairment loss, if any are recognised in the statement of profit and loss. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortised cost include inventories, trade and other receivables, and cash and cash equivalents. Due to the short term nature of current receivables, their carrying amounts is considered to be the same as their fair value.

Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)

Financial assets that are held within a business model whose objective is achieved by both holding the asset in order to collect contractual cash flows that are solely payments of principal and interest and by selling the financial assets, are subsequently measured at fair value through other comprehensive income. Changes in fair value are recognized in the other comprehensive income (OCI) and on derecognition, cumulative gain or loss previously recognised in OCI is reclassified to the statement of profit and loss. Interest income calculated using EIR method and impairment loss, if any are recognised in the statement of profit and loss.

The company does not have financial assets at fair value through other comprehensive income at reporting date.

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

The company does not have financial assets at fair value through other comprehensive income at reporting date.

Financial assets at fair value through profit or loss

A financial asset which is not classified in any of the above categories are subsequently measured at fair value through profit or loss. Changes in fair value and income on these assets are recognised in the statement of profit and loss. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

ASIAN STAR DMCC

Notes to the Financial Statements
for the year ended 31 March 2019

Financial assets at fair value through profit or loss (contd.)

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Classification and subsequent measurement of financial liabilities

For the purpose of subsequent measurement, financial liabilities are classified as follows:

- Amortized cost - Financial liabilities are classified as financial liabilities at amortized cost by default. Interest expense calculated using EIR method is recognized in the statement of profit and loss. The company’s financial liabilities at amortized cost include trade and other payables.

- Fair values through profit or loss (FVTPL) - Financial liabilities are classified as FVTPL if it is held for trading, or is designated as such on initial recognition. Changes in fair value and interest expense on these liabilities are recognized in the statement of profit and loss.

Derecognition of financial assets and financial liabilities

Financial assets are de-recognised when, and only when,
- The contractual rights to receive cash flows expire or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either
  a) the Company has transferred substantially all the risks and rewards of the asset, or
  b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

ASIAN STAR DMCC

Notes to the Financial Statements
for the year ended 31 March 2019

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.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are recognized in two stages.

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months.

- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For trade receivables and contract assets, the Company applies a simplified approach in calculating expected credit losses. The Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

c) Inventories

Inventories are valued at lower of cost or net realizable value using specific identification method for each item of inventories.. 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.

d) 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 gains or losses arising from the foreign currency transactions are taken to the statement of comprehensive income.

ASIAN STAR DMCC

Notes to the Financial Statements
for the year ended 31 March 2019

e) 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.

f) Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

g) Contingencies

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

h) 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.

ASIAN STAR DMCC

Notes to the Financial Statements
for the year ended 31 March 2019

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.

i) Value Added Tax

The revenue, expenses and assets are recognized net of value-added tax (VAT). In case Input VAT paid to the supplier of asset or expense is not recoverable from the Federal Tax Authority, it is disclosed as part of asset acquired or expense incurred.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from or VAT payable to, Federal Tax Authority is disclosed as other payable or other receivable under current liabilities or current assets in the statement of financial position.

j) Revenue recognition

Sales of goods

The company is in the business of trading of polished diamonds, rough diamonds, colored stones and jewellery.

Revenue from sale of goods is recognized at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customers and have been accepted by the customers at their premises and there is no unfulfilled obligation that could affect customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer or the company has objective evidence that all criteria for acceptance have been satisfied.

The amount of revenue is shown as net of discounts, returns, other similar obligations and VAT as per the performance obligations determined as per the provisions of the contracts with customers.

k) Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement comprise 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.

l) Dividend

Dividend is paid out of retained earnings, when declared.

ASIAN STAR DMCC

Notes to the Financial Statements
for the year ended 31 March 2019

6. Property and furniture

	Property [a] *US $*	*Furniture and Fixture US $*	*Total US $*
Cost			
As at 01.04.2018	1,227,902	286,594	1,514,496
As at 31.03.2019	**1,227,902**	**286,594**	**1,514,496**
Depreciation			
As at 01.04.2018	619,066	286,594	905,660
Charge for the year	61,395	-	61,395
As at 31.03.2019	**680,461**	**286,594**	**967,055**
Net book value			
As at 31.03.2019	**547,441**	**-**	**547,441**
As at 31.03.2018	**608,836**	**-**	**608,836**

[a] *Represents office Unit 29-D at Almas Tower, Dubai, U.A.E.*

7. Inventory [a]

	2019 US $	*2018 US $*
Rough diamonds	1,036,663	4,655,712
Polished diamonds	10,636,731	-
	11,673,394	**4,655,712**

[a] *Inventories are hypothecated against bank borrowings. However, as on reporting date no bank borrowing is outstanding.*

8. Loan to a related party

Short term loan [a]	**8,750,000**	-

[a] *Represents unsecured loan, interest free loan receivable within one year (refer note 14).*

9. Trade and other receivables

Trade receivables [a] *(refer note 14)*	18,853,140	34,232,535
Advances to suppliers	-	3,045,336
Deposits and other receivable	12,814	10,864
	18,865,954	**37,288,735**

[a] *Trade receivables are assigned against bank borrowings. However, as on reporting date no bank borrowing is outstanding.*

10. Cash and bank balances

Cash balance	6,056	2,216
Bank balances in:		
Current accounts	7,997,190	3,249,283
Term deposit	-	1,000,000
	8,003,246	**4,251,499**

ASIAN STAR DMCC

Notes to the Financial Statements
for the year ended 31 March 2019

11. Share capital

	2019 US $	2018 US $
Subscribed, Issued and Paid up 200 ordinary shares of AED 1,000 each *(converted @ 3.67 AED per US $)*	54,496	54,496

12. Trade and other payables

	2019 US $	2018 US $
Trade payables	-	73,233
Advance received from a customer	1,942,643	-
Short term loans	-	6,223,416
Other payables	5,451	2,004,768
	1,948,094	8,301,417

13. Cash and cash equivalents

	2019 US $	2018 US $
Cash balance	6,056	2,216
Bank balances in:	-	
Current accounts	7,997,190	3,249,283
	8,003,246	3,251,499

14. Related party transactions

For the purpose of these 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 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.

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

	Parent company US $	Companies under common management and control US $	Key managerial personnel US $	Total 2019 US $	Total 2018 US $
Sales	22,800,765	-	-	22,800,765	9,991,618
Purchases	-	-	-	-	16,970,145
Directors' remuneration			575,477	575,477	550,463
Guarantee commission	86,164	-	-	86,164	95,890

ASIAN STAR DMCC

Notes to the Financial Statements
for the year ended 31 March 2019

Related party transactions (contd.)

At the reporting date, balances with related parties were as under:

	Parent company US $	*Companies under common management and control US $*	*Key managerial personnel US $*	*Total 2019 US $*	*Total 2018 US $*
Included under current assets					
Trade receivables	2,062,864	-	-	2,062,864	9,092,523
Loan to a related party Asian Star Trading (HK) Ltd, Hongkong	-	8,750,000	-	8,750,000	-
Included under current liabilities					
Loan from a director	-	-	-	-	2,000,000
Due from a related party *(Asian Star Trading HK Limited, Hongkong)*	-	-	-	-	1,000,000

	2019 US $	*2018 US $*
15. Sales		
Rough diamonds *(refer note 14)*	156,072,491	158,212,061
Polished diamonds	25,590,727	14,805,702
	181,663,218	**173,017,763**
16. Cost of sales		
Opening inventory	4,655,712	3,711,891
Purchases	176,201,198	161,177,654
Closing inventory	(11,673,395)	(4,655,712)
	169,183,515	**160,233,833**
17. Expenses		
Directors' remuneration *(refer note 14)*	575,477	550,463
Salaries and benefits	188,908	186,498
Other administrative expenses	674,378	772,852
Depreciation	61,395	88,895
	1,500,158	**1,598,708**
18. Interest income		
Interest income from bank	30,189	3,740
Interest income other than bank	13,952	-
	44,141	**3,740**

ASIAN STAR DMCC

Notes to the Financial Statements
for the year ended 31 March 2019

19. Finance charges

	2019 US $	2018 US $
Finance charges paid to banks	188,946	262,314
Guarantee commission paid to a parent company *(refer note 14)*	86,164	95,890
	275,110	**358,204**

20. Financial instruments

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

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

a) Credit risk

Financial assets, which potentially expose the company to concentration of credit risk comprise principally of bank balances, loan to a related party and trade and other receivables.

Trade and other receivables

As at 31 March 2019, significant concentration of credit risk from trade receivables situated within U.A.E. from four customers amounted to 14,610,664 *(previous year US $ nil)*.

As at 31 March 2019, the company's maximum and significant exposure to credit risk from a related party situated outside U.A.E. amounted to US $ 2,062,864/- *(previous year 19,569,780 from three customers)*.

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

Bank balances

The company's bank balances in current accounts and term deposit 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 and 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

Interest receivable and payable on loans is at fixed rate of interest.

Bank borrowings are at floating rates of interest at levels, which are generally obtained in U.A.E.

Exchange rate risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in US Dollars or U.A.E. Dirhams to which the US Dollar is pegged.

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 values of the company's financial assets, comprising of property and furniture, trade and other receivables and bank balances and financial liabilities comprising of trade and other payables and bank borrowings approximate to their carrying values.

22. Contingent liability

There was no significant liability of contingent nature outstanding at the reporting date.

23. Comparative figures

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