

SPECTRUM JEWELLERY
PRIVATE LIMITED

AUDITED FINANCIAL STATEMENT
FOR THE YEAR ENDED
31 MARCH 2010

AUDITORS' REPORT

To,
The Members of
SPECTRUM JEWELLERY PRIVATE LIMITED

1. We have audited the attached balance sheet of **SPECTRUM JEWELLERY PRIVATE LIMITED** as at 31 March 2010 and the profit and loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally acceptable in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by Companies (Auditor's Report) (Amendment) Order 2004, issued by Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks, as we considered appropriate, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;



N. K. SHETH & COMPANY
CHARTERED ACCOUNTANTS

In our opinion, the balance sheet and profit and loss account dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.

- d) On the basis of representations received from the directors of the Company as on 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956;
- e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2010,
 - ii) in the case of the profit and loss account, of the loss of the Company for the year ended on that date.

For N.K. Sheth & Company
Chartered Accountants



Naresh Sheth
Proprietor

Membership No.: 33698
Firm No. 110064W

Mumbai, Dated : 06.05.2010



ANNEXURE TO THE AUDITORS' REPORT

REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

1. In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
 - b) All the fixed assets have been physically verified by the management at the end of the year, which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets. The discrepancies noticed on such physical verification has not material and the same have been properly dealt with in the books of account.
 - c) During the year, the Company has not disposed off substantial part of its fixed assets except adjustment on account of Foreign Exchange gain adjusted in the WDV of Intangible asset.

2. In respect of its inventories:
 - a) According to information and explanations given to us, the inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
 - b) In our opinion and according to information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) On the basis of our examination of the inventory records, in our opinion, the company has maintained proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and the same have been properly dealt with by the Company in the books of account.

3. In respect of loans, secured or unsecured, granted or taken by the Company to from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
 - a) According to information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - b) As the Company has not granted any loans as stated above, the clause 4(iii)(b), 4(iii)(c) ,4(iii)(d), 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
 - c) The Company has taken interest free unsecured loans from Holding Company and maximum amount involved during the year was Rs.27,923,102/- and year-end balance was Rs. 27,923,102/-



N. K. SHETH & COMPANY
CHARTERED ACCOUNTANTS

- d) In our opinion and according to information and explanations given to us, in respect of such interest free unsecured loans taken by the Company, the other terms and conditions are prima facie, not prejudicial to the interest of the Company.
 - e) In respect of such loans taken by the Company, the principal amounts were repayable on demand.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been so entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from public during the year.
7. The company does not have formal internal audit system.
8. As explained to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in the case of any of the product of the Company.
9. a) There have been a minor delay in depositing provident fund & Employees State Insurance Scheme Dues during the year. However there are no arrears of outstanding dues on this account as at last day of the financial year concerned for a period more then 6 months from the date they became payable. Except for this, the Company has been generally regular in depositing undisputed statutory dues such as income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues, with the appropriate authorities.
- b) According to information and explanations given to us, there are no dues on account of income tax/ sales tax/ wealth tax/ service tax/ custom duty/ excise duty/ cess that has not been deposited on account of any dispute.
10. The Company has accumulated losses at the end of the financial year and has incurred cash losses during the current financial year and in the immediately preceding financial year.
11. Based on our audit procedures and according to information and explanations given to us, the Company has not defaulted in repayment of dues to banks. There were no dues to financial institutions and debenture holders during the year.



N. K. SHETH & COMPANY
CHARTERED ACCOUNTANTS

12. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures, and other securities.
13. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore the provision of clause (xiii) of paragraph 4 of the Companies (Auditor's Report) (Amendment) Order 2004, are not applicable to the company.
14. In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly the provision of clause (xiv) of paragraph 4 of the Companies (Auditor's Report) (Amendment) Order 2004, are not applicable to the company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
16. The Company has not raised any term loan during the year.
17. According to information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that funds raised on short-term basis have not been used for long-term investment.
18. The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money through a public issue during the year.
21. During the course of our examination of books of account and records of the Company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For N.K. Sheth & Company
Chartered Accountants


Naresh Sheth
Proprietor
Membership No.: 33698
Firm no. 110064W



Place: Mumbai
Dated: 06.05.2010

SPECTRUM JEWELLERY PRIVATE LIMITED

BALANCE SHEET AS ON 31 MARCH 2010

	<u>Schedule</u>	<u>As at 31/03/2010 Rs.</u>	<u>As at 31/03/2009 Rs.</u>
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	200,000	200,000
Loan funds			
Unsecured loans	2	27,923,102	17,263,797
Total funds employed		28,123,102	17,463,797
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	9,080,440	9,347,343
Less : Accumulated depreciation / amortisation		3,898,476	3,052,444
Net block		5,181,964	6,294,899
Current assets, loans and advances			
Inventories	4	29,897,341	67,386,209
Sundry debtors		44,060,560	37,535,319
Cash and bank balances		1,280,634	316,105
Loans and advances		1,433,037	3,564,379
Total 'A'		76,671,572	108,802,012
Less : Current liabilities and provisions			
Current liabilities	5	134,949,951	154,513,339
Provisions		1,878,336	1,533,977
Total 'B'		136,828,287	156,047,316
Net current assets / (liabilities) (A - B)		(60,156,715)	(47,245,304)
Profit and Loss Account		83,097,853	58,414,202
Total funds utilised		28,123,102	17,463,797

Accounting policies and notes forming part of the accounts 14

As per our report of even date attached

FOR N.K.Sheth & Company
Chartered Accountants

(Naresh K. Sheth)
Proprietor
Membership No. 33698
Firm No. 110064W

Mumbai ; Dated : 06.05.2010



For Spectrum Jewellery Private Limited

(Mehul C. Choksi)
DIRECTOR

Mumbai ; Dated : 06.05.2010

(Pankaj Shah)
DIRECTOR

SPECTRUM JEWELLERY PRIVATE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010**

	Schedule	Current Year Rs.	Previous Year Rs.
INCOME			
Sales and income from operations	6	115,309,460	73,168,785
Other income	7	1,049,480	819,415
		116,358,940	73,988,200
EXPENDITURE			
Cost of materials	8	82,989,460	55,712,044
Increase/ (decrease) in stocks	9	13,165,059	(9,635,665)
Manufacturing and other expenses	10	2,106,340	5,636,472
Employees' remuneration and benefits	11	7,654,214	9,839,282
Administrative Expenses	12	7,241,324	7,428,120
Selling and distribution expenses	13	26,972,019	22,067,290
Depreciation	3	1,008,760	1,123,436
		141,137,176	92,170,980
Profit/(Loss) before Prior Period Adjustments		(24,778,236)	(18,182,780)
Prior Year Adjustments (Net)		94,585	(9,566,726)
Profit / (loss) before taxation		(24,683,651)	(27,749,506)
Provision for taxation:			
Fringe benefit tax		-	(249,824)
Profit / (loss) after taxation		(24,683,651)	(27,999,330)
Balance brought forward from previous year		(58,414,202)	(30,414,872)
Balance carried to Balance Sheet		(83,097,853)	(58,414,202)
Basic and diluted earnings/(loss) per share		(1,234.18)	(1,399.97)
Nominal value of equity shares		10.00	10.00

Accounting policies and notes forming part of the accounts

As per our report of even date attached

FOR N.K.Sheth & Company
Chartered Accountants

(Naresh K. Sheth)
Proprietor
Membership No. 33698
Firm No. 110064W
Mumbai ; Dated : 06.05.2010



For Spectrum Jewellery Private Limited

(Mehul C. Choksi)
DIRECTOR
Mumbai ; Dated : 06.05.2010

(Pankaj Shah)
DIRECTOR

SPECTRUM JEWELLERY PRIVATE LIMITED

Schedules forming part of the balance sheet

	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
SCHEDULE '1' SHARE CAPITAL		
Authorised : 900,000 equity shares of Rs. 10 each	9,000,000	9,000,000
	<u>9,000,000</u>	<u>9,000,000</u>
Issued, subscribed and paid-up : 20,000 equity shares of Rs.10 each, fully paid-up (Of the above 19,740/- shares are held by Gitanjali Gems Ltd)	200,000	200,000
	<u>200,000</u>	<u>200,000</u>
SCHEDULE '2' UNSECURED LOANS		
From Directors	-	6,726,700
From Holding Company	27,923,102	10,537,097
	<u>27,923,102</u>	<u>17,263,797</u>



SPECTRUM JEWELLERY PRIVATE LIMITED

Schedules forming part of the balance sheet
Schedule " 3"
Fixed Asset

SR. NO.	DESCRIPTION OF THE ITEM	Dep Rate	GROSS BLOCK				DEPRECIATION				NET BLOCK	
			AS ON 1/4/2009	ADDITIONS	DEDUCTIONS	AS ON 31/03/10	UPTO 1/4/2009	FOR CUR. YR	ON DEDUCTIONS	TOTAL	AS ON 31/03/2010	AS ON 31/03/2009
1	Tangible Assets Office equipments		284,883	37,834	-	322,716	86,648	-	32,995	129,643	193,073	188,234
2	Computers		852,883	214,098	3,998	1,062,983	470,863	-	183,919	654,782	408,201	382,020
3	Furnitures and fixtures		936,045	27,592	-	963,637	302,872	-	118,736	421,608	542,029	633,173
	Total (a)		2,073,811	279,524	3,998	2,349,336	870,384	-	335,650	1,206,034	1,143,303	1,203,427
	Intangible Assets Trademark "SANGINI"		7,273,532	-	542,428	6,731,104	2,182,061	162,728	673,110	2,692,443	4,038,661	5,091,471
	Total (b)		7,273,532	-	542,428	6,731,104	2,182,061	162,728	673,110	2,692,443	4,038,661	5,091,471
	Total (a+b)		9,347,343	279,524	546,426	9,080,440	3,052,445	162,728	1,008,760	3,898,477	5,181,964	6,294,898
	PREVIOUS YEAR		8,992,897	354,446	-	9,347,343	1,929,009	-	1,123,436	3,052,445	6,294,898	7,063,899



SPECTRUM JEWELLERY PRIVATE LIMITED

Schedules forming part of the balance sheet

	Rs.	As at 31/03/2010 Rs.	Rs.	As at 31/03/2009 Rs.
SCHEDULE '4'				
CURRENT ASSETS, LOANS AND ADVANCES				
CURRENT ASSETS				
Inventories				
Raw materials				
Polished diamond and colour stones	827,468		24,725,369	
Gold	774,911		1,200,819	
Finished goods	<u>28,294,962</u>		<u>41,460,021</u>	
		29,897,341		67,386,209
Sundry debtors				
(Unsecured, considered good)				
Outstanding for a period exceeding six months	21,506,823		15,232,766	
Others	<u>22,553,736</u>		<u>22,302,553</u>	
		44,060,560		37,535,319
Cash and bank balances				
Cash on hand	83,360		14,220	
Balances with scheduled banks:				
In current accounts	<u>1,197,275</u>		<u>301,885</u>	
		1,280,634		316,105
Total 'A'		<u><u>75,238,535</u></u>		<u><u>105,237,633</u></u>
LOANS AND ADVANCES				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received		957,693		2,524,879
Deposits		403,876		1,030,939
Prepaid Taxes (Net of provisions)		71,468		8,561
Total 'B'		<u><u>1,433,037</u></u>		<u><u>3,564,379</u></u>
Total (A + B)		<u><u>76,671,572</u></u>		<u><u>108,802,012</u></u>



SPECTRUM JEWELLERY PRIVATE LIMITED

Schedules forming part of the balance sheet

	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
SCHEDULE '5'		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors		
(i) Dues of micro and small enterprises (Previous year, small scale undertakings) (Refer note 5 of Schedule 14)	-	-
(ii) Others	132,052,938	152,146,117
Credit balance in current account with bank	-	1,654
Advance received from customers	2,580,328	1,518,853
Other liabilities	316,685	846,714
	(A) 134,949,951	154,513,339
PROVISIONS		
Provision for Gratuity	120,488	100,912
Provision for Expenses	1,757,848	1,082,072
Provision for Fringe benefit tax	-	350,993
	(B) 1,878,336	1,533,977
Total (A + B)	136,828,287	156,047,316



SPECTRUM JEWELLERY PRIVATE LIMITED

Schedules forming part of the profit and loss account

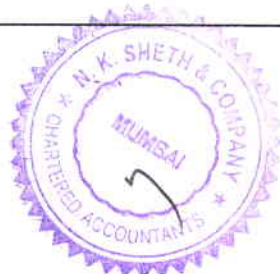
	Current Year Rs.	Previous Year Rs.
SCHEDULE '6'		
SALES AND INCOME FROM OPERATIONS		
Sales (Less Returns)		
Jewellery	95,480,358	73,014,496
Polished diamonds	19,272,783	154,289
Watches Sale	303,142	-
Pearl Jewellery Sale	253,177	-
	<u>115,309,460</u>	<u>73,168,785</u>
SCHEDULE '7'		
OTHER INCOME		
Franchisee Fee	150,000	-
Miscellaneous Income	16,423	-
Unredeemed Gift Vouchers Written back	619,183	-
Excess provision / sundry balances written back (net)	263,874	819,415
	<u>1,049,480</u>	<u>819,415</u>
SCHEDULE '8'		
COST OF MATERIALS		
a) Raw materials consumed: (Polished diamonds)		
Opening stock	24,597,197	6,860,320
Add: Purchases	2,328,288	46,489,217
	<u>26,925,485</u>	<u>53,349,537</u>
Less: Purchase Return	4,148,416	-
	<u>22,777,069</u>	<u>53,349,537</u>
Less: Closing stock	802,141	24,597,197
Total (a)	<u>21,974,928</u>	<u>28,752,340</u>
b) Raw materials consumed: (Gold)		
Opening stock	1,200,819	119,720
Add: Purchases	5,402,933	23,000,700
	<u>6,603,752</u>	<u>23,120,420</u>
Less: Closing stock	774,911	1,200,819
Total (b)	<u>5,828,841</u>	<u>21,919,601</u>
c) Raw materials consumed: (Colour stone)		
Opening stock	128,172	47,282
Add: Purchases	6,377	145,682
	<u>134,549</u>	<u>192,964</u>
Less: Closing stock	25,327	128,172
Total (c)	<u>109,222</u>	<u>64,792</u>
Total Consumption (a + b + c = d)	<u>27,912,991</u>	<u>50,736,734</u>
e) Purchase of finished goods	(e) 55,076,469	4,975,311
Total(d+ e)	<u>82,989,460</u>	<u>55,712,044</u>
SCHEDULE '9'		
INCREASE / (DECREASE) IN STOCKS		
Closing stock of Jewellery	28,294,962	41,460,021
Less: Opening stock of jewellery	41,460,021	31,824,356
	<u>(13,165,059)</u>	<u>9,635,665</u>



SPECTRUM JEWELLERY PRIVATE LIMITED

Schedules forming part of the profit and loss account

	Current Year Rs.	Previous Year Rs.
SCHEDULE '10'		
MANUFACTURING AND GENERAL EXPENSES		
Stores , Tools and Consumables (indigenous)	419,118	416,949
Labour Charges	1,687,222	5,219,523
	2,106,340	5,636,472
SCHEDULE '11'		
EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, wages and allowances	7,219,110	9,509,820
Contribution to provident and other funds	249,744	282,285
Gratuity	19,576	-
Staff welfare expenses	165,784	47,177
	7,654,214	9,839,282
SCHEDULE '12'		
ADMINISTRATIVE EXPENSES		
Auditors Remuneration:		
Audit fees	33,090	33,090
Tax audit fees	16,545	16,545
Taxation Matters	11,030	11,030
Printing and Stationery	556,915	415,306
Electricity Expenses	146,491	224,883
Security Expenses	77,350	30,000
Rent , Rate & Taxes	2,226,977	1,154,495
Postage, Telephone & Courier Expenses	406,066	527,618
Travelling and Conveyance Expenses	2,555,125	2,038,122
Bank charges	52,519	130,535
Interest	23,295	70,536
Legal and Professional Expenses ,	386,733	1,812,504
Insurance Charges	358,832	160,806
Miscellaneous Expenses	223,047	192,255
Repair and Maintenance - Others	167,310	610,395
	7,241,324	7,428,120
SCHEDULE '13'		
SELLING AND DISTRIBUTION EXPENSES		
Business Promotion Expenses	13,617,598	9,858,159
Certification and Trademark Expenses	498,285	1,355,279
Frieght and Forwarding Expenses	607,796	836,309
Display and Packing Expenses	581,603	382,885
Advertisement Expenses	4,568,276	5,849,544
Commission , Incentives and rebate on sales	5,586,235	3,785,113
Bad Debts	1,512,226	-
	26,972,019	22,067,290



SPECTRUM JEWELLERY PRIVATE LIMITED

SCHEDULE '14'

ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

1. Nature of operations

Spectrum Jewellery Private Limited ('the Company') is incorporated on October 5, 2004 under Companies Act, 1956. The Company is in the business of manufacturing and selling of diamond studded gold Jewellery. The Company was operating as a Joint Venture Company as per joint venture agreement dated 21st March 2006 entered into between co-ventures namely, Sanghavi Exports International Private Limited (formerly Sanghavi Exports – a partnership firm) and Gitanjali Gems Limited.

On 29th October 2009 the Company has become a wholly owned subsidiary of Gitanjali Gems Limited as Gitanjali Gems Limited took over more than half of the shareholding of the Company.

2. Significant accounting policies:

a) System of accounting:

The financial statements have been prepared in compliance with all material aspects of the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, to the extent applicable and in accordance with the relevant provisions of the Companies Act, 1956.

The financial statements are prepared on the basis of historical cost convention, and on the accounting principle of a going concern.

The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis except those with significant uncertainties.

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Fixed assets:

- i. Fixed assets are stated at cost less accumulated depreciation. Cost includes all cost incidental to acquisition, installation, commissioning, pre-operative expenses allocated to such assets.
- ii. Intangible assets are recognized only if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. The capitalised cost includes purchase cost and cost of



implementation.

d) Depreciation:

- i Depreciation on Fixed assets is provided on the written down value method at the rates and in the manner prescribed under Schedule XIV of the Act. Depreciation on additions / deletions to fixed assets is calculated pro-rata from/up to the date of such additions/deletion.
- ii Intangible assets i.e. Trade Mark is amortized on the straight-line method over a period of ten years.
- iii Assets individually costing Rs 5,000 or less are fully depreciated in the year of purchase.

e) Inventories:

- i Raw materials – Polished diamonds (including colour stone) are valued at lower of cost or net realizable value.
- ii Raw materials – Gold and silver is valued at the lower of cost or net realisable value.
- iii Finished goods – Jewellery is valued at the lower of cost (consisting of material cost and cost of conversion) or net realisable value. The cost of material is determined on weighted average basis.
- iv Consumables are charged to profit and loss account in the year of purchase.

f) Revenue recognition:

Revenue in respect of sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer.

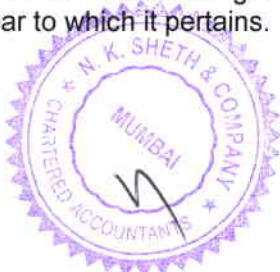
g) Transactions in foreign currencies:

Foreign currency transactions are recorded at the exchange rates prevailing on the date of such transactions. Monetary assets and liabilities as at the Balance Sheet date are translated at the rates of exchange prevailing at the date of the Balance Sheet. Gains and losses arising on account of differences in foreign exchange rates on settlement/translation of monetary assets and liabilities are recognized in the profit and loss account. Non-monetary foreign currency items are carried at cost.

h) Retirement benefits:

- i Defined contribution plans

The Company contributes on a defined contribution basis to Employee's Provident Fund, towards post employment benefits, which is administered by the respective Government authorities, and has no further obligation beyond making its contribution, which is expensed in the year to which it pertains.



ii Defined benefit plans

The Company has a Defined benefit plan namely Gratuity for all its employees. The liability for the defined benefit plan of Gratuity is determined on the basis of an actuarial valuation by an independent actuary at the year end, which is calculated using projected unit credit method as recommended under AS15. The company has provided for the same till 31.03.2010

iii. Employee leave entitlement

The employees of the Company are entitled to leave as per the leave policy of the Company. The liability for the Leave liability determined on the basis of an actuarial valuation by an independent actuary at the year end, which is calculated using projected unit credit method. The company has provided for the same till 31.03.2010

i) **Taxation:**

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

j) **Provisions and contingent liabilities:**

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

k) **Preliminary expenses:**

Preliminary expenses are being written off in the year in which it is incurred.

l) **Earning per share:**

The basic earning per share ("EPS") is computed by dividing the net profit after tax for the year available for the equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year available for equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.



m) **Impairment of assets:**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

n) **Lease:**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight-line basis over the lease term.

3. **Contingent liabilities not provided for in respect of:**

Claims against the Company not acknowledged as debts Rs. Nil.

4. The Company is in the process of compiling relevant information from its suppliers about their coverage under the Micro, Small and Medium Enterprises Development Act, 2006. As the Company has not received any information from its suppliers as on date regarding their status under the above said Act, no disclosure has been made.

5. Loans/Advances and Debtors include the following amounts due from the Companies in which directors of the Company are directors:

	Balances as on March 31, 2010 Rs.	Maximum Balance Outstanding during the previous year Rs.	Balances as on March 31, 2009 Rs.	Maximum Balance Outstanding during the previous year Rs.
Gitanjali Gems Limited	3,92,311	61,92,311	-	-
Gitanjali Jewellery Retail Pvt. Ltd.	16,70,418	26,31,695	-	-
Asmi Jewellery (India) Private Limited	2,24,34,798	2,24,34,798	2,223,148	3,163,124
Modali Jewels Private Limited	13,578	10,58,514	10,58,514	10,58,514



6. Deferred Tax:

In accordance with the Accounting Standard-22 "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, the deferred tax assets (net) on account of timing difference up to 31st March 2010 Rs.2,42,66,192/- have been determined. However, as there is no virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised, deferred tax assets have not been recognised. Major components of deferred tax assets arising as at the year end are as under:

Particulars	As at 31/03/2010		As at 31/03/2009	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	Rs.	Rs.	Rs.	Rs.
Depreciation		5,78,350		5,11,245
Disallowance U/s. 40(a) of Income Tax Act.	-		18,68,692	
Preliminary Expenses	23,098		34,648	
Unabsorbed business losses /Depreciation	2,47,13,156		1,52,02,138	
Disallowances U/s 43 B	1,08,288		59,637	
Total			1,71,65,114	5,11,245
Deferred tax assets / (Liabilities) (Net)	2,42,66,192		1,66,53,869	

7. The Company has incurred substantial losses during the current year as well as in the previous year resulting in substantial erosion of its Net Worth. However these accounts have been prepared on a "going concern" basis as the necessary financial support is being given by the shareholder / directors towards its existing operations and expansion plans.

8. Segment Reporting:

The Company operates in a single primary business segment i.e. "Jewellery items". Hence, there are no reportable segments as per Accounting Standard (AS) - 17 "Segment Reporting" issued by The Institute of Chartered Accountants of India. The Company does not have any reportable geographical segment.



9. Related Party Disclosures:

Nature of transaction	Holding Company (Rupees)	Fellow Subsidiaries (Rupees)	Associate (Rupees)	Total (Rupees)
Purchase of Goods	20,78,816	36,860,523	20,457,660	59,396,999
Purchase Return of Goods	41,48,416	809,891	--	49,58,307
Sale of Goods	61,92,311	26,341,675	32,207,353	64,741,339
Sale of Fixed Assets	--	4,158	--	4,158
Expenses made on behalf	--	3,630	--	3,630
Reimbursement of Expenses	1,48,14,407	54,767	2,31,883	1,51,01,057
Leasing or Hire Purchase arrangements (Office Rent)	9,34,382	--	11,77,835	21,12,217
License Agreements Finance (including loans and equity contributions in cash or kind)	1,73,86,005	--	--	1,73,86,005
Bad Debt Written off	17,856	264,491	--	2,82,347

Note :

1. Names of Related Parties and description of Relationship:

Sr.No.	Related Party Relationship	Name of the related party
1.	Holding Company	Gitanjali Gems Limited
		Gitanjali Gems Limited - Prism Jewellery Division
2.	Fellow Subsidiaries	Gitanjali Jewellery Retail Private limited
		Gitanjali Lifestyle Limited
		Gitanjali Export Corporation Limited
		Brightest Circle Jewellery Private Limited
		Fantasy Jewellery Private Limited
		Modali Gems Private Limited
		Asmi Jewellery India Private Limited
3.	Associate	Sanghavi Star Retail Private Limited
		Sanghavi Diamond Private Limited.
		Sanghavi Jewels Private Limited



10. Earnings per share:

Particulars	Current Year	Previous Year
Basic and diluted		
Net profit / (loss) after tax as per profit and loss account (Rs.)	(2,46,83,651)	(2,79,99,330)
Weighted average number of equity shares outstanding during the year	20,000	20,000
Basic and diluted earnings per share (Rs.)	(1,234.18)	(1,399.96)
Nominal value of share (Rs.)	10	10

11. There is no impairment loss on fixed assets on the basis of review carried out by the management in accordance with Accounting Standard (AS) - 28 "Impairment of Assets" issued by The Institute of Chartered Accountants of India.

12. Quantitative information (As certified by the management)

- i) Licenced capacity - Not applicable
- ii) Installed capacity - Not applicable
- iii) Opening stock, production, purchases, turnover and closing stock



A. Raw materials

Class of Goods	Units	Opening Stock		Purchases/Transfer Net of Returns		Consumption / Transfer		Closing Stock	
		Qty.	Value Rs.	Qty.	Value Rs.)	Qty.	Value Rs.	Qty.	Value Rs.
Polished Diamonds	Carats	1,295.06	24,597,197	-110.94	-18,20,128	1,146.21	21,974,928	37.91	802,141
		(318.01)	(6,860,320)	(2,526.50)	(46,489,217)	(1,549.45)	(28,752,340)	(1,295.06)	(24,597,197)
Gold	Grams	902.83	12,00,819	3,731.70	54,02,933	4,107.90	5,828,841	526.63	7,74,911
		(119.60)	(1,19,720)	(17,571.83)	(23,000,700)	(16,788.60)	(21,919,601)	(902.83)	(1,200,819)
Others		710.29	128,172	8.44	6,377	583.44	109,222	135.29	25,327
		(--)	(47,282)	(--)	(1,45,682)	(--)	(64,792)	(--)	(1,28,172)
Total		2908.18	2,59,26,188	3,629.20	35,89,182	5,837.55	27,912,991	699.83	16,02,379
		(437.61)	(7,027,322)	(20,098.33)	(69,635,598)	(18,338.05)	(50,736,734)	(2,197.89)	(25,926,188)

B. Finished goods

Class Of Goods	Units	Opening Stock		Production/ Transfer	Purchases		Turnover/Transfer (Net of returns)		Closing Stock	
		Qty.	Value Rs		Qty.	Value Rs	Qty.	Value Rs	Qty.	Value (Rs)
Jewellery	Grams	10541.27	40,343,522	3532.80	53772819	19120.74	94365518	6363.46	26695408	
		(8,078.01)	(30,786,201)	(16,788.60)	(4,566,826)	(15,567.00)	(72,523,232)	(10,541.27)	(40,343,522)	
		1163.93		231.96		1780.79		681.16		
		(990.41)		(1549.45)		(1519.06)		(1163.93)		
Silver			11,16,499	--	40,000		375,978		1,037,338	
			(10,38,155)		(4,08,484)		(6,45,553)		(11,16,499)	
Polished Diamonds	Carats	--	--	914.25	--	914.25	19,276,743	--	--	
Gold	Grams	--	--	429.24	--	429.24	636,296	--	--	
Others		-	--	546	--	546	98,606	--	--	
Pearl Jewellery	Pcs	--	-	--	410,094	360	253,177	328	179038	
Watches	Pcs	--	--	235	853,556	134	303,142	101	383178	
			41,460,021		55,076,469		115,309,460		28,294,962	



iv) Consumption of raw materials:

Particulars	Imported	Indigenous	Total
	Value Rs.	Value Rs.	Value Rs.
Polished diamonds	NIL	21,974,928	21,974,928
	(NIL)	(2,87,52,340)	(28,752,340)
Gold	NIL	5,828,841	5,828,841
	(NIL)	(2,19,19,601)	(21,919,601)
Others		109,222	109,222
		(64,792)	(64,792)
Total	NIL	27,912,991	27,912,991
		(5,07,36,734)	(5,07,36,734)
Percentage (%)	--	100%	100%

Note:

The consumption of rough diamonds shown above has been arrived at on the basis of opening stock plus purchases as reduced by sales/transfer, closing stock and adjusted for shortages or gains. Profit / loss, if any, on sale of raw materials (rough diamonds) gets adjusted in the consumption.

v) Stores and spare parts consumed:

	Current Year		Previous Year	
	Value Rs.	%	Value Rs.	%
Imported	-	-	-	-
Indigenous	419,118	100	416,949	100
Total	419,118	100	416,949	100

vi) Expenditure in foreign currency: Nil

13. a. In the opinion of management, current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the balance sheet. The provision for depreciation and all known liabilities is adequate and not in excess of the amount reasonably stated.
- b. Balances of certain debtors, creditors and advances given are subject to confirmation / reconciliation, if any. The management does not expect any material difference affecting the financial statements on such reconciliation / adjustments.
14. Previous year's figures have been rearranged or regrouped, wherever considered necessary to conform to current year's presentation.



15. Balance Sheet Abstract and Company's General Business Profile:

I Registration Details:

Registration No. U 36910 MH 2004 PTC 148983

Balance Sheet dated: 31st March 2010

State
Code
011

II Capital Raised during the year: (Amount in Rupees)

Public Issue	Right Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL

III Position of Mobilization and Deployment of Funds: (Amount in Rs.)

Total Liabilities	Total Assets
2 8 1 2 3 1 0 2	2 8 1 2 3 1 0 2

Sources of Funds:

Paid-up Capital	Reserves & Surplus
2 0 0 0 0 0	N I L
Secured Loans	Unsecured Loans
N I L	2 7 9 2 3 1 0 2

Deferred Tax Liability

N I L

Application of Funds:

Net Fixed Assets	Investments
5 1 8 1 9 6 4	N I L
Net Current Assets	Miscellaneous Exp.
(6 0 1 5 6 7 1 5)	N I L

Accumulated Losses

8 3 0 9 7 8 5 3



IV Performance of the Company: (Amount in Rupees)

Turnover	:	1 1 6 3 5 8 9 4 0
Expenditure	:	1 4 1 0 4 2 5 9 1
Profit / (Loss) before Tax	:	(2 4 6 8 3 6 5 1)
Profit / (Loss) after tax	:	(2 4 6 8 3 6 5 1)
Earning / (loss) per share	:	(1 2 3 4 . 1 8)
Dividend Rate (%)	:	NIL

**V Generic Names of Three Principal Products / Services of the Company:
(As per Monetary Terms)**

Item Code No. (ITC Code) : 71131930
Product Description : Jewellery of Gold set with Diamonds

Item Code No. (ITC Code) : 71131940
Product Description : Jewellery of Gold set with precious and Semi-precious stone other than diamonds.

Signature to Schedule 1 to 14

FOR N.K. Sheth & Company
Chartered Accountants




Naresh K Sheth
Proprietor
M.No. 33698
Firm No. 110064W



Mumbai, Dated: 06.05.2010

For Spectrum Jewellery Private Limited



(Mehul C. Choksi)
DIRECTOR



(Pankaj Shah)
DIRECTOR

Mumbai, Dated: 06.05.2010