

**KALYAN JEWELLERS L.L.C.**  
**Dubai - United Arab Emirates**

**Reports and separate financial statements  
for the year ended 31 March 2020**



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## DIRECTORS' REPORT

The Directors have pleasure in submitting their report, together with the audited separate financial statements of **Kalyan Jewellers L.L.C, United Arab Emirates** (the "Company") for the year ended 31 March 2020.

### *Principal activities*

The principal activities of the Company include trading of jewellery, watches and perfumes.

### *Results*

Revenue for the year ended 31 March 2020 was AED 846,210,160 compared to AED 870,389,302 for the previous year. Profit for the year was AED 12,299,108 (2019: AED 18,839,372).

### *Auditors*

The Directors propose the re-appointment of Deloitte & Touche (M.E.) as external auditors for the year ending 31 March 2021.

### *Release*

The Directors release from liability the Company's management and the external auditor in connection with their duties for the year ended 31 March 2020.

**On behalf of the Board of Directors**

*N. R. Venkataraman*

**Venkatraman Naduvatramadom**  
23 July 2020





## INDEPENDENT AUDITOR'S REPORT

**The Shareholders**  
**Kalyan Jewellers L.L.C.**  
**Dubai**  
**United Arab Emirates**

### REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying separate financial statements of **Kalyan Jewellers L.L.C.** (the "Company"), which comprise the statement of financial position as at 31 March 2020 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate 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) and we have fulfilled our other ethical requirements that are relevant to our audit of the Company's separate financial statements in the United Arab Emirates, 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.

#### Emphasis of Matter

We draw attention to Note 1(a) of the separate financial statements, which describes that the separate financial statements have been prepared on a going concern basis because the Parent Company has confirmed that it will provide financial support to the Company to enable it to meet its obligations when they fall due. Our opinion is not modified in respect of this matter.

#### Other Information

Management is responsible for the other information. The 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 separate financial statements and our report thereon.

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

Cont'd



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kalyan Jewellers L.L.C. (continued)

### Other Information (continued)

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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 conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the articles of association of the Company and U.A.E Federal Law no. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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.

### Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 ISA 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 separate financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Cont'd

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kalyan Jewellers L.L.C. (continued)

### Auditor's Responsibilities for the Audit of the Separate Financial Statements (continued)

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

We communicate with the management 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

Further, as required by the U.A.E. Federal Law No. (2) of 2015, we report that:

- we have obtained all the information we considered necessary for the purposes of our audit;
- the separate financial statements of the Company have been prepared and comply, in all material respects, with the applicable provisions of the U.A.E. Federal Law No. (2) of 2015;
- the Company has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the Company's books of account;
- Note 7 to the separate financial statements of the Company discloses purchase of investments in shares during the financial year ended 31 March 2020;
- Note 12 to the separate financial statements of the Company discloses material related party transactions and the terms under which they were conducted; and
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 March 2020 any of the applicable provisions of the U.A.E. Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 March 2020.

### Deloitte & Touche (M.E.)



Akbar Ahmad  
Registration No. 1141  
23 July 2020  
Dubai  
United Arab Emirates



# Kalyan Jewellers L.L.C.

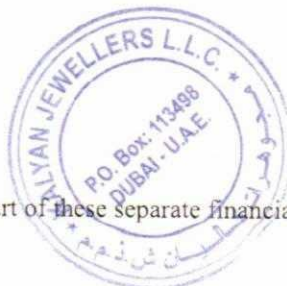


## Separate Statement of financial position as at 31 March 2020

	Notes	2020 AED	2019 AED
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	29,536,568	29,173,386
Right-of-use assets	13	97,252,411	85,137,127
Investments in subsidiaries	7	1,162,540	1,162,540
Additional investments subsidiaries	8	288,271,139	288,271,139
<b>Total non-current assets</b>		<b>416,222,658</b>	<b>403,744,192</b>
<b>Current assets</b>			
Inventories	15	310,323,828	291,410,898
Due from related parties	12 (a)	13,551,474	13,347,452
Trade and other receivables	11	166,172,036	134,079,739
Margin deposits	10	35,000,000	60,241,978
Cash and cash equivalents	9	5,201,278	11,930,208
<b>Total current assets</b>		<b>530,248,616</b>	<b>511,010,275</b>
<b>Total assets</b>		<b>946,471,274</b>	<b>914,754,467</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	300,000	300,000
Statutory reserve	17	150,000	150,000
Retained earnings		101,522,782	89,223,674
Loan from a shareholder	18	335,000,000	235,000,000
<b>Total equity</b>		<b>436,972,782</b>	<b>324,673,674</b>
<b>Non-current liabilities</b>			
Provision for employees' end-of-service indemnity	19	2,096,292	1,567,349
Lease liabilities	14	1,153,236	1,142,236
<b>Total non-current liabilities</b>		<b>3,249,528</b>	<b>2,709,585</b>
<b>Current liabilities</b>			
Trade and other payables	20	83,679,330	57,306,992
Lease liabilities	14	4,776,211	4,629,688
Loan from a related party	12 (c)	294,373,081	334,883,193
Due to a related party	12 (d)	24,091,768	41,672,891
Bank borrowings	21	99,241,461	148,791,331
Deferred revenue	22	87,113	87,113
<b>Total current liabilities</b>		<b>506,248,964</b>	<b>587,371,208</b>
<b>Total liabilities</b>		<b>509,498,492</b>	<b>590,080,793</b>
<b>Total equity and liabilities</b>		<b>946,471,274</b>	<b>914,754,467</b>

*N. R. Venkataray*

Director



The accompanying notes form an integral part of these separate financial statements.

**Kalyan Jewellers L.L.C.**

**Separate statement of profit or loss and other comprehensive income  
for the year ended 31 March 2020**

	Notes	2020 AED	2019 AED
Revenue	22	846,210,160	870,389,302
Cost of sales	23	(752,037,620)	(760,116,121)
<b>Gross profit</b>		<b>94,172,540</b>	<b>110,273,181</b>
Selling, general and administrative expenses	24	(63,318,813)	(70,912,663)
Other income	25	12,900,831	10,991,480
<b>Operating profit for the year</b>		<b>43,754,558</b>	<b>50,351,998</b>
Finance income		628,513	1,067,689
Finance costs	26	(32,083,963)	(32,580,315)
<b>Net profit for the year</b>		<b>12,299,108</b>	<b>18,839,372</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>12,299,108</b>	<b>18,839,372</b>



The accompanying notes form an integral part of these separate financial statements.



**Kalyan Jewellers L.L.C.****Separate statement of changes in equity  
for the year ended 31 March 2020**

	<b>Share capital AED</b>	<b>Statutory reserve AED</b>	<b>Retained earnings AED</b>	<b>Loan from a shareholder AED</b>	<b>Total AED</b>
Balance at 1 April 2018	300,000	150,000	62,939,500	235,000,000	298,389,500
Impact of IFRS 16 adjustments	-	-	7,444,802	-	7,444,802
Total comprehensive income for the year	-	-	18,839,372	-	18,839,372
Balance at 31 March 2019	300,000	150,000	89,223,674	235,000,000	324,673,674
Total comprehensive income for the year	-	-	12,299,108	-	12,299,108
Additional loan from a shareholder	-	-	-	100,000,000	100,000,000
<b>Balance at 31 March 2020</b>	<b>300,000</b>	<b>150,000</b>	<b>101,522,782</b>	<b>335,000,000</b>	<b>436,972,782</b>



The accompanying notes form an integral part of these separate financial statements.

# Kalyan Jewellers L.L.C.



## Separate statement of cash flows for the year ended 31 March 2020

	2020 AED	2019 AED
<b>Cash flows from operating activities</b>		
Net profit for the year	12,299,108	18,839,372
Adjustments for:		
Finance costs - borrowings	31,676,620	32,120,945
Finance costs – lease liabilities	407,343	459,370
Depreciation of property, plant and equipment	3,646,690	3,157,779
Depreciation of right-of-use assets	9,787,057	10,008,401
(Gain)/loss on disposal of property, plant and equipment	(66,519)	349,075
Brand sharing fee	(7,000,000)	(7,000,000)
Management fee income	(4,850,000)	(3,850,000)
Finance income	(628,513)	(1,067,689)
Management fee expense	840,000	840,000
Decrease in deferred revenue (customer loyalty points)	-	(357,887)
Charge for employees' end-of-service indemnity	860,787	351,114
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>46,972,573</b>	<b>53,850,480</b>
(Increase)/decrease in inventories	(18,912,930)	72,249,901
(Increase)/decrease in trade and other receivables	(31,869,987)	54,737,552
Decrease in due from related parties	11,645,978	15,352,548
Decrease/(increase) in margin deposits	25,241,978	(19,239,439)
Increase/(decrease) in trade and other payables	25,856,020	(60,617,814)
(Decrease)/increase in due to a related party	(18,421,123)	18,819,991
<b>Cash generated from operations</b>	<b>40,512,509</b>	<b>135,153,219</b>
Employees' end-of-service indemnity paid	(331,844)	(96,808)
Interest received	406,203	1,067,689
Interest paid	(31,160,302)	(32,580,315)
<b>Net cash generated from operating activities</b>	<b>9,426,566</b>	<b>103,543,785</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(4,041,352)	(16,816,120)
Proceeds from sale of property, plant and equipment	97,999	-
Payments for right-of-use assets	-	(19,408,911)
<b>Net cash used in investing activities</b>	<b>(3,943,353)</b>	<b>(36,225,031)</b>
<b>Cash flows from financing activities</b>		
Repayments of loan from a related party	(40,510,112)	(62,798,181)
Proceeds from loan from a shareholder	100,000,000	-
Payment against lease	(22,152,161)	(10,008,401)
Proceeds from bank borrowings	530,854,120	1,018,909,733
Repayments of bank borrowings	(580,403,990)	(1,018,762,844)
<b>Net cash used in financing activities</b>	<b>(12,212,143)</b>	<b>(72,659,693)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(6,728,930)</b>	<b>(5,340,939)</b>
Cash and cash equivalents at the beginning of the year	11,930,208	17,271,147
<b>Cash and cash equivalents at the end of the year (Note 8)</b>	<b>5,201,278</b>	<b>11,930,208</b>

The accompanying notes form an integral part of these separate financial statements.





**Notes to the separate financial statements  
for the year ended 31 March 2020**

**1. General information**

Kalyan Jewellers L.L.C. (the “Company”) is a Limited Liability Company registered in Dubai, United Arab Emirates and established on 24 September 2013 as per commercial registration certificate No. 698816 issued by the Department of Economic Development. The Company's registered office is at Unit No 1201-1204, 12th Floor, Al Nouf Tower, Plot No.129-126, Port Saeed, Deira, Dubai, U.A.E.

The Company is a subsidiary of Kalyan Jewellers FZE (the “Parent Company”) and the ultimate controlling party is Kalyan Jewellers India Ltd. (the “Ultimate Parent Company”).

The principal activities of the Company include trading of jewellery, watches and perfumes.

These financial statements are the separate financial statements of the Company. In accordance with IFRS 10: *Consolidated Financial Statements*, the Company has elected not to prepare consolidated financial statements, as the parent company, Kalyan Jewellers FZE, produces financial statements that complies with IFRSs.

**1(a) Going concern**

In January 2020, the World Health Organization (“WHO”) announced a global health emergency due to the outbreak of coronavirus (“COVID-19”). Based on the rapid increase in exposure and infections across the world, WHO, in March 2020, classified the COVID-19 outbreak as a pandemic. The pandemic nature of this disease has necessitated global travel restrictions and lockdowns in most countries of the world including the UAE, causing global disruption to business and economic activities.

Many countries have adopted extraordinary and economically costly containment measures with certain countries requiring companies to limit or even suspend normal business operations. Governments, including the United Arab Emirates, have implemented restrictions on travelling as well as strict quarantine and social distancing measures which will / may significantly impact the results and operations of the Company.

The lockdowns were implemented in the UAE on 23 March 2020 and that the retail outlets of the Company remained closed until 23 April 2020. The Company is closely monitoring the situation to manage the potential business disruption on its operations and financial performance. Rents have been negotiated with the landlords for the retail shops and salary cuts have been announced. Moreover, post the lockdown being lifted in UAE in May 2020, some retail shops were reopened. The management however, expects the footfall to decrease due to the reduction in tourists because of the travel restrictions still in place. Post the recovery from the lockdown the market is expected to pick up in Q4 of 2020 once the visitation of customers increases.

The unprecedented nature of the pandemic, the high degree of uncertainty related to its evolution, duration and impact on the economy in general and the Company’s business in particular, make the quantification of its adverse impact difficult to assess accurately. The Company’s ability to continue in the near future as a going concern is dependent on whether it is able to meet its liabilities as and when they arise. The below mentioned factors are critical to the Company’s ability to continue as a going concern and have been incorporated in the measurement of the Company’s assets and liabilities at 31 March 2020:

**a) Future cash flow projections and profitability**

Cash flow projections and profitability for the future years of forecast are based on the assumption of a consistent gross margin similar to the achieved for the current year and on the below mentioned projected revenues:

- Decrease in projected revenue of 23% in the first year subsequent to the period ended 31 March 2020;
- Increase in projected revenue of 30% in the second year thereafter;
- Increase in projected revenue of 10% per annum for the following three years.





**Notes to the separate financial statements  
for the year ended 31 March 2020 (continued)**

**1(a) Going concern (continued)**

Cash flow projections and profitability beyond the five-year period (as explained above) are based on a consistent gross margin (as explained above) and a steady increase of 2.8% per annum growth rate which are estimated by the Company's management based on past performance of the retail stores and the management's expectations of future market recovery.

If the Company's expectations of the achievement of gross margins and actual sales from these retail outlets for the future years are adversely affected by the economic conditions and market recovery and it therefore fails to generate adequate cash flows to cover the "cost of operations", the Company may require additional funding from the Parent Company to continue as a going concern, which the Parent Company is committed to provide.

**b) Support from the lessors of retail stores**

The Company's future revenue and profitability is dependent upon re-opening of all the retail stores it currently operates, the future cash flows, profitability of these retail stores and its ability to negotiate rent relief concessions from the lessors (of the retail stores) which may be in the form of rent holidays and/or reductions of the rents for the retail stores. If such support or relief is not provided by the lessors, and if the Company's future sales from these retail outlets are adversely affected by the economic downturn and it therefore fails to generate adequate cash flows to cover "cost of operations", it may need to seek additional funding from the Parent Company to continue as a going concern.

**c) No allowance required on inventory of gold jewellery, diamond jewellery and precious stones**

The Company's inventory comprises of gold jewellery, diamond jewellery and precious stones.

The valuation at the end of the reporting period of gold jewellery, diamond jewellery and other precious stone owned by the Company is at the lower of cost or net realizable value.

The Company's future profitability is dependent upon the future revenue from the retail outlets it operates and the market value of gold, diamond and precious stones. The Company's management expects that in the foreseeable future the market value of gold, gold jewellery, diamond jewellery and other precious stones might fluctuate but will not go below the amounts at which the inventory is carried at the end of the reporting period thus enabling the Company to continue as a going concern.

**d) Recoverability of key money**

In order to be able to operate from key locations in the UAE, the Company has paid key money in case of some retail stores. The Company's management believes that it will be able to fully recover the amount of key money when they exit from the retail store premises and therefore does not expect any write-offs on account of key money. This will therefore not have any adverse impact on the Company's future profitability.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that the impact in the Company's profitability may / will arise. Along with its Ultimate Parent Company, Management are in the process of reassessing their trading and relevant cash flows using revised assumptions and incorporating downside scenarios in assessing their liquidity needs. Based on their initial assessment no liquidity issues have been identified.

Notwithstanding this fact, the financial statements of the Company have been prepared on a going concern basis as the Ultimate Parent Company has resolved to provide the necessary financial support to enable it to continue its operations and meets its obligation as and when they fall due.



**Notes to the separate financial statements  
for the year ended 31 March 2020 (continued)**

**2. Application of new and revised International Financial Reporting Standards ("IFRSs")**

**2.1 New and revised IFRSs applied with no material effect on the financial statements**

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 2019, have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

<b><u>New and revised IFRSs</u></b>	<b><u>Effective for annual periods beginning on or after</u></b>
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Amendments to IFRS 9 <i>Prepayment Features with Negative Compensation and Modification of financial liabilities.</i>	1 January 2019
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The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

Amendments to IAS 28 <i>Investment in Associates and Joint Ventures</i> : Relating to long-term interests in associates and joint ventures.	1 January 2019
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These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Annual Improvements to IFRSs 2015-2017 Cycle <i>Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs</i>	1 January 2019
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The *Annual Improvements* include amendments to four Standards.

IAS 12 <i>Income Taxes</i>	1 January 2019
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The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.



**Notes to the separate financial statements  
for the year ended 31 March 2020 (continued)**

**2. Application of new and revised International Financial Reporting Standards ("IFRSs")  
(continued)**

**2.1 New and revised IFRSs applied with no material effect on the financial statements (continued)**

<b><u>New and revised IFRSs</u></b>	<b><u>Effective for annual periods beginning on or after</u></b>
<p>IAS 23 Borrowing costs</p> <p>The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.</p>	1 January 2019
<p>IFRS 3 Business Combinations</p> <p>The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.</p>	1 January 2019
<p>IFRS 11 Joint Arrangements</p> <p>The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.</p>	1 January 2019
<p>Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement</p> <p>The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.</p>	1 January 2019
<p>IFRIC 23 Uncertainty over Income Tax Treatments</p> <p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"><li>• Whether tax treatments should be considered collectively;</li><li>• Assumptions for taxation authorities' examinations;</li><li>• The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and</li><li>• The effect of changes in facts and circumstances.</li></ul>	1 January 2019







**Notes to the separate financial statements  
for the year ended 31 March 2020 (continued)**

**2. Application of new and revised International Financial Reporting Standards (“IFRSs”) (continued)**

**2.1 New and revised IFRSs applied with no material effect on the financial statements (continued)**

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

1 January 2019

The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

**2.2 New and amended IFRSs in issue but not yet effective and not early adopted**

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective.

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

Definition of a Business - Amendments to IFRS 3 *Business Combinations*

1 January 2020

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have ‘the ability to contribute to the creation of outputs’ rather than ‘the ability to create outputs’.

Amendments to *References to the Conceptual Framework in IFRS Standards*  
Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

1 January 2020

*IFRS 7 Financial Instruments: Disclosures* and *IFRS 9 - Financial Instruments*  
Amendments regarding pre-replacement issues in the context of the IBOR reform.

1 January 2020

**Notes to the separate financial statements  
for the year ended 31 March 2020 (continued)**

**2. Application of new and revised International Financial Reporting Standards ("IFRSs")  
(continued)**

**2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)**

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

**IFRS 17 Insurance Contracts**

1 January 2022

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at 1 January 2022.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred indefinitely. Adoption is still permitted.

**Definition of a Business - Amendments to IFRS 3 *Business Combinations***

1 January 2020

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

Management anticipates that these new and revised standards, interpretations and amendments will be adopted in the Company's financial statements for the period of initial application and adoption of these new and revised standards, interpretations and amendments, may have no material impact on the financial statements of the Company in the period of initial application.

**3. Significant accounting policies**

**3.1 Statement of compliance**

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

**3.2 Basis of preparation**

The separate financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.





## Kalyan Jewellers L.L.C.

### Notes to the separate financial statements for the year ended 31 March 2020 (continued)



#### 3. Significant accounting policies (continued)

##### 3.3 Investment in subsidiaries

Subsidiary undertakings are those entities which are controlled by the Company. Control is achieved where the Company has:

- Power over the investee,
- Exposure, or has rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Investment in subsidiary is accounted for in these separate financial statements using the “cost method” in accordance with International Accounting Standard (IAS) 27: *Separate Financial Statements*. In accordance with IFRS 10: *Consolidated Financial Statements*, the Company has elected not to prepare consolidated financial statements, as these are produced by the parent company of the Company, Kalyan Jewellers FZE.

Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the carrying amount is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to the statement of comprehensive income. On disposal of an investment the differences between the net disposal proceeds and the carrying amount is charged or credited to statement of comprehensive income.

##### 3.4 Revenue recognition

###### *Sale of goods*

Revenue from the sale of goods is recognised at a point in time when control of the goods is passed, at which time all the following conditions are satisfied:

- the performance obligation has been satisfied by the Company;
- the Company has transferred control of the goods to the customer;
- the Company has transferred the significant risks and rewards related to the ownership of the goods to the customer;
- the Company has a present right to payment for the goods delivered;
- 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.

###### *Other income*

Other income is recognised on a straight-line basis over the term of the contract.

## **Kalyan Jewellers L.L.C.**

### **Notes to the separate financial statements for the year ended 31 March 2020 (continued)**

#### **3. Significant accounting policies (continued)**

##### **3.5 Foreign currencies**

The separate financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of these separate financial statements, the financial performance and financial position of the Company are expressed in Arab Emirates Dirhams which is the functional currency of the Company and the presentation currency for these separate financial statements.

In preparing the separate financial statements of the Company, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in statement of comprehensive income.

##### **3.6 Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The cost of diamond jewellery and other precious stone jewellery are determined based on the specific identification method.

The cost of gold and gold jewellery (including making charges), owned by the Company is determined on the basis of weighted average cost.

Cost of unfixed gold and scrap gold is determined on the basis of bullion rate prevailing as at the date of reporting and a corresponding liability towards suppliers is recorded for the same amount for unfixed gold.

##### **3.7 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation is calculated using the straight-line method over their estimated useful lives as follows:

##### **Useful life**

##### **Years**

Computer equipment  
Electrical equipment  
Motor vehicles  
Plant and machinery  
Furniture and fixtures

3 years  
10 years  
10 years  
15 years  
10 years







**Notes to the separate financial statements  
for the year ended 31 March 2020 (continued)**

**3. Significant accounting policies (continued)**

**3.7 Property, plant and equipment (continued)**

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate, accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

Assets in the course of construction are carried at cost as capital work in progress, and are transferred to property, plant or equipment when commissioned. No depreciation is charged on such assets until asset is ready for use.

**3.8 Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

**3.9 Leasing**

*The Company as lessee*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.



**Notes to the separate financial statements  
for the year ended 31 March 2020 (continued)**

**3. Significant accounting policies (continued)**

**3.9 Leasing (continued)**

*The Company as lessee (continued)*

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease;
- The lease liability is presented as a separate line in the statement of financial position;
- The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made;
- The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever;
- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The above adjustments do not effect the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs, including key money paid. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.



**Notes to the separate financial statements  
for the year ended 31 March 2020 (continued)**



**3. Significant accounting policies (continued)**

**3.9 Leasing (continued)**

*The Company as lessee (continued)*

The right-of-use assets are presented as a separate line in the statement of financial position. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

**3.10 Impairment of tangible assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the separate statement of profit or loss.

**3.11 Employee benefits**

An accrual is made for the estimated liability for employees' entitlement to annual leave passage as a result of services rendered by eligible employees up to the end of the year.

Provision is made for the full amount of end-of-service indemnity due to employees in accordance with the UAE Labour Law for their period of service up to the end of the year.



**Notes to the separate financial statements  
for the year ended 31 March 2020 (continued)**

**3. Significant accounting policies (continued)**

**3.12 Financial instruments**

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

**Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*Classification of financial assets*

**(i) Debt instruments designated at amortised cost**

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**(ii) Debt instrument designated at other comprehensive income**

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.





**Notes to the separate financial statements  
for the year ended 31 March 2020 (continued)**



**3. Significant accounting policies (continued)**

**3.12 Financial instruments (continued)**

**Financial assets (continued)**

*Amortised cost and effective interest rate method*

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

*Equity instruments designated as at FVTOCI*

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.



## **Kalyan Jewellers L.L.C.**

### **Notes to the separate financial statements for the year ended 31 March 2020 (continued)**

#### **3. Significant accounting policies (continued)**

##### **3.12 Financial instruments (continued)**

###### **Financial assets (continued)**

###### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

###### *Impairment of financial assets*

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.





## Kalyan Jewellers L.L.C.

### Notes to the separate financial statements for the year ended 31 March 2020 (continued)



#### 3. Significant accounting policies (continued)

##### 3.12 Financial instruments (continued)

###### Financial assets (continued)

###### *Impairment of financial assets (continued)*

###### (i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

###### (ii) Definition of default

The Company employs statistical models to analyse the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Company.

###### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

## Kalyan Jewellers L.L.C.

### Notes to the separate financial statements for the year ended 31 March 2020 (continued)

#### 3. Significant accounting policies (continued)

##### 3.12 Financial instruments (continued)

###### Financial assets (continued)

###### *Impairment of financial assets (continued)*

###### (iii) Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

###### (iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

###### (v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

###### *Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.





## Kalyan Jewellers L.L.C.

### Notes to the separate financial statements for the year ended 31 March 2020 (continued)



#### 3. Significant accounting policies (continued)

##### 3.12 Financial instruments (continued)

###### Financial assets (continued)

###### *Derecognition of financial assets (continued)*

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

###### Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

###### *Financial liabilities at FVTPL*

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the statement profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch statement of in profit or loss. The remaining amount of change in the fair value of liability is recognised in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognised in profit or loss.

###### *Financial liabilities measured subsequently at amortised cost*

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

## **Kalyan Jewellers L.L.C.**

### **Notes to the separate financial statements for the year ended 31 March 2020 (continued)**

#### **3. Significant accounting policies (continued)**

##### **3.12 Financial instruments (continued)**

##### **Financial liabilities (continued)**

##### *Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

##### **3.13 Contingent liabilities**

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

##### **3.14 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the separate statement of comprehensive income in the period in which they are incurred.

#### **4. Critical accounting judgements and key sources of estimation uncertainty**

While applying the accounting policies as stated in Note 3, management of the Company has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### **4.1 Critical judgements in applying accounting policies**

The following is the critical judgement, apart from those involving estimations, that the management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the separate financial statements.

##### *Revenue recognition*

In making their judgement, the Company considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the Company had transferred control of the goods to the customer.







**Notes to the separate financial statements  
for the year ended 31 March 2020 (continued)**

**4. Critical accounting judgements and key sources of estimation uncertainty (continued)**

**4.1 Critical judgements in applying accounting policies (continued)**

*Loan from a shareholder*

Loan from a shareholder represents additional funds provided by the shareholder and is classified as equity. In determining whether the funds/loan from a shareholder is a financial liability or an equity instrument, management has considered the detailed criteria set out in IAS 32 *Financial Instruments: Presentation and disclosure*. Further, management also considered the fact that the funds/loan is interest free, there are no contracted obligations to repay the amount and repayment is at the discretion of the issuer. Management is satisfied that it is appropriately classified as equity in the separate statement of financial position (Note 17).

**4.2 Key sources of estimation uncertainty**

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

*Useful lives and depreciation of property, plant and equipment*

The cost of property, plant and equipment is depreciated over the estimated useful lives, which is based on the expected usage of the asset, expected physical wear and tear, and the repairs and maintenance program and the residual value. The Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. The management has not considered any residual value as it is deemed immaterial.

*Leasehold improvements*

Cost of furniture and fittings include leasehold improvements and management determines the estimated useful lives and related depreciation charges for its leasehold improvements. This estimate is based on an assumption that the Company will renew its annual lease over the estimated useful life and the depreciation charge could change if the annual lease is not renewed. Management will increase the depreciation charge where useful lives are less than previously estimated.

*Calculation of loss allowance*

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Company uses estimates for the computation of loss rates.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

*Impairment of investments*

Impairment of investments at cost is assessed based upon a combination of factors to ensure that investments carried at cost represent fair value of the underlying investment. These investments are made in the equity of subsidiaries engaged in the trading of jewellery. Accordingly, management believes that the fair value of the investments approximates the cost.

## **Kalyan Jewellers L.L.C.**

### **Notes to the separate financial statements for the year ended 31 March 2020 (continued)**

#### **4. Critical accounting judgements and key sources of estimation uncertainty (continued)**

##### **4.2 Key sources of estimation uncertainty (continued)**

###### *Estimation of the lease term and useful lives of right-of-use assets recognized under IFRS 16*

The Company has leased shops and office premises for a period ranging from 1 to 3 years. The Management has determined the lease term by taking into consideration the remaining period of the lease, the local laws and regulations within each Emirate and any residual guarantee period within each contract.

###### *Incremental borrowing rate*

The Company's Management determines the present value of future lease payments by discounting using incremental borrowing rate. Incremental borrowing rate is set at 6.5%. The Management assumes that the Company can obtain borrowings at a rate equivalent to 6.5% for a similar amounts, terms and security.

Information on the carrying amount of right-of-use asset and lease liabilities and sensitivity of those amounts to changes in discount rates are provided in Note 12.

###### *Residual value of right-of-use assets*

The Company's management has determined that the residual value of the right-of-use assets is equivalent to the key money paid at the commencement of the lease amounting to AED 90,674,405 at 31 March 2020 (31 March 2019: AED 78,469,405). On an annual basis the management will review the residual values to determine whether they are recoverable or have been impaired.

###### *Impairment of right-of-use asset*

As at 31 March 2020, management assessed whether there are indications that the right-of-use assets which are included in its statement of financial position at 31 March 2020 at AED 97,252,411 (2019: AED 85,137,127) are not impaired. Management considers the recoverable amount of the right-of-use assets to be most sensitive to the achievement of the forecasted budget. Budgets comprise forecasts of revenue, staff costs, overheads and gross margins based on current and anticipated market conditions that have been considered and approved by management. Whilst the Company is able to manage most of the costs, the revenue projections are inherently uncertain due to the short-term nature of the business and variable market conditions. Revenue of the cash generating units is most sensitive to change in the market price of gold as this has a direct impact on the selling price and quantities of the jewellery in each marketplace.

The sensitivity analysis in respect of the recoverable amount of right-of-use assets is presented in Note 12.





# Kalyan Jewellers L.L.C.

## Notes to the separate financial statements for the year ended 31 March 2020 (continued)

### 5. Property, plant and equipment

Cost	Computer equipment AED	Electrical equipment AED	Motor vehicles AED	Plant and machinery AED	Furniture and fittings AED	Total AED
At 1 April 2018	3,065,745	3,559,850	839,813	634,583	28,360,239	36,460,230
Additions during the year	1,728,136	1,351,160	-	203,711	13,533,113	16,816,120
Disposals during the year	-	-	-	-	(728,685)	(728,685)
At 31 March 2019	4,793,881	4,911,010	839,813	838,294	41,164,667	52,547,665
Additions during the year	886,652	374,550	-	54,259	2,725,891	4,041,352
Disposals during the year	-	-	(279,521)	-	-	(279,521)
At 31 March 2020	5,680,533	5,285,560	560,292	892,553	43,890,558	56,309,496
Accumulated depreciation						
At 1 April 2018	1,172,463	2,365,583	552,819	322,776	16,182,469	20,596,110
Charge for the year	1,236,863	224,878	37,469	29,550	1,629,019	3,157,779
Disposals during the year	-	-	-	-	(379,610)	(379,610)
At 31 March 2019	2,409,326	2,590,461	590,288	352,326	17,431,878	23,374,279
Charge for the year	1,397,543	321,354	31,452	41,920	1,854,421	3,646,690
Disposals during the year	-	-	(248,041)	-	-	(248,041)
At 31 March 2020	3,806,869	2,911,815	373,699	394,246	19,286,299	26,772,928
Carrying amount						
At 31 March 2020	1,873,664	2,373,745	186,593	498,307	24,604,259	29,536,568
At 31 March 2019	2,384,555	2,320,549	249,525	485,968	23,732,789	29,173,386

Included in property and equipment are assets amounting to AED 1,312,348 (2019: AED 1,258,090) which are fully depreciated as at the reporting date.

## Kalyan Jewellers L.L.C.

### Notes to the separate financial statements for the year ended 31 March 2020 (continued)

#### 6. Investments in subsidiaries

At the reporting date, the Company has three subsidiaries, details of which are as follows:

Name	Place of incorporation	Amount in AED	Legal ownership	Controlling ownership	Principal activities
Kalyan Jewelers for Golden Jewelleries W.L.L., Kuwait	Kuwait	659,500	49%	100%	Trading in jewellery
Kalyan Jewellers L.L.C., Qatar	Qatar	203,040	49%	100%	Trading in jewellery
Kenouz Al Sharq Gold Ind. L.L.C.	UAE	300,000	49%	100%	Manufacturing of jewellery
		<b>1,162,540</b>			

The share capital of Kalyan Jewelers for Golden Jewelleries W.L.L., Kuwait is Kuwaiti Dinar 50,000 divided into 100 shares of Kuwaiti Dinar 500 each. Badr Nasser Ali Al-Itaibi and Sheikh Dawood Al Sabah, the local shareholders holds 50% and 1% of the share capital respectively for the beneficial interest of the Company.

The share capital of Kalyan Jewelers L.L.C., Qatar is Qatari Riyal 200,000 divided into 200 shares of Qatari Riyal 1,000 each. Nasser Darwish A Mashhadi, the local shareholder holds 51% of the share capital for the beneficial interest of the Company.

The share capital of Kenouz Al Sharq Gold Ind. L.L.C., UAE is United Arab Emirates Dirham 300,000 divided into 300 shares of United Arab Emirates Dirham 1,000 each. Mohammad Hamza Mustafa Mohammad Ali, the local shareholder holds 51% of the share capital for the beneficial interest of the Company.

#### 7. Additional investments in subsidiaries

The Company has advanced additional investments in subsidiaries in the nature of equity to meet their additional capital requirements and is detailed below:

	2020 AED	2019 AED
Kalyan Jewelers for Golden Jewelleries L.L.C, Kuwait	82,212,450	82,212,450
Kalyan Jewellers L.L.C., Qatar	206,058,689	206,058,689
	<b>288,271,139</b>	<b>288,271,139</b>

#### 8. Cash and cash equivalents

	2020 AED	2019 AED
Cash on hand	503,932	557,574
Bank balances - current accounts	4,697,346	11,372,634
	<b>5,201,278</b>	<b>11,930,208</b>





**Notes to the separate financial statements  
for the year ended 31 March 2020 (continued)**



**8. Cash and cash equivalents (continued)**

Amounts held in banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the United Arab Emirates. Accordingly, the management of the Company estimates the loss allowance on deposits at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the banks, the management of the Company have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

Cash and cash equivalents are secured against bank borrowings of the Group (Note 20).

**9. Margin deposits**

Margin deposits amounting to AED 35 million (2019: AED 60.24 million) have been maintained against borrowings during the year (Note 20). Margin deposits earn interest at a rate between 1.5% to 2% per annum (2019: between 1.5% and 2%).

Margin deposits held in banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the United Arab Emirates. Accordingly, the management of the Company estimates the loss allowance on deposits at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the banks, the management of the Company have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

Margin deposits are used to secure bank borrowings of the Company as disclosed in Note 20 and of the Group.

**10. Trade and other receivables**

	<b>2020</b>	<b>2019</b>
	<b>AED</b>	<b>AED</b>
Trade receivables – related party [Note 11(b)]	<b>58,174,167</b>	32,105,551
Trade receivables – others	<b>37,403,878</b>	18,036,544
	<b>95,578,045</b>	50,142,095
Advances to gold suppliers	<b>56,732,707</b>	52,780,893
Advances to suppliers	<b>10,077,000</b>	16,696,917
Deposits and other receivables	<b>2,092,174</b>	1,941,854
Prepayments	<b>1,692,110</b>	12,517,980
	<b>166,172,036</b>	134,079,739

The Company has determined that the amounts due from related parties do not carry a credit risk and hence no expected or specific loss allowance is required on these balances. In the process of making this determination, the Company has considered the terms underlying these balances, historical default rates, the ability of the related parties to settle these balances when due and the right of set off on a Group basis. The balances due from related parties are repayable on demand and there is no history of default. For the year ended 31 March 2020, the Company has not recorded any impairment on the amounts due from related parties (2019: Nil).

## Kalyan Jewellers L.L.C.

### Notes to the separate financial statements for the year ended 31 March 2020 (continued)

#### 10. Trade and other receivables (continued)

Trade receivables – others, represents amounts receivable from third parties and receivables from credit card companies as at the reporting date. The average credit period for receivables from third parties is 30 days (2019: 30 days). The Company's trade receivable balances from third parties are not impaired.

Credit card receivables are realised within three working days. Credit card receivables have been pledged with a bank against the borrowings availed by the Company (Note 20).

Trade receivables are secured against bank borrowings of the Group.

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The following table details the risk profile of trade receivables based on the Company's provision:

	Expected credit loss rate	Gross carrying amount at default AED	Impaired receivables AED	Not impaired receivables AED
<b>31 March 2020</b>				
Low risk	0%	37,403,878	-	37,403,878
		<u>37,403,878</u>	<u>-</u>	<u>37,403,878</u>
<b>31 March 2019</b>				
Low risk	0%	18,036,544	-	18,036,544
		<u>18,036,544</u>	<u>-</u>	<u>18,036,544</u>

#### Ageing of trade receivables:

	Gross carrying amount at default AED	Impaired receivables AED	Not impaired receivables AED
<b>31 March 2020</b>			
Current	37,342,164	-	37,342,164
<u>Past due by:</u>			
0 - 90 days	61,714	-	61,714
	<u>37,403,878</u>	<u>-</u>	<u>37,403,878</u>





# Kalyan Jewellers L.L.C.

## Notes to the separate financial statements for the year ended 31 March 2020 (continued)



### 10. Trade and other receivables (continued)

#### Ageing of trade receivables (continued)

	Gross carrying amount at default AED	Impaired receivables AED	Not impaired receivables AED
31 March 2019			
Current	17,891,656	-	17,891,656
Past due by:			
0 – 90 days	96,706	-	96,706
91 – 180 days	28,263	-	28,263
181 to 365 days	19,919	-	19,919
	<u>18,036,544</u>	<u>-</u>	<u>18,036,544</u>

### 11. Related party transactions

The Company enters into transactions with other companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control and key management personnel. The management decides on the terms and conditions of transactions and of services received/rendered from/to related parties as well as other charges and transactions with such related parties are made terms agreed between the Company and related parties.

The Company has determined that the amounts due from related parties do not carry a credit risk and hence no expected or specific loss allowance is required on these balances. In the process of making this determination, the Company has considered the terms underlying these balances, historical default rates, the ability of the related parties to settle these balances when due and the right of set off on a Group basis. The balances due from related parties are repayable on demand and there is no historical default rate. For the year ended 31 March 2020, the Company has not recorded any impairment on amounts due from related parties (2019: Nil).

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

	2020 AED	2019 AED
(a) Due from related parties		
Ultimate Parent Company		
Kalyan Jewellers India Ltd.	1,701,474	147,452
Subsidiaries		
Kalyan Jewellers for Golden Jewellery L.L.C, Kuwait	4,850,000	13,200,000
Kalyan Jewellers L.L.C., Qatar	7,000,000	-
	<u>13,551,474</u>	<u>13,347,452</u>

Due from related parties are non-interest bearing and receivable on demand.

# Kalyan Jewellers L.L.C.

## Notes to the separate financial statements for the year ended 31 March 2020 (continued)

### 11. Related party transactions (continued)

	2020 AED	2019 AED
<b>(b) Disclosed as trade receivables</b>		
<i>Subsidiaries</i>		
Kalyan Jewelers for Golden Jewelleries L.L.C, Kuwait (Note 10)	24,640,484	26,822,842
Kenouz Al Sharq Gold Ind. L.L.C. (Note 10)	32,591,979	5,282,709
Kalyan Jewellers INC U.S.A (Note 10)	941,704	-
	<u>58,174,167</u>	<u>32,105,551</u>
	2020 AED	2019 AED
<b>(c) Loan from a related party</b>		
<i>Parent Company</i>		
Kalyan Jewellers FZE		
- Gold loan [Note 11(c)(i)]	276,412,715	293,951,805
- Other loans [Note 11(c)(ii)]	17,960,366	40,931,388
	<u>294,373,081</u>	<u>334,883,193</u>

(i) The Company availed gold loans amounting to AED 276 million (2019: 294.0 million) as at the end of the reporting period from the Parent Company. The interest rates on gold loans range from 2% to 3% per annum (2019: from 2% to 2.5% per annum) and the tenure of the gold loan is 12 months (2019: 12 months). The loans are guaranteed by standby letters of credit issued by the bank of the Ultimate Parent Company to the bullion banks. Gold received from the Parent Company is on an unfixed basis, and aggregates to 1,462 Kgs (2019: 1,930 Kgs) as at the end of the reporting period and has been revalued at the closing bullion rate of AED 189 per gram (2019: 152.3 per gram).

(ii) Other loans carry an interest rate of 6% per annum [2019: 6% per annum].

### (d) Due to a related party

	2020 AED	2019 AED
<i>Parent Company</i>		
Kalyan Jewellers FZE	24,091,768	41,672,891
	<u>24,091,768</u>	<u>41,672,891</u>

The amounts due to related parties are non-interest bearing and repayable on demand.





# Kalyan Jewellers L.L.C.

## Notes to the separate financial statements for the year ended 31 March 2020 (continued)



### 11. Related party transactions (continued)

#### (e) Transactions with related parties during the year

	2020 AED	2019 AED
<i>Parent Company</i>		
Sales	6,580,661	7,195,915
Purchases	94,807,766	78,754,774
Interest expense (Note 26)	23,251,768	22,277,490
Management fee expense (Note 24)	840,000	840,000
<i>Subsidiaries</i>		
Sales	123,843,229	80,383,905
Purchases	96,142,098	79,049,884
Brand sharing fee (Note 25)	7,000,000	6,984,398
Management fee income (Note 25)	4,850,000	3,843,308

Brand sharing fee represent amounts charged to subsidiaries respectively for the use of the Kalyan Jewellers brand.

Management fee income represent amounts charged to subsidiaries respectively for the common management.

#### Key management remuneration:

	2020 AED	2019 AED
Salaries and other benefits		
- Short-term	677,962	1,081,104
- Long-term	8,019	9,774

### 12. Right-of-use assets

The Company has leased space for showrooms and offices from different landlords in the UAE. The average lease term ranges from 1 to 3 years:

	2020 AED000	2019 AED000
<b>Cost</b>		
Cumulative effect of first time adoption of IFRS 16	-	95,145,529
At 1 April	95,145,529	-
Additions	21,902,341	-
<b>At 31 March</b>	<b>117,047,870</b>	<b>95,145,529</b>

## Kalyan Jewellers L.L.C.

### Notes to the separate financial statements for the year ended 31 March 2020 (continued)



#### 12. Right-of-use assets (continued)

	2020 AED000	2019 AED000
<b>Accumulated depreciation</b>		
At 1 April	(10,008,402)	-
Charge for the year	(9,787,057)	(10,008,402)
<b>At 31 March</b>	<b>(19,795,459)</b>	<b>(10,008,402)</b>
<b>Net book value at 31 March 2020</b>	<b>97,252,411</b>	<b>85,137,127</b>

The management tests right-of-use assets annually for impairment, or more frequently if there are indicators that they may be impaired.

The recoverable amount of the right-of-use asset as a cash-generating unit is determined based on a "value in use" calculation which uses cash flow projections based on financial budgets approved by the management covering a five-year period, and a discount rate of 9.3% per annum. Cash flow projections and profitability for the future years of forecast are based on the assumption of a consistent gross margin similar to the achieved for the current year and on the below mentioned projected revenues:

- Decrease in projected revenue of 23% in the first year subsequent to the period ended 31 March 2020;
- Increase in projected revenue of 30% in the second year thereafter;
- Increase in projected revenue of 10% per annum for the following three years.

Cash flow projections and profitability beyond the five-year period (as explained above) are based on a consistent gross margin (as explained above) and a steady increase of 2.8% per annum growth rate which are estimated by the Company's management based on past performance of the retail stores and the management's expectations of future market recovery.

#### *Sensitivity analysis*

The Company has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the group of CGUs to which right-of-use assets is allocated. The management believe that any reasonably possible change in the key assumptions on which the recoverable amount of the right-of-use assets is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

At the beginning and end of the financial year the recoverable amount of the right-of-use asset was substantially in excess of its book value.

#### *Budgeted sales growth:*

At the CGU level, had budgeted sales growth for each shop been 1.45% lower (other key assumptions remaining constant), no impairment charge would be recorded in the books of the entity.

#### *Weighted average cost of capital:*

At the CGU level, had the weighted average cost of capital for each shop been increased by 1.7% (other key assumptions remaining constant), no impairment charge would be recorded in the books of the entity.



## Kalyan Jewellers L.L.C.

### Notes to the separate financial statements for the year ended 31 March 2020 (continued)



#### 12. Right-of-use assets (continued)

##### *Terminal growth rates:*

At the CGU level, had the terminal growth rates for each shop been reduced to 1.2% (other key assumptions remaining constant), no impairment charge would be recorded in the books of the entity.

The total cash outflow for leases amounts to AED 22,152,161 (2019: AED 10,008,401).

#### 13. Lease liabilities

Lease liabilities included in the statement of financial position as follows:

	2020 AED	2019 AED
Balance as at 1 April	5,771,924	14,623,623
Additions	8,988,864	-
Accretion of interest	407,343	459,370
Payments	(9,238,684)	(9,311,069)
Balance as at 31 March	5,929,447	5,771,924

	2020 AED	2019 AED
<i>Maturity analysis</i>		
Not later than 1 year	4,776,211	4,629,688
Later than 1 year and not later than 5 years	1,153,236	1,142,236
	5,929,447	5,771,924

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's central accounting function.

##### *Sensitivity analysis of incremental borrowing rate:*

The incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as of 31 March 2020 is 6.5%.

If the incremental borrowing rate had been 1% higher or lower and all variables were held constant, the Company's carrying amount of lease liabilities would have a decrease or increase by AED 59,294 (2019: AED 57,719).

## Kalyan Jewellers L.L.C.



### Notes to the separate financial statements for the year ended 31 March 2020 (continued)

#### 14. Inventories

	2020 AED	2019 AED
Bullion – unfixed (a)	19,133,708	10,870,996
Gold jewellery – unfixed (b)	138,836,715	142,004,415
Scrap gold (b)	1,548,080	1,986,407
Diamond jewellery	142,539,055	126,162,031
Making charges on gold jewellery	7,666,270	9,742,196
Promotion inventory	600,000	644,853
	<b>310,323,828</b>	<b>291,410,898</b>

- a) Unfixed bullion represents 101,063 grams (2019: 71,304 grams) of bullion received from suppliers.
- b) The Company purchases gold jewellery by exchanging equivalent bullion for the value of gold used in those jewellerys and the related making charges are paid as per credit terms agreed with suppliers.

Unfixed gold jewellery represents 742,950 grams (2019: 944,535 grams) of gold amounting to AED 140 million (2019: AED 144 million), which is valued at a bullion price of AED 189 per gram prevailing as at 31 March 2020 (2019: AED 153 per gram).

The corresponding liability for unfixed gold has been recognised at the closing bullion rate as at 31 March 2020 and 2019 [Notes 20 and 11(c)].

- c) Inventory is secured against bank borrowings of the Group.

#### 15. Share capital

The authorised, issued and fully paid up share capital of the Company comprise three hundred shares of AED 1,000 each. The shareholding of the Company at 31 March 2020 and 31 March 2019 is given below:

	Ownership %	Number of shares	Amount AED
Mr. Mohammad Hamza Mustafa Mohammad Ali	51 %	153	153,000
Kalyan Jewellers FZE	49 %	147	147,000
	<b>100 %</b>	<b>300</b>	<b>300,000</b>

The shares held by Mohammad Hamza Mustafa Mohammad Ali are for the beneficial interest of Kalyan Jewellers FZE.

#### 16. Statutory reserve

In accordance with UAE Federal Law No. (2) of 2015, the Company has established a statutory reserve by appropriation of 10% of net profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution except in the circumstances stipulated by the Law. No transfer has been made to the reserve during the current year as it is already equal to 50% of the share capital.



# Kalyan Jewellers L.L.C.



## Notes to the separate financial statements for the year ended 31 March 2020 (continued)

### 17. Loan from a shareholder

The loan from a shareholder at 31 March 2020 represents an amount of AED 335 million (2019: AED 235 million), which is due to the principal shareholder (Kalyan Jewellers FZE). This amount is interest-free, has no fixed repayment term and repayment is at the discretion of the issuer (Note 4.1).

### 18. Provision for employees' end-of-service indemnity

	2020 AED	2019 AED
Balance at the beginning of the year	1,567,349	1,313,043
Charge for the year	860,787	351,114
Payments made during the year	(331,844)	(96,808)
<b>Balance at the end of the year</b>	<b>2,096,292</b>	<b>1,567,349</b>

### 19. Trade and other payables

	2020 AED	2019 AED
Trade payables – others	58,324,417	36,591,246
Advances from customers	23,306,626	17,217,382
Accrued expenses	2,048,287	3,498,364
	<b>83,679,330</b>	<b>57,306,992</b>

### 20. Bank borrowings

	2020 AED	2019 AED
Suppliers invoice financing [Note 20 (a)]	74,851,343	124,084,218
Bank overdraft [Note 20 (b)]	24,390,118	24,707,113
	<b>99,241,461</b>	<b>148,791,331</b>

- a) The Company has a supplier's invoice financing facility with a limit of AED 75 million (2019: AED 125.0 million) of which AED 74.8 million (2019: AED 124.1 million) was utilised as of reporting date. This facility is an invoice financing agreement and is to be repaid within 12 months. The facility has an interest rate of 5.5% per annum (2019: 5.5% per annum).

Supplier's invoice financing facility is secured by margin deposits amounting to AED 35 million [2019: AED 60.3 million] (Note 9) corporate guarantees from the Ultimate Parent Company and the Parent Company, standby letters of credit amounting to 35% of the total funds availed less margin deposit (Note 9), daily sales collection of 5 stores and a security cheque equivalent to the total facility amount.

## Kalyan Jewellers L.L.C.

### Notes to the separate financial statements for the year ended 31 March 2020 (continued)

#### 20. Bank borrowings (continued)

- b) The Company has an overdraft facility from a bank with a limit of AED 25 million (2019: AED 25 million) of which AED 24.4 million (2019: AED 24.7 million) was utilised as of the reporting date. These facilities are availed for payment of trade liabilities owed to the suppliers and are required to be repaid within 12 months (2019: 12 months). The overdraft facility has an interest rate of 5.5% per annum (2019: 5.5% per annum).

Reconciliation of liabilities arising from financing activities:

	1 April 2019 AED	Financing cash flows Proceeds AED	Repayments AED	Other changes AED	31 March 2020 AED
Bank borrowings	148,791,331	530,854,120	580,403,990	-	99,241,461

#### 21. Deferred revenue

	2020 AED	2019 AED
Arising from customer loyalty programme	87,113	87,113
	<u>87,113</u>	<u>87,113</u>

Movements in customer loyalty points during the year are as follows:

	2020 AED	2019 AED
Balance at the beginning of the year	87,113	445,000
Charge for the year (Note 22)	-	45,670
Redemptions during the year	-	(403,557)
Balance at the end of the year	<u>87,113</u>	<u>87,113</u>

#### 22. Revenue

	2020 AED	2019 AED
Gross revenue from gold jewellery and diamond ornaments	846,362,560	872,259,286
Less : Customer loyalty points awarded (Note 21)	-	(45,670)
Less : Discount On Promotional Sales – Priority	(152,400)	(567,184)
Less : Discount On Promotional Sales - Vouchers	-	(1,257,130)
	<u>846,210,160</u>	<u>870,389,302</u>





# Kalyan Jewellers L.L.C.

## Notes to the separate financial statements for the year ended 31 March 2020 (continued)



### 23. Cost of sales

	2020 AED	2019 AED
Inventories at the beginning of the year	291,410,898	363,660,799
Purchases of bullion	509,652,895	281,689,579
Purchases of gold and diamond jewellery	251,428,297	393,441,733
Making charges	173,297	343,367
Packing materials	1,397,850	1,295,918
Other direct costs	8,298,211	11,095,623
	<b>1,062,361,448</b>	<b>1,051,527,019</b>
Less: Inventories at the end of the year (Note 14)	<b>(310,323,828)</b>	<b>(291,410,898)</b>
	<b>752,037,620</b>	<b>760,116,121</b>

### 24. Selling, general and administrative expenses

	2020 AED	2019 AED
Salaries and other benefits	17,335,122	20,283,263
Advertisement expenses	16,556,601	16,404,936
Rent	2,964,030	4,237,268
Bank charges	2,490,944	3,315,330
Depreciation of property, plant and equipment	3,646,690	3,157,779
Depreciation of right-of-use assets	9,787,057	10,008,401
Utilities	1,650,730	2,137,342
Legal and professional fees	2,186,136	3,074,181
Sales promotion	297,988	341,305
Loss on disposal of property, plant and equipment	-	349,075
Traveling and communication	2,268,057	2,651,656
Security services	188,353	692,772
Management fee expense [Note 11(e)]	840,000	840,000
Consultancy fee	79,735	57,050
Others	3,027,370	3,362,305
	<b>63,318,813</b>	<b>70,912,663</b>

### 25. Other income

	2020 AED	2019 AED
Brand sharing fee [Note 11(e)]	7,000,000	6,984,398
Management fee income [Note 11(e)]	4,850,000	3,843,308
Gain on disposal of disposal of property, plant and equipment	66,519	-
Other income	899,901	24,629
Exchange gain	84,411	139,145
	<b>12,900,831</b>	<b>10,991,480</b>

## Kalyan Jewellers L.L.C.

### Notes to the separate financial statements for the year ended 31 March 2020 (continued)

#### 26. Finance costs

	2020 AED	2019 AED
Interest on loan from related party [Note 11(e)]	23,251,768	22,277,490
Interest on supplier invoice financing	4,979,694	4,734,546
Loan arrangement and letter of credit fees	840,975	608,723
Interest on lease liabilities	407,343	459,370
Others	2,604,183	4,500,186
	<u>32,083,963</u>	<u>32,580,315</u>

#### 27. Financial instruments

##### a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the separate financial statements.

##### b) Categories of financial instruments

	2020 AED	2019 AED
<b>Financial assets</b>		
Loans and receivables at amortised cost (including cash and cash equivalents)	<u>151,422,971</u>	<u>137,603,587</u>
<b>Financial liabilities at amortised cost</b>		
At amortised cost	<u>207,595,746</u>	<u>277,257,144</u>

##### c) Fair value of financial instruments

Management considers that the carrying amounts of financial assets and financial liabilities as stated in the separate statement of financial position approximate their fair value.

#### 28. Financial risk management

The Company's overall financial risk management program seeks to minimise potential adverse effects to the financial performance of the Company. The management provides principles for overall financial risk management and policies covering specific areas, such as market risk including foreign exchange risk and interest rate risk, credit risk, and liquidity risk.





**Notes to the separate financial statements  
for the year ended 31 March 2020 (continued)**



**28. Financial risk management (continued)**

**(a) Credit risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk is controlled by counterparty limits that are reviewed and approved by the management.

The Company's current credit risk grading framework comprises the following categories:

<i>Category</i>	<i>Description</i>	<i>Basis for recognizing expected credit losses</i>
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12 month ECL
Doubtful	Amount is more than 180 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit impaired
In default	Amount is more than 365 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery.	Amount is written off

The Company's principal financial assets are cash & cash equivalents, margin deposits, trade and other receivables (excluding prepayments) and due from related parties. The credit risk on bank balances and margin deposits is limited because the counterparties are banks registered in the United Arab Emirates.

Credit risk on amounts due from related parties including trade receivables from subsidiaries are limited as these are amounts receivable from its Ultimate Parent Company and subsidiaries.

Further details of credit risks on trade and other receivables are discussed in Note 10 to the separate financial statements.

**(b) Exchange rate risk management**

There are no significant exchange rate risks as most financial assets and financial liabilities are denominated in Arab Emirates Dirham.

**(c) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the management. The Company manages liquidity risk by maintaining adequate reserves, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company has access to loans from related parties to further reduce liquidity risk.

# Kalyan Jewellers L.L.C.

## Notes to the separate financial statements for the year ended 31 March 2020 (continued)



### 28. Financial risk management (continued)

#### (c) Liquidity risk management (continued)

##### Liquidity risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables comprise principal cash flows:

	Interest rate %	Less than 1 month AED	1-3 months AED	3 months - 1 year AED	Between 2 to 5 years AED	Total AED	Carrying amount AED
<b>2020</b>							
Lease liabilities	5.25 %	520,062	1,040,124	4,680,557	-	6,240,743	5,929,447
Variable interest rate instruments	4 %	103,211,119	-	-	-	103,211,119	99,241,461
Non-interest bearing instruments	-	102,424,838	-	-	-	102,424,838	102,424,838
		<u>206,156,019</u>	<u>1,040,124</u>	<u>4,680,557</u>	<u>-</u>	<u>211,876,700</u>	<u>207,595,746</u>
<b>2019</b>							
Lease liabilities	6.5 %	506,246	1,012,492	4,556,212	-	6,074,950	5,771,924
Variable interest rate instruments	4 %	154,742,984	-	-	-	154,742,984	148,791,331
Non-interest bearing instruments	-	122,693,889	-	-	-	122,693,889	122,693,889
		<u>277,943,119</u>	<u>1,012,492</u>	<u>4,556,212</u>	<u>-</u>	<u>283,511,823</u>	<u>277,257,144</u>



# Kalyan Jewellers L.L.C.

## Notes to the separate financial statements for the year ended 31 March 2020 (continued)

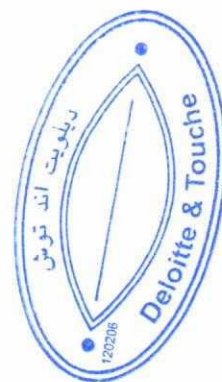
### 28. Financial risk management (continued)

#### (c) Liquidity risk management (continued)

##### Liquidity risk tables (continued)

The following tables detail the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets except where the Company anticipates that the cash flow will occur in a different period.

	Interest interest rate %	Less than 1 month AED	1-3 months AED	3 months - 1 year AED	Total AED	Carrying amount AED
<b>2020</b>						
Fixed interest rate instruments	0.15%	35,052,500	-	-	35,052,500	35,000,000
Non-interest bearing instruments		116,422,971	-	-	116,422,971	116,422,971
		<u>151,475,471</u>	<u>-</u>	<u>-</u>	<u>151,475,471</u>	<u>151,422,971</u>
<b>2019</b>						
Fixed interest rate instruments	0.15%	35,052,500	25,279,841	-	60,332,341	60,241,978
Non-interest bearing instruments		77,361,609	-	-	77,361,609	77,361,609
		<u>112,414,109</u>	<u>25,279,841</u>	<u>-</u>	<u>137,693,950</u>	<u>137,603,587</u>



## Kalyan Jewellers L.L.C.

### Notes to the separate financial statements for the year ended 31 March 2020 (continued)

#### 28. Financial risk management (continued)

##### (d) Interest rate risk management

The Company's interest rate risk arises from its financial liabilities (i.e. bank overdraft and term loans received from financial institutions) which are at fixed or variable rates of interest.

If interest rate had been 50 basis point higher/lower and all other variables were held constant, the Company's profit for the year ended 31 March 2020 would not increase/decrease as there are no variable interest rate bearing liabilities.

##### (e) Commodity risk management

The Company is exposed to price risk on both sales and purchases of gold inventory. As at 31 March 2020 there are no significant exposures to the commodity price risk on financial assets and financial liabilities as gold inventory is on an unfixed basis which hedges the inventory to variances in the gold price rate.

#### 29. Capital risk management

The capital structure of the Company consists of debt comprising loan from a related party, short term bank borrowings and equity comprising issued share capital and retained earnings as disclosed in the statement of changes in equity. The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balances.

#### 30. Non-cash transactions

	2020 AED	2019 AED
Interest expense on loans from a related party	23,251,768	22,277,490
Customer loyalty points balance written back	-	809,612

#### 31. Approval of the separate financial statements

The separate financial statements were approved by the directors and authorised for issue on 23 July 2020.

