KALYAN JEWELLERS FZE
Dubai - United Arab Emirates

Report and separate financial statements
for the year ended 31 March 2021

KALYAN JEWELLERS FZE

Report and separate financial statements
for the year ended 31 March 2021

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INDEPENDENT AUDITOR'S REPORT

The Shareholder
Kalyan Jewellers FZE
Dubai
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REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of **Kalyan Jewellers FZE** (the "Establishment"), which comprise the separate statement of financial position as at 31 March 2021 and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including 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 Establishment as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Establishment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Establishment'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.

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 International Financial Reporting Standards, and their preparation in compliance with the applicable provisions of the articles of association of the Establishment, the provisions of the Dubai Airport Free Zone Implementing Regulations No.1/98 issued pursuant to Law No. 2 of 1996 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.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Kalyan Jewellers FZE (continued)

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements (continued)

In preparing the separate financial statements, management is responsible for assessing the Establishment'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 Establishment or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Establishment'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 skepticism 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 fare 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.

- 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 Establishment'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 auditor's report. However, future events or conditions may cause the Establishment 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.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholder of Kalyan Jewellers FZE (continued)

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Establishment has maintained proper books of accounts. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there were no contraventions during the period of the provisions of the Dubai Airport Free Zone Implementing Regulations No.1/98 issued pursuant to Law No. 2 of 1996, as amended, which might have materially affected the financial position of the Establishment or the results of its financial performance.

Deloitte & Touche (M.E.)

Akbar Ahmad
Registration No. 1141
30 August 2021
Dubai
United Arab Emirates

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Deloitte & Touche

Kalyan Jewellers FZE

Separate statement of financial position as at 31 March 2021

	Notes	2021 AED	2020 AED (Restated)	1st April 2019 AED (Restated)
ASSETS				
Non-current assets				
Investment in subsidiaries	5	**2,620,270**	2,620,270	2,522,670
Additional investments in subsidiaries	5	**363,538,670**	363,538,670	263,538,670
Total non-current assets		**366,158,940**	366,158,940	266,061,340
Current assets				
Loan to a related party	8(c)	**253,644,082**	294,373,081	334,883,193
Due from related parties	8(a)	**92,064,276**	76,068,867	104,106,702
Margin deposits	9	**30,138,465**	84,575,224	96,543,723
Trade and other receivables	7	**11,567,762**	8,862,081	16,147,033
Inventories	10	**2,996,913**	3,449,757	1,108,551
Derivative financial instruments	20	**751,939**	833,225	-
Cash and cash equivalents	6	**148,847**	428,048	260,893
Total current assets		**391,312,284**	468,590,283	553,050,095
Total assets		**757,471,224**	834,749,223	819,111,435
EQUITY AND LIABILITIES				
Equity				
Share capital	11	**385,000,000**	150,000,000	150,000,000
Accumulated losses		**(50,444,932)**	(36,991,828)	(13,839,019)
Hedge reserve		**(19,864,443)**	-	-
Loan from a shareholder	12&8(d)	**-**	241,221,351	211,197,231
Total equity		**314,690,625**	354,229,523	347,358,212
Non-current liability				
Provision for employees' end-of-service indemnity	13	**88,409**	78,009	67,581
Loan from a shareholder	12&8(d)	**29,218,078**	-	-
Total non-current liabilities		**29,306,487**	78,009	67,581
Current liabilities				
Due to related parties	8(b)	**78,866,268**	68,533,319	50,169,544
Derivative financial instruments	20	**21,081,833**	5,184,621	-
Trade and other payables	14	**8,346,260**	7,894,596	9,846,905
Bank borrowings	15	**305,179,751**	398,829,155	411,669,193
Total current liabilities		**413,474,112**	480,441,691	471,685,642
Total liabilities		**442,780,599**	480,519,700	471,753,223
Total shareholder's equity and liabilities		**757,471,224**	834,749,223	819,111,435

KALYAN JEWELLERS FZE P.O. Box: 371576 DAFZA Dubai - U.A.E.

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

Kalyan Jewellers FZE

Separate statement of profit or loss and other comprehensive income for the year ended 31 March 2021

	Notes	2021 AED	2020 AED (Restated)
Revenue		**54,151,425**	115,837,456
Cost of sales		**(54,155,608)**	(115,856,711)
Gross loss		**(4,183)**	(19,255)
Finance income	16	**20,057,605**	24,572,268
Management fee	8	**840,000**	840,000
General and administrative expenses	17	**(6,226,761)**	(2,130,616)
Loss on derivative financial instruments	20	**(465,451)**	(4,351,396)
Finance costs	18	**(27,538,331)**	(41,863,300)
Foreign exchange loss	19	**(115,983)**	(200,510)
Net loss for the year		**(13,453,104)**	(23,152,809)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Changes in fair value of cash flow hedge		**(19,864,443)**	-
Total comprehensive loss for the year		**(33,317,547)**	(23,152,809)

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

Kalyan Jewellers FZE

Separate statement of changes in equity for the year ended 31 March 2021

	Share capital AED	Accumulated losses AED	Loan from a shareholder AED	Total shareholder's equity AED	Hedge reserve AED	Total reserve through other comprehensive income AED	Total Equity AED
Balance at 1 April 2019 (restated)	150,000,000	(13,839,572)	211,197,231	347,358,212	-	-	347,358,212
Loss for the year	-	(23,152,809)	-	(23,152,809)	-	-	(23,152,809)
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	(23,152,809)	-	(23,152,809)	-	-	(23,152,809)
Additional loan from a shareholder	-	-	30,024,120	30,024,120	-	-	30,024,120
Balance at 31 March 2020 (restated)	150,000,000	(36,991,828)	241,221,351	354,229,523	-	-	354,229,523
Loss for the year	-	(13,453,104)	-	(13,453,104)	-	-	(13,453,104)
Other comprehensive income for the year	-	-	-	-	(19,864,443)	(19,864,443)	(19,864,443)
Total comprehensive loss for the year	-	(13,453,104)	-	(13,453,104)	(19,864,443)	(19,864,443)	(33,317,547)
Increase in share capital during year	235,000,000	-	(235,000,000)	-	-	-	-
Additional loan from a shareholder	-	-	22,996,727	22,996,727	-	-	22,996,727
Transfer to non-current liabilities	-	-	(29,218,078)	(29,218,078)	-	-	(29,218,078)
Balance at 31 March 2021	**385,000,000**	**(50,444,932)**	**-**	**334,203,271**	**(19,864,443)**	**(19,864,443)**	**314,690,625**

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

Kalyan Jewellers FZE

Separate statement of cash flows
for the year ended 31 March 2021

	2021 AED	2020 AED
Cash flows from operating activities		
Loss for the year	**(13,453,104)**	(23,152,809)
Adjustments for:		
Finance income	**(20,057,605)**	(24,572,268)
Finance costs	**27,538,331**	41,863,300
Unrealised loss on derivative financial instruments	**465,451**	4,351,396
Provision for impairment of other receivables	**133,300**	-
Provision for employees' end-of-service indemnity	**10,400**	10,428
Operating cash flows before changes in operating assets and liabilities	**(5,363,227)**	(1,499,953)
Increase in trade and other receivables	**(1,888,433)**	(6,073,099)
(Increase)/decrease in due from related parties	**(15,454,909)**	40,945,036
Decrease in margin deposits	**54,436,759**	11,968,499
Decrease/ (increase) in inventories	**452,844**	(2,341,206)
Decrease in trade and other payables	**(4,850,280)**	(1,706,401)
Increase in due to related parties	**10,332,949**	18,363,775
Cash generated from operating activities	**37,665,703**	59,656,651
Interest received	**19,517,105**	24,925,518
Interest paid	**(27,538,331)**	(23,497,677)
Net cash generated from operating activities	**29,644,477**	61,084,492
Cash flows from investing activities		
Payment towards additional investment in subsidiaries	-	(100,000,000)
Net cash used in investing activities	-	(100,000,000)
Cash flows from financing activities		
Proceeds from loan to a related party	**40,728,999**	173,836,489
Repayments of loan to a related party	-	(133,326,377)
Funds from shareholders to increase in share capital	**22,996,727**	-
Proceeds from bank borrowings	**994,639,726**	160,964,968
Repayments of bank borrowings	**(1,088,289,130)**	(173,805,006)
Proceeds from loan from shareholder	-	11,412,589
Net cash (used in)/ generated from financing activities	**(29,923,678)**	39,082,663
Net (decrease)/increase in cash and cash equivalents	**(279,201)**	167,155
Cash and cash equivalent at the beginning of the year	**428,048**	260,893
Cash and cash equivalents at end of the year (note 6)	**148,847**	428,048

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

1. General information

Kalyan Jewellers FZE (the "Establishment") is a free zone establishment with limited liability registered on 15 July 2013 with the Dubai Airport Free Zone Authority, Government of Dubai in accordance with the implementing regulations No.1 of 1998 issued pursuant to Law No. 2 of 1996, as amended.

The address of the registered office of the Establishment is East Side 5A, 7th Floor, Dubai Airport Free Zone, Dubai, United Arab Emirates.

The principal activities of the Establishment include the import & export of gold, diamonds & precious stones & metals.

The Establishment is a wholly owned subsidiary of Kalyan Jewellers India Ltd. (the "Parent Company").

These financial statements represent the separate financial statements of the Establishment. The Establishment also prepared the consolidated financial statements.

1(a) Going concern

For the year ended 31 March 2021, the Establishment made a loss for the year of AED 33,317,547 (2020: loss AED 23,152,809). At 31 March 2021, the Establishment had a negative working capital (excess of current liabilities over current assets) of AED 22,161,828 (2020: AED 11,851,408) and accumulated losses of AED 50,796,729 (2020: loss AED 36,991,828). These separate financial statements of the Establishment have been prepared on a "going concern" basis as the shareholder of the Establishment has committed to provide the necessary financial support to the Establishment to enable it to continue its operations and discharge its obligations as and when they fall due and therefore do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities. The shareholder has also agreed to continue the operations of the Establishment for a period of twelve months from the date of authorization of these separate financial statements. Furthermore, management is working towards securing long terms loans from banks for its future expansion and focusing on improving profitability which will in turn reduce the deficit in working capital.

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 Middle East, 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 Establishment.

The lockdowns were implemented in the Middle East from 23 March 2020 onwards and all the retail outlets of the Establishment remained closed until 23 April 2020. Post the lockdown being lifted in the Middle East from May 2020 onwards, some retails shops were reopened. However, during the current year the Establishment has closed down six retail shops as a result of a significant decrease in footfall due to continued restrictions on tourism and loss of customer base due to the economic downturn in the luxury goods industry. Management has taken these measures to mitigate the impact of the situation on business operations and in addition has renegotiated some rents with the landlords for the retail shops including concessions, a reduction in workforce in line with the reduction in retail operations and salary cuts for staff have also been implemented.

1. General information (continued)

1(a). Going concern (continued)

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 Establishment's business in particular, make the quantification of its adverse impact difficult to assess accurately. The Establishment'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 Establishment's ability to continue as a going concern and have been incorporated in the measurement of the Establishment's assets and liabilities at 31 March 2021:

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:

- Increase in projected revenue of 10% in the first year subsequent to the period ended 31 March 2021;
- Increase in projected revenue of 6% in the second and third year thereafter;
- Increase in projected revenue of 5% 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 have been estimated by the Establishment's management based on past performance of the retail stores and the management's expectations of future market recovery.

If the Establishment'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 Establishment may require additional funding from the Parent Company to continue as a going concern, which the Parent Company has committed to provide.

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

2.1 New and amended IFRSs Standards that are effective for the current year

2.1.1 Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

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

2.1 New and amended IFRSs Standards that are effective for the current year (continued)

2.1.1 Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16 (continued)

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Establishment has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

2.1.2 Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- *Amendments to References to the Conceptual Framework in IFRS Standards*
- *Amendments to IFRS 3 Definition of a business*
- *Amendments to IAS 1 and IAS 8 Definition of material*

Impact on accounting for changes in lease payments applying the exemption

The Establishment has applied the practical expedient retrospectively to all rent concessions that meet the conditions in IFRS 16:46B, and has not restated prior period figures.

2.2 New and amended IFRS 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 1 January 2020, have been adopted in these financial statements and have not had any material impact on the financial statements but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of a Business - Amendments to IFRS 3 *Business Combinations* 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'.	1 January 2020

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

2.2 New and amended IFRS applied with no material effect on the financial statements (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
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
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.

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

The Establishment 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***
IFRS 17 *Insurance Contracts*	1 January 2023
IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Yet to be set
Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IFRS 3 *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture*	1 January 2022

Management anticipates that these new standards, interpretations and amendments will be adopted in the Establishment's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendment, may have no material impact on the financial statements of the Establishment's in the period of initial application.

All other IFRSs not yet adopted are not expected to have a material impact on the financial statements of the Establishment in the period of initial adoption

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 except for derivative financial instruments which are carried at fair value. The principal accounting policies are set out below.

3.3 Investments in subsidiaries

Subsidiary undertakings are those entities which are controlled by the Establishment. Control is achieved where the Establishment 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 Establishment 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*. The Establishment also prepares consolidated financial statements.

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 separate statement of profit or loss and comprehensive income.

On disposal of an investment the differences between the net disposal proceeds and the carrying amount is charged or credited to separate statement of profit or loss and 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 Establishment;
- the Establishment has transferred control of the goods to the customer;
- the Establishment has transferred the significant risks and rewards related to the ownership of the goods to the customer;
- the Establishment has a present right to payment for the goods delivered;
- the Establishment 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 Establishment; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. Significant accounting policies (continued)

3.4 Revenue recognition (continued)

Management fee

Management fee income is recognised on a straight line basis over the term of the contract.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.5 Foreign currencies

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

In preparing the separate financial statements of the Establishment, 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 the separate statement of profit or loss and other 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 Establishment 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 Provisions

Provisions are recognised when the Establishment has a present obligation (legal or constructive) as a result of a past event, it is probable that the Establishment 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.

3. Significant accounting policies (continued)

3.7 Provisions (continued)

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.

3.8 Leasing

The Establishment as lessee

The Establishment assesses whether a contract is or contains a lease, at the inception of the contract. The Establishment 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 Establishment 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 Establishment uses its incremental borrowing rate.

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; and
- 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 Establishment 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 affect the periods presented.

3. Significant accounting policies (continued)

3.8 Leasing (continued)

The Establishment as lessee (continued)

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. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Establishment 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 Establishment 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.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Establishment 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 Establishment has not used this practical expedient.

3.9 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 benefits due to employees in accordance with the UAE Labour Law for their period of service up to the end of the year.

3.10 Financial instruments

Financial assets and financial liabilities are recognised in the Establishment's statement of financial position when the Establishment 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.

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

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.

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.

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

Financial assets (continued)

Amortised cost and effective interest rate method (continued)

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

3. Significant accounting policies (continued)

3.10 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 Establishment 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 Establishment 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 Establishment recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables, and other receivables. 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 Establishment always recognises lifetime ECL for trade receivables and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Establishment'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 Establishment 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 Establishment 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.

3. Significant accounting policies (continued)

3.10 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 Establishment 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 Establishment 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 Establishment 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 Establishment considers the changes in the risk that the specified debtor will default on the contract.

The Establishment 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 Establishment 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 Establishment 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 Establishment.

(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.

3. Significant accounting policies (continued)

3.10 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 Establishment 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 Establishment'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 Establishment in accordance with the contract and all the cash flows that the Establishment expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Establishment 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 Establishment neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Establishment recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Establishment retains substantially all the risks and rewards of ownership of a transferred financial asset, the Establishment continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. Significant accounting policies (continued)

3.10 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 Establishment 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 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 Establishment that are designated by the Establishment 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.

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

The Establishment derecognises financial liabilities when, and only when, the Establishment'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.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Establishment are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.11 Derivative financial instruments and hedging activities

The Establishment uses derivative financial instruments, such as commodity forward and swap contracts, to hedge it commodity price risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Establishment formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

3. Significant accounting policies (continued)

3.11 Derivative financial instruments and hedging activities (continued)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Establishment will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Establishment actually hedges and the quantity of the hedging instrument that the Establishment actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Establishment uses forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to commodity contracts is recognised in "loss/gain on derivative financial instruments" in the profit or loss.

The fair values of the Establishment's derivative instrument used for hedging are disclosed in Note 20.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory or fixed assets), the gains and losses previously recorded in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in direct costs.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss and deferred costs of hedging existing in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset (such as inventory) and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

3.12 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. Significant accounting policies (continued)

3.13 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 statement of profit or loss and other comprehensive income in the period in which they are incurred.

3.14 Fair value measurement

For measurement and disclosure purposes, the Establishment determines the fair value of an asset or liability at initial measurement or at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Establishment. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Establishment uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair value for measurement and/or disclosure purposes in these financial statements is determined on the basis as explained above, except for share-based payment transactions that are within the scope of IFRS 2; leasing transactions that are within the scope of IFRS 16 and measurements that have some similarities to fair value, but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

4. Critical accounting judgements and key sources of estimation uncertainty

While applying the accounting policies as stated in note 3, management of the Establishment 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 judgements, apart from those involving estimations, that the management has made in the process of applying the Establishment'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 Establishment considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the Establishment had transferred control of the goods to the customer. Based on the acceptance by the customer of the liability for the goods sold, management is satisfied that the control has been transferred and the recognition of the revenue is appropriate.

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.

Calculation of loss allowance

When measuring ECL the Establishment 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 Establishment 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.

5. Investment in subsidiaries

The Establishment has invested in equity shares of following companies as at 31 March:

Name of the subsidiary	No of shares	Legal ownership	Controlling ownership	Amount AED (2021)	Amount AED (2020)	Principal activities
Kalyan Jewellers L.L.C U.A.E	**147**	**49%**	**100%**	**147,000**	147,000	Trading in jewellery
Kalyan Jewellers L.L.C Oman	**175,000**	**70%**	**100%**	**2,375,670**	2,375,670	Trading in jewellery
Kalyan Jewellers Bahrain W.L.L	**49**	**49%**	**100%**	**97,600**	97,600	Trading in jewellery
				2,620,270	2,620,270	

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

The share capital of Kalyan Jewellers L.L.C is United Arab Emirates Dirham 1,000 (AED 1,000) divided into 300 shares of AED 1,000 each. Mr. Mohammed Hamza Mustafa Mohammed Ahli, the local shareholder holds 51% of the share capital for the beneficial interest of the Establishment.

The share capital of Kalyan Jewellers L.L.C., Oman is Omani Rial 1 (AED 9.50) divided into 250,000 shares of Omani Riyal 1 each (AED 9.50). PNC Menon, the local shareholder holds 70% of the share capital for the beneficial interest of the Establishment.

The share capital of Kalyan Jewelers Bahrain WLL is Bahraini Dinar 100 (AED 20) divided into 100 shares of Bahraini Dinar 100 each (AED 20). Mr. Mohammed Hamza Mustafa Mohammed Ahli, the local shareholder holds 51% of the share capital for the beneficial interest of the Establishment. Kalyan Jewelers Bahrain WLL is yet to commence operations.

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

	2021 AED	2020 AED
Kalyan Jewellers L.L.C., U.A.E	**335,000,000**	335,000,000
Kalyan Jewellers L.L.C., Oman	**28,538,670**	28,538,670
	363,538,670	363,538,670

6. Cash and cash equivalents

	2021 AED	2020 AED
Bank balance - current account	**148,847**	428,048

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 Establishment 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 Establishment 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 as disclosed in Note 15.

7. Trade and other receivables

	2021 AED	2020 AED
Trade receivables	**5,272,314**	919,757
Trade receivables – related party [Note 7 & 8(a)]	**-**	2,684,969
Advances to suppliers	**5,139,909**	4,689,963
Interest receivable on margin deposits (Note 9)	**-**	540,500
Prepayments	**1,288,839**	26,892
Less: Provision for doubtful debts	**(133,300)**	-
	11,567,762	8,862,081

(a) Interest receivable on margin deposits represent the equivalent value of nil kilograms (2020: 2.86 kilograms) of gold bullion receivable from bullion banks on margin deposits as at the reporting date (note 9), and has been valued at the bullion rate at the close of business on the reporting date.

Trade receivables, represents amounts receivable from third parties as at the reporting date. The average credit period for receivables from third parties is 30 days (2020: 30 days). The Establishment's trade receivable balances from third parties are not impaired.

Trade receivables are secured against bank borrowings as disclosed in Note 15.

In determining the recoverability of a trade receivable, the Establishment considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Establishment 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.

7. Trade and other receivables (continued)

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

	Expected credit loss rate	Gross carrying amount AED	Loss allowance AED	Net receivables AED
31 March 2021				
Low risk	**3%**	**5,272,314**	**(133,300)**	**5,139,014**
		5,272,314	**(133,300)**	**5,139,014**
31 March 2020				
Low risk	0%	3,604,726	-	3,604,726
		3,604,726	-	3,604,726

Ageing of trade receivables:

	Gross carrying amount AED	Loss allowance AED	Net receivables AED
31 March 2021			
Past due by:			
0 - 90 days	**5,272,314**	**(133,300)**	**5,139,014**
	5,272,314	**(133,300)**	**5,139,014**
31 March 2020			
Past due by:			
0 - 90 days	3,604,726	-	3,604,726
	3,604,726	-	3,604,726

8. Related party transactions

The Establishment 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 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.

Transactions with such related parties are made on substantially the same terms as those prevailing for comparable transactions with external customers and parties.

8. Related party transactions (continued)

The Establishment 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 Establishment 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 the 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 2021, the Establishment has recorded Nil impairment of amounts due from related parties (2020: Nil).

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

	2021	2020
	AED	AED
(a) Due from related parties		
Subsidiaries		
Kalyan Jewellers L.L.C., U.A.E.	**20,814,647**	24,091,768
Kalyan Jewellers L.L.C., Oman	**54,526,915**	38,038,877
Kalyan Jewellers Bahrain W.L.L.	**13,114,566**	12,907,201
Entities under common control		
Kalyan Jewelers for Golden Jewelries W.L.L., Kuwait	**3,608,148**	1,031,021
	92,064,276	76,068,867
Disclosed as trade receivables		
Entities under common control		
Kalyan Jewellers INC U.S.A (Note 7)	-	2,684,969
(b) Due to related parties		
Parent Company		
Kalyan Jewellers India Ltd.	**9,573,685**	1,770,000
Entities under common control		
Kalyan Jewellers W.L.L., Qatar	**69,292,583**	66,763,319
	78,866,268	68,533,319

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

	2021	2020
	AED	AED
(c) Loan to a related party		
Subsidiaries		
Kalyan Jewellers L.L.C., UAE		
- Gold loan (note 15)	**208,152,066**	276,412,715
- Other loans	**45,492,016**	17,960,366
Total loan (current portion)	**253,644,082**	294,373,081

8. Related party transactions (continued)

	2021 AED	2020 AED (Restated)
(d) Loan from a shareholder		
Parent		
Kalyan Jewellers India Ltd.	**29,218,078**	241,221,351

This amount carries interest at the rate of 6.5% as a result of regulatory requirements from India. The loan has no fixed repayment term and repayment is at the discretion of the Group.

(e) During the year, the Establishment entered into the following transactions with related parties:

	2021 AED	2020 AED (Restated)
Parent company/subsidiary		
Interest expense (Note 18)	**7,563,685**	-
Subsidiary		
Revenue	**54,151,425**	101,513,451
Management fee income	**840,000**	840,000
Interest income on loan to a related party (Note 16)	**6,556,511**	7,524,573
Interest income on gold loan to a related party (Note 16)	**12,181,743**	13,810,972
Loan arrangement and letter of credit income (Note 16)	**1,236,389**	1,916,224

The bank borrowings (Note 15) are subject to certain securities which include the personal guarantees of certain shareholders of the Parent Company, corporate guarantees of the Parent Company and subsidiaries.

Key management remuneration:

	2021 AED	2020 AED
Salaries and other short term benefits	**240,000**	240,000
Long-term benefits	**10,429**	10,429

9. Margin deposits

	2021 AED	2020 AED
Margin deposits	**30,138,465**	84,575,224

Margin deposits earn interest at a rate of between 1.5% to 2.5% per annum (2020: 1.5% to 2.3% per annum).

9. Margin deposits (continued)

The margin deposits are used to secure bank borrowings as disclosed in Note 15. 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 Establishment 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 Establishment have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

10. Inventories

	2021 **AED**	2020 AED
Diamond jewellery	**2,996,913**	3,449,757
	2,996,913	3,449,757

11. Share capital

The authorised, issued and fully paid up shares of the Establishment are as follows:

	Percent of ownership %	**Number of Shares**	**Amount AED**
31 March 2021			
Kalyan Jewellers India Ltd.	**100**	**385**	**385,000,000**
31 March 2020			
Kalyan Jewellers India Ltd.	100	150	150,000,000

During the year, an additional amount of AED 235,000,000 was injected as share capital by the shareholders.

12. Loan from a shareholder

The loan from a shareholder at 31 March 2021 represents an amount of AED 29.2 million (2020: AED 209.6 million), which is due to the shareholder (Kalyan Jewellers India Ltd). This amount carries interest at the rate of 6.5% as per regulatory requirements in India.

13. Provision for employees' end of service indemnity

	2021 **AED**	2020 AED
As at beginning of the year	**78,009**	67,581
Charge for the year	**10,400**	10,428
As at end of the year	**88,409**	78,009

14. Trade and other payables

	2021 AED	2020 AED
Trade payables	**6,092,488**	2,287,540
Interest payable on gold loans	**2,253,772**	-
Other liabilities	-	5,607,056
	8,346,260	7,894,596

The average credit period for trade payables from third parties is 40 days (2020: 40 days).

15. Bank borrowings

	2021 AED	2020 AED
Gold loans [note 8 (c) & 15 (a)]	**208,152,066**	276,412,715
Bank overdraft [note 15 (b)]	**97,027,685**	102,129,144
Term loan [note 15 (c)]	-	20,287,296
	305,179,751	398,829,155

a) The Establishment has obtained gold loan facilities with a total limit of AED 262.5 million (2020: AED 297.5 million) of which AED 208.15 million (2020: AED 276.41 million) was utilized as at the end of the reporting period. The interest rate on the gold loans availed, ranges from 3.5% to 6.5% (2020: from 1.4% to 3.5%) per annum and the tenure of gold loan is between 45 days to 12 months (2020: 12 months) and the loans are guaranteed by standby letters of credit issued by the Bank of the Parent Company.

The Establishment has transferred gold loans availed from bullion banks to its subsidiaries, Kalyan Jewellers L.L.C. UAE, Kalyan Jewelers for Golden Jewelries W.L.L, Kuwait and Kalyan Jewellers L.L.C. Oman, on similar terms and conditions as the banks [note 8 (c)]. At 31 March 2021, gold quantity of 1,047 Kgs (2020: 1,462 Kgs) has been obtained as a loan from bullion banks on an unfixed basis and a gold quantity of 1,047 Kgs (2020: 1,462 Kgs) has been given to related parties on an unfixed basis and has been revalued on the reporting date at the spot rate of AED 199 per gram (2020: AED 189 per gram) (Note 8c).

Gold loans availed during the year are subject to certain bank covenants and these covenants have been met as at the reporting date.

b) The Establishment has availed overdraft facilities against postdated cheques to finance the upfront security cash margin to be held against drawdowns under Unfixed Gold Facilities. The interest rate on these loans availed, ranges from 3.5% to 7.0% (2020: from 3.5% to 7.6%) per annum

c) The Establishment has availed point of sale term loans for funding inventories in it subsidiaries's existing/new outlets. The term loan is repayable in 30 equal monthly installments.

The borrowings are subject to certain securities which include the personal guarantees of certain shareholders of the Parent Company, corporate guarantees of the Parent Company and subsidiaries, cash margin covering the unfixed gold facility, assignment of jewellery block insurance policy covering the Establishment and its subsidiaries; assignment of point of sales collections and pledge over bank account in which collections to be deposited; letters of credit, settlement cheques, hypothecation over stocks and receivables.

15. Bank borrowings

Reconciliation of liabilities arising from financing activities:

	1 April 2020 AED	Financing cash flows Proceeds AED	Repayments AED	Other changes AED	**31 March 2021 AED**
Bank borrowings	398,829,155	994,639,726	1,088,289,130	-	**305,179,751**

16. Finance income

	2021 AED	2020 AED
Interest income on other loans to a related party [note 8 (d)]	**6,556,511**	7,524,573
Interest income on gold loans to a related party [note 8 (d)]	**12,181,743**	13,810,972
Interest income on margin deposits [note 7 (a)]	**82,962**	1,320,499
Loan arrangement and letter of credit income [note 8 (d)]	**1,236,389**	1,916,224
	20,057,605	24,572,268

17. General and administrative expenses

	2021 AED	2020 AED
Salaries and benefits	**250,400**	250,429
Professional fees	**889,366**	105,000
Bank charges	**1,576,747**	1,654,096
Rent expense	**100,861**	121,091
Provision for impairment on trade and other receivables	**133,300**	-
Others	**3,276,087**	-
	6,226,761	2,130,616

18. Finance costs

	2021 AED	2020 AED (Restated)
Interest expense on gold loans	**12,181,743**	13,810,972
Interest expense on loan from a related party	**7,563,685**	18,611,531
Interest expenses on term loan and bank overdrafts	**6,397,518**	7,524,573
Loan arrangement and letter of credit fees	**1,395,385**	1,916,224
	27,538,331	41,863,300

19. Foreign exchange loss

	2021 **AED**	2020 AED
Foreign exchange loss	**115,983**	200,510

20. Hedging activities and derivatives

Derivative financial assets

	2021 **AED**	2020 AED
Derivatives not designated as hedging instruments:		
Commodity forward contracts	**751,939**	791,136
Commodity swap contracts	-	42,089
Derivatives designated as hedging instruments:		
Commodity forward contracts	-	-
Commodity swap contracts	-	-
	751,939	833,225

Derivative financial liabilities

	2021 **AED**	2020 AED
Derivatives not designated as hedging instruments:		
Commodity forward contracts	**717,778**	2,979,405
Commodity swap contracts	**346,047**	2,205,216
Derivatives designated as hedging instruments:		
Commodity forward contracts	-	-
Commodity swap contracts	**20,018,008**	-
	21,081,833	5,184,621

The aggregate net loss on derivative financial instruments recognized in profit or loss are:

	2021 **AED**	2020 AED
Net loss on derivative financial instruments not designated as hedging instruments	**(311,887)**	(4,351,396)
Ineffective portion of change in fair value of derivative financial instruments designated as hedged instruments	**(153,564)**	-
	(465,451)	(4,351,396)

20. Hedging activities and derivatives (continued)

Hedging activities:

The impact of the hedging instruments on statements of financial position is as follows:

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The group is holding the following commodity swap contracts:

	Less than 1 month	1-3 months	3 months - 1 year	Between 2 to 5 years	Total
As at 31 March 2021					
Commodity swap contracts					
Notional amount (in '000)	**62,448**	-	-	**62,448**	**62,448**
Average forward rate (USD/XAU)	**1,858**	-	-	**1,858**	**1,858**

The impact of the hedging instruments on the statement of financial position is, as follows:

	Notional Amount	Carrying Amounts	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
As at 31 March 2021				
Commodity swap contracts	**62,447,992**	**(20,018,007)**	Derivative financial liability	**(153,564)**

The impact of the hedged instruments on the statement of financial position is, as follows:

	Change in fair value used for measuring ineffectiveness for the period ('000)	Cash flow Hedge reserve ('000)	Cost of hedging reserve
As at 31 March 2021			
Commodity swap contracts	**(153,564)**	Derivative financial liability	-

20. Hedging activities and derivatives (continued)

Hedging activities (continued):

The effect of the cash flow hedge in the statement of profit or loss and other comprehensive income is,

	Total hedging gain/(loss) recognised in OCI	Ineffective-ness recognised in profit or loss	Line item in the statement of profit or loss
As at 31 March 2021			
Commodity swap contracts	**(19,864,443)**	**(153,564)**	Loss on derivative financial instruments

21. 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

	2021 AED	2020 AED
Financial assets:		
At amortised cost	**127,623,902**	170,270,530
At fair value	**751,939**	833,225
Financial liabilities:		
At amortised cost	**184,240,213**	198,844,355
At fair value	**21,081,833**	5,184,621

c) Fair value of financial instruments

Financial instruments comprise financial assets, financial liabilities and derivative financial instruments.

Financial assets consist of cash and cash equivalents, due from related parties, trade and other receivables (excluding prepaid expenses), loan to a related party, derivative finance instruments and other financial assets.

Financial liabilities consist of trade and other payables, Bank borrowings, due to related parties, loan from a related party, derivative financial instruments.

The Establishment uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique described below:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

21. Financial instruments (continued)

*c) **Fair value of financial instruments*** (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level I AED'000	Level II AED'000	Level III AED'000	Total AED'000
2021				
Financial assets				
Derivative Financial instruments	-	-	-	-
Forward contracts	-	**751,939**	-	**751,939**
Currency Swaps	-	-	-	-
	-	**751,939**	-	**751,939**
2020				
Financial assets				
Derivative Financial instruments				
Forward contracts	-	791,136	-	791,136
Swaps	-	42,089	-	42,089
	-	833,225	-	833,225
2021				
Financial liabilities				
Derivative Financial instruments				
Forward contracts	-	**717,778**	-	**717,778**
Swaps	-	**20,364,054**	-	**20,364,054**
	-	**21,081,832**	-	**21,081,832**
2020				
Financial liabilities				
Derivative Financial instruments				
Forward contracts	-	2,979,405	-	2,979,405
Swaps	-	2,205,216	-	2,205,216
	-	5,184,621	-	5,184,621

The following table gives information how the fair values of these financial assets and financial liabilities are determined (in particular the valuation techniques and inputs used):

Financial assets/ (Financial liabilities)	**Fair value hierarchy** 2021	2020	**Valuation techniques and key inputs**	
Forward and swap contracts net	**(817,248)**	(4,351,396)	Level II	***Discounted cash flow method*** Future cash flows are estimated based on forward exchange rates at the end of the reporting period and contract rates, discounted at a rate that reflects the credit risk of the counterparty.

22. Financial risk management

The Establishment's overall financial risk management program seeks to minimise potential adverse effects to the financial performance of the Establishment. 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.

(a) Credit risk management

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

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

Category	*Description*	*Basis for recognizing expected credit losses*
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 Establishment has no realistic prospect of recovery.	Amount is written off

The Establishment's principal financial assets are cash and cash equivalents, trade and other receivables, due from related parties, loan to a related party, derivative financial assets and margin deposits. The credit risk on bank balances, other receivables and margin deposits is limited because the counterparties are financial institutions registered in the United Arab Emirates.

Credit risk on loans to a related party and amounts due from related parties is limited as the management of the Establishment is actively involved in the operation of the subsidiary.

(b) Exchange rate risk management

At the reporting date, there were no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in U.A.E. Dirhams or U.S. Dollars, to which the Dirham is pegged.

(c) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the management. The Establishment 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 Establishment has access to loans from related parties to further reduce liquidity risk.

22. Financial risk management (continued)

(c) ***Liquidity risk management*** (continued)

Liquidity risk tables

The following tables detail the Establishment'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 Establishment can be required to pay. The tables comprise principal cash flows.

	Average interest rate %	Less than 1 month AED	1-3 months	3 months - 1 year	Total AED	Carrying amount AED
31 March 2021						
Variable interest rate instrument	**6%**	**97,499,972**	-	-	**97,499,972**	**97,027,685**
Non-interest bearing instruments	-	**87,212,528**	-	-	**87,212,528**	**87,212,528**
		184,712,500	-	-	**184,712,500**	**184,240,213**
31 March 2020						
Variable interest rate instrument	5.5%	109,529,838	3,567,183	16,052,323	129,149,344	122,416,440
Non-interest bearing instruments	-	76,427,915	-	-	76,427,915	76,427,915
		185,957,753	3,567,183	16,052,323	205,577,259	198,844,355

22. Financial risk management (continued)

(c) Liquidity risk management (continued)

Liquidity risk tables (continued)

The following table details the Establishment's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis.

	Less than 1 month AED	**1-3 months**	**3 months - 1 year**	**Between 2 to 5 years AED**	**Total AED**
31 March 2021					
Derivative used for hedge accounting:					
Foreign exchange forward contracts	**717,778**	-	-	-	**717,778**
Currency swaps	**20,364,054**	-	-	-	**20,364,054**
	21,081,832	-	-	-	**21,081,832**

	Less than 1 month AED	1-3 months	3 months - 1 year	Between 2 to 5 years AED	Total AED
31 March 2020					
Net settled (derivative liabilities):					
Foreign exchange forward contracts	2,979,405	-	-	-	2,979,405
Currency swaps	2,205,216	-	-	-	2,205,216
	5,184,621	-	-	-	5,184,621

22. Financial risk management (continued)

(c) Liquidity risk management (continued)

Liquidity risk tables (continued)

The following tables detail the Establishment'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 Establishment anticipates that the cash flow will occur in a different period.

	Average interest rate %	Less than 1 month AED	1-3 months	3 months - 1 year	Between 2 to 5 years AED	Total AED	Carrying amount AED
31 March 2021							
Fixed interest rate instruments							
Variable interest rate instrument	**2.5%**	**30,200,545**	-	-	-	**30,200,545**	**30,138,465**
Non-interest bearing instruments		**97,352,137**	-	-	-	**97,352,137**	**97,352,137**
		127,552,682	-	-	-	**127,552,682**	**127,490,602**
31 March 2020							
Fixed interest rate instruments	6%	19,037,988	-	-	-	19,037,988	17,960,366
Variable interest rate instrument	2%	86,266,728	-	-	-	86,266,728	84,575,224
Non-interest bearing instruments	-	67,734,940	-	-	-	67,734,940	67,734,940
		173,039,656	-	-	-	173,039,656	170,270,530

22. Financial risk management (continued)

(c) Liquidity risk management (continued)

Liquidity risk tables (continued)

The following table details the Establishment's expected maturity for its derivative financial instruments (assets). The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis.

	Less than 1 month AED	**1-3 months**	**3 months - 1 year**	**Between 2 to 5 years AED**	**Total AED**
31 March 2021					
Derivative used for hedging:					
Foreign exchange forward contracts	**751,939**	-	-	-	**751,939**
Currency swaps	-	-	-	-	-
	751,939	-	-	-	**751,939**

	Less than 1 month AED	1-3 months	3 months - 1 year	Between 2 to 5 years AED	Total AED
31 March 2020					
Net settled (derivative assets):					
Foreign exchange forward contracts	791,136	-	-	-	791,136
Currency swaps	42,089	-	-	-	42,089
	833,225	-	-	-	833,225

22. Financial risk management (continued)

(d) Interest rate risk management

The Establishment is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates. The risk is managed by the Establishment by maintaining an appropriate mix between fixed and floating rate borrowings.

If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Establishment's profit for the year ended 31 March 2021 would increase/decrease by AED 334,136 (2020: increase/decrease by AED 189,206). The interest rate risk is attributable to increase in variable margin and benchmark rate of borrowings.

(e) Commodity risk management

The Establishment is exposed to price risk on its gold borrowings. The increased volatility in gold price over the past 12 months has led to decision to enter into commodity forward and swap contracts. These contracts are expected to reduce the volatility attributable to price fluctuation of gold. Hedging the price volatility of forecast copper purchases is in accordance with the risk management strategy outlined by the Board of Directors.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the critical terms match method to test hedge effectiveness and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

23. Capital risk management

The capital structure of the Establishment consists of cash and cash equivalents and equity comprising issued share capital, loan from a shareholder and retained earnings as disclosed in the separate statement of changes in equity, loan from a shareholder and related party loans.

The Establishment manages its capital to ensure that the Establishment will be able to continue as a going concern while maximising the return to the shareholder through the optimisation of the debt and equity balances.

24. Non-cash transactions

	2021 **AED**	2020 AED (Restated)
Conversion of amounts due from related party to additional contribution to a subsidiary	-	100,000,000
Conversion of shareholders funds to share capital	**235,000,000**	-
Gold loan availed and disbursed to a subsidiary	-	88,304,385
Interest expense on gold loan	**12,181,743**	13,810,972
Loan arrangement and letter of credit income	-	1,916,224

25. Prior period adjustments

In the current year management identified that finance cost related to "loan from shareholders" was not recorded for the year ended 31 March 2019 and 31 March 2020 amounting to AED 12,937,447 and AED 18,611,531 which was required to be booked as per instructions received from the shareholder.

In accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*, the correction of the above referred errors resulted in a retrospective restatement of the comparative amounts as follows:

	As previously reported AED	Adjustments AED	As restated AED
Statement of financial position			
As at 1 April 2019			
Equity			
Loan from shareholders	198,259,771	12,937,447	211,197,218
Retained earnings	(901,572)	(12,937,447)	(13,839,019)
	197,358,199	-	197,358,199
Statement of profit or loss and other comprehensive income			
For the year ended 31 March 2020			
Finance costs	23,251,769	18,611,531	41,863,300
Loss for the year	(4,541,278)	(18,611,531)	(23,152,809)
Statement of financial position			
As at 31 March 2020			
Equity			
Loan from shareholders	209,672,373	31,548,978	241,221,351
Retained earnings	(5,442,850)	(31,548,978)	(36,991,828)
	204,229,523	-	204,229,523
Statement of changes in equity			
For the year ended 31 March 2020			
Loan from shareholders	209,672,373	31,548,978	241,221,351
Retained earnings	(5,442,850)	(31,548,978)	(36,991,828)
	204,229,523	-	204,229,523
Consolidated statement of cash flow			
For the year ended 31 March 2020			
Loss for the year before tax	(4,541,278)	(18,611,531)	(23,152,809)
Finance cost – borrowings	23,251,769	18,611,531	41,863,300
	18,710,491	-	18,710,491

26. Approval of the separate financial statements

The separate financial statements were approved by the management and authorised for issue on 30 August 2021.