Kalyan Jewellers L.L.C.
Dubai - United Arab Emirates

Reports and separate financial statements
for the year ended 31 March 2023

KALYAN JEWELLERS L.L.C.

Reports and separate financial statements
for the year ended 31 March 2023

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report, together with the audited separate financial statements of **Kalyan Jewellers L.L.C, United Arab Emirates** (the "Company") for the year ended 31 March 2023.

Principal activities

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

Results

Revenue for the year ended 31 March 2023 was AED 939,632,910 compared to AED 662,405,501 for the previous year. Profit for the year was AED 19,621,000 (2022: Profit for the year was AED 612,025).

Auditors

The Directors propose the re-appointment of Deloitte & Touche (M.E.) as external auditors for the year ending 31 March 2024.

Release

The Directors release from liability the Company's management and the external auditor in connection with their duties for the year ended 31 March 2023.

On behalf of the Board of Directors

KALYAN JEWELLERS L.L.C.
P.O. Box: 113498
DUBAI - U.A.E.
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V. Krishnamoorthy
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Krishnamoorthy Viswanathan

……21 June……. 2023
Dubai
United Arab Emirates

Deloitte & Touche (M.E.)
Building 2, Level 3
Emaar Square
Downtown Dubai
P.O. Box 4254
Dubai
United Arab Emirates

Tel: +971 (0) 4 376 8888
Fax:+971 (0) 4 376 8899
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

The Shareholder
Kalyan Jewellers L.L.C.
Dubai
United Arab Emirates

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the accompanying separate financial statements of **Kalyan Jewellers L.L.C.** (the "Company"), which comprise the separate statement of financial position as at 31 March 2023 and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical requirements that are relevant to our audit of the Company's separate financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Cont'd…

Deloitte.

INDEPENDENT AUDITOR'S REPORT
To the Shareholder of Kalyan Jewellers L.L.C. (continued)

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the articles of association of the Company and UAE Federal Decree Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT
To the Shareholder of Kalyan Jewellers L.L.C. (continued)

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

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Further, as required by the U.A.E. Federal Decree Law No. (32) of 2021, we report that as at 31 March 2023:

- we have obtained all the information we considered necessary for the purposes of our audit;
- the separate financial statements of the Company have been prepared and comply, in all material respects, with the applicable provisions of the U.A.E. Federal Decree Law No. (32) of 2021;
- the Company has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the Company's books of account;
- Note 6 to the separate financial statements of the Company discloses purchase of investments in shares during the financial year ended 31 March 2023;
- Note 11 to the separate financial statements of the Company discloses material related party transactions and the terms under which they were conducted; and
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 March 2023 any of the applicable provisions of the U.A.E. Federal Decree Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 March 2023.

Deloitte & Touche (M.E.)

Akbar Ahmad
Registration No.: 1141
21 June 2023
Dubai
United Arab Emirates

Kalyan Jewellers L.L.C.

Separate statement of financial position as at 31 March 2023

	Notes	2023 AED	2022 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	**23,367,534**	21,604,328
Right-of-use assets	12	**97,474,752**	80,575,649
Investment in subsidiaries	6	**1,162,540**	1,162,540
Additional investment in subsidiaries	7	**101,623,852**	161,623,852
Total non-current assets		**223,628,678**	264,966,369
Current assets			
Inventories	14	**333,112,021**	282,170,912
Due from related parties	11 (a)	**13,066,223**	11,144,927
Loan to a related party	11 (d)	**161,740,240**	155,811,172
Derivative financial instruments	26	**17,120,096**	1,695,803
Trade and other receivables	10	**90,641,843**	103,991,200
Margin deposits	9	**50,413,893**	50,101,679
Cash and cash equivalents	8	**20,193,831**	13,128,233
Total current assets		**686,288,147**	618,043,926
Total assets		**909,916,825**	883,010,295
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**300,000**	300,000
Statutory reserve	16	**150,000**	150,000
Retained earnings		**68,254,174**	48,633,174
Loan from a shareholder	17	**335,000,000**	335,000,000
Total equity		**403,704,174**	384,083,174
Non-current liabilities			
Provision for employees' end-of-service indemnity	18	**2,056,275**	1,730,930
Lease liabilities	13	**3,187,486**	3,342,048
Total non-current liabilities		**5,243,761**	5,072,978
Current liabilities			
Trade and other payables	19	**100,634,415**	78,855,425
Lease liabilities	13	**7,257,814**	6,808,953
Derivative financial instruments	26	**31,242,109**	8,552,726
Loan from a related party	11 (c)	**147,052,542**	284,363,563
Due to a related party	11 (e)	**18,767,853**	17,467,729
Bank borrowings	20	**196,014,157**	97,805,747
Total current liabilities		**500,968,890**	493,854,143
Total liabilities		**506,212,651**	498,927,121
Total equity and liabilities		**909,916,824**	883,010,295

V. Vruskramoorthy

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Director

KALYAN JEWELLERS L.L.C.
P.O. Box: 113498
DUBAI - U.A.E.

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

Kalyan Jewellers L.L.C.

Separate statement of profit or loss and other comprehensive income
for the year ended 31 March 2023

	Notes	2023 AED	2022 AED
Revenue	21	**939,632,910**	662,405,501
Cost of sales	22	**(848,058,417)**	(593,488,511)
Gross profit		**91,574,493**	68,916,990
Selling, general and administrative expenses	23	**(55,184,839)**	(48,980,745)
Other income	24	**972,523**	491,091
Operating profit for the year		**37,362,177**	20,427,336
Finance income		**13,439,589**	9,620,364
Loss on derivative financial instruments	26	**(14,122,012)**	(6,856,923)
Reversal of impairment of right-of-use assets	12	**14,991,293**	2,008,707
Finance cost	25	**(32,050,047)**	(24,587,459)
Net profit for the year		**19,621,000**	612,025
Other comprehensive income		-	-
Total comprehensive income for the year		**19,621,000**	612,025

Kalyan Jewellers L.L.C.

Separate statement of changes in equity
for the year ended 31 March 2023

	Share capital AED	Statutory reserve AED	Retained earnings AED	Loan from a shareholder AED	Total AED
Balance at 31 March 2021	300,000	150,000	48,021,149	335,000,000	383,471,149
Total comprehensive income for the year	-	-	612,025	-	612,025
Balance at 31 March 2022	300,000	150,000	48,633,174	335,000,000	384,083,174
Total comprehensive income for the year	-	-	19,621,000	-	19,621,000
Balance at 31 March 2023	**300,000**	**150,000**	**68,254,174**	**335,000,000**	**403,704,174**

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

Kalyan Jewellers L.L.C.

Separate statement of cash flows
for the year ended 31 March 2023

	2023 AED	2022 AED
Cash flows from operating activities		
Net profit for the year	**19,621,000**	612,025
Adjustments for:		
Finance cost – borrowings	**31,512,902**	24,071,174
Finance cost – lease liabilities	**537,145**	516,285
Depreciation of property, plant and equipment	**2,588,094**	2,754,946
Depreciation of right-of-use assets	**10,346,394**	7,899,451
Loss on disposal of property, plant and equipment	**494,769**	-
Write-off of right-of-use assets	**-**	47,741
Reversal of impairment of right-of-use assets	**(14,991,293)**	(2,008,707)
Unrealised loss on derivative financial instruments	**14,122,012**	6,856,923
Finance income	**(13,439,589)**	(9,620,364)
Management fee expense	**-**	840,000
Charge for employees' end-of-service indemnity	**477,289**	325,632
Operating cash flows before changes in operating assets and liabilities	**51,268,723**	32,295,106
Increase in inventories	**(50,941,109)**	(22,573,575)
Decrease in trade and other receivables	**13,349,357**	25,828,352
Decrease in due from related parties	**1,226,943**	3,877,276
Increase in loan to a related party	**(5,929,068)**	(29,184,525)
Increase in margin deposits	**(312,214)**	(13,401,986)
Increase in trade and other payables	**21,778,990**	16,244,946
Decrease in due to a related party	**-**	(21,945,239)
Cash generated from/(used in) operations	**30,441,622**	(8,859,645)
Employees' end-of-service indemnity paid	**(151,944)**	(285,258)
Interest received	**10,291,351**	9,620,364
Interest paid	**(30,212,779)**	(6,312,853)
Net cash generated from/(used in) operating activities	**10,368,250**	(5,837,392)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(4,883,277)**	(1,517,546)
Receipt of funds advances to subsidiaries	**60,000,000**	-
Proceeds from sale of property, plant and equipment	**37,208**	-
Payment for key money	**(1,610,001)**	(3,142,857)
Net cash generated from/(used in) investing activities	**53,543,930**	(4,660,403)
Cash flows from financing activities		
Settlement of derivative financial instruments	**(6,856,923)**	(9,690,104)
(Repayments of)/proceeds from loan from a related party	**(137,311,021)**	30,719,481
Repayment of lease liabilities	**(10,887,048)**	(9,189,817)
Proceeds from bank borrowings	**467,084,123**	282,360,127
Repayments of bank borrowings	**(368,875,713)**	(278,323,769)
Net cash (used in)/generated from financing activities	**(56,846,582)**	15,875,918
Net increase in cash and cash equivalents	**7,065,598**	5,378,123
Cash and cash equivalents at the beginning of the year	**13,128,233**	7,750,110
Cash and cash equivalents at the end of the year (Note 8)	**20,193,831**	13,128,233

Non-cash transactions have been disclosed in Note 30.

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

1. General information

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

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

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

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

2. Application of new and revised international financial reporting standards (IFRSs)

2.1 Impact of the initial application of other new and amended IFRSs that are effective for the current year

In the current period, the Company has applied a number of amendments to IFRSs and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2022.

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these financial statements. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

New and revised IFRS

Amendments to IAS 16 *Property, Plant and Equipment* relating to Proceeds before Intended Use

Annual Improvements to IFRS Standards 2018 - 2020

Amendments to IFRS 3 *Business Combinations* relating to Reference to the Conceptual Framework

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* relating to Onerous Contracts - Cost of Fulfilling a Contract

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2022

2. Application of new and revised international financial reporting standards (IFRSs) (continued)

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

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards 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
Amendments to IAS 1 *Presentation of Financial Statements* relating to Classification of Liabilities as Current or Non-Current.	1 January 2023
Amendments to IFRS 4 *Insurance Contracts* Extension of the Temporary Exemption from Applying IFRS 9	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2	1 January 2023
Amendments to IAS 12 *Income Taxes* relating to Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2023
Amendments to IFRS 16 *Leases*	1 January 2024
Amendments to IAS 1 *Presentation of Financial Statements*	1 January 2024

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

3. Significant accounting policies

Corporate Income Tax

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% could be applied to taxable income not exceeding a particular threshold or to certain types of entities, to be prescribed by way of a Cabinet Decision.

The Company is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

3. Significant accounting policies (continued)

3.1 Statement of compliance

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

3.2 Basis of preparation

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

3.3 Investment in subsidiaries

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

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

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

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

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

Sale of goods

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

- the performance obligation has been satisfied by the Company;
- the Company has transferred control of the goods to the customer;
- the Company has transferred the significant risks and rewards related to the ownership of the goods to the customer;
- the Company has a present right to payment for the goods delivered;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. Significant accounting policies (continued)

3.4 Revenue recognition

Other income

Other income is recognized when the Company's right to receive payments is established.

3.5 Foreign currencies

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

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

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

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

3.6 Inventories

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

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

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

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

3.7 Property, plant and equipment

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

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

3. Significant accounting policies (continued)

3.7 Property, plant and equipment (continued)

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

Useful life	**Years**
Computer equipment	3 years
Electrical equipment	10 years
Motor vehicles	10 years
Plant and machinery	15 years
Furniture and fixtures	10 years

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

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

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

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

3.8 Provisions

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

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

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

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

3. Significant accounting policies (continued)

3.9 Leasing

The Company as lessee

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

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

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

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

The above adjustments do not effect the periods presented.

3. Significant accounting policies (continued)

3.9 Leasing (continued)

The Company 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, including key money paid. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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

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

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

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

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

3.10 Impairment of tangible assets

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

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

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

3. Significant accounting policies (continued)

3.10 Impairment of tangible assets (continued)

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

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

3.11 Employee benefits

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

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

3.12 Financial instruments

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

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

Financial assets

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

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

Classification of financial assets

(i) Debt instruments designated at amortised cost

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

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

3. Significant accounting policies (continued)

3.12 Financial instruments (continued)

Financial assets (continued)

(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.

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

Equity instruments designated as at FVTOCI

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

3. Significant accounting policies (continued)

3.12 Financial instruments (continued)

Financial assets (continued)

Equity instruments designated as at FVTOCI (continued)

A financial asset is held for trading if:

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

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

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

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

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

Financial assets at FVTPL

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

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

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

3. Significant accounting policies (continued)

3.12 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

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

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

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

<u>(i) Significant increase in credit risk</u>

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

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

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

3. Significant accounting policies (continued)

3.12 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

(1) The financial instrument has a low risk of default,

(2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

3. Significant accounting policies (continued)

3.12 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses

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

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

Derecognition of financial assets

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

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 investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

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

Financial liabilities at FVTPL

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

3. Significant accounting policies (continued)

3.12 Financial instruments (continued)

Financial liabilities (continued)

Financial liabilities at FVTPL (continued)

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

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

Financial liabilities measured subsequently at amortised cost

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

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

Derecognition of financial liabilities

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

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 Company 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. Significant accounting policies (continued)

3.13 Derivative financial instruments

The Company enters into derivative financial instruments such as commodity forward and swap contracts to manage its exposure to commodity price risks. Further details of derivative financial instruments are disclosed in note 26.

Such derivative financial instruments are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3.14 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.

3.15 Borrowing costs

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

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

3.16 Fair value measurement

For measurement and disclosure purposes, the Company 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.

3. Significant accounting policies (continued)

3.16 Fair value measurement (continued)

The principal or the most advantageous market must be accessible to the Company. 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 Company 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 consolidated 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 consolidated 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 Company has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

4.1 *Critical judgements in applying accounting policies*

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

Revenue recognition

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

Loan from a shareholder

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

4.2 *Key sources of estimation uncertainty*

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

Useful lives and depreciation of property, plant and equipment

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

Leasehold improvements

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

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

4.2 *Key sources of estimation uncertainty (continued)*

Calculation of loss allowance

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

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

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

Impairment of investments

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

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

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

Incremental borrowing rate

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

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

Residual value of right-of-use assets

The Company's management has determined that the residual value of the right-of-use assets is equivalent to the key money paid at the commencement of the lease amounting to AED 85,610,163 as at 31 March 2023 (31 March 2022: AED 84,000,163). The Company's management has determined that the closing impairment provision is amounting to AED Nil (2022: AED 14,991,293).

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

4.2 *Key sources of estimation uncertainty (continued)*

Impairment of right-of-use asset

As at 31 March 2023, management assessed whether there are indications that the right-of-use assets which are included in its statement of financial position at AED 97,474,752 (2022: AED 80,575,649) are subject to impairment under IAS 36- Impairment of Assets.

Management has assessed the recoverable amount of the right-of-use assets, which is higher of its fair value less cost of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from current real estate market conditions and binding agreements with landlords. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows based on the forecasted budget and the growth rate used for extrapolation purposes. Budgets comprise estimates of revenue, staff costs, overheads and gross margins based on current and anticipated market conditions that have been considered and approved by the management for each cash generating unit retail shop.

The sensitivity analysis in respect of the estimates and assumptions used to estimate recoverable amount of right-of-use assets is presented in Note 12.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

5. Property, plant and equipment

	Computer equipment AED	Electrical equipment AED	Motor vehicles AED	Plant and machinery AED	Furniture and fittings AED	Total AED
Cost						
At 1 April 2021	5,719,821	5,193,578	560,292	892,553	39,627,604	51,993,848
Additions during the year	89,658	103,795	-	-	1,324,093	1,517,546
At 31 March 2022	5,809,479	5,297,373	560,292	892,553	40,951,697	53,511,394
Additions during the year	400,532	73,762	99,900	-	4,309,083	4,883,277
Disposals during the year	(78,838)	(749,352)	(87,800)	-	(3,226,372)	(4,142,362)
At 31 March 2023	**6,131,173**	**4,621,783**	**572,392**	**892,553**	**42,034,408**	**54,252,309**
Accumulated depreciation						
At 1 April 2021	4,961,762	3,161,806	404,199	437,715	20,186,638	29,152,120
Charge for the year	613,489	330,337	30,500	43,469	1,737,151	2,754,946
At 31 March 2022	5,575,251	3,492,143	434,699	481,184	21,923,789	31,907,066
Charge for the year	238,913	335,464	32,116	43,469	1,938,132	2,588,094
Disposals during the year	(69,819)	(704,488)	(50,589)	-	(2,785,489)	(3,610,385)
At 31 March 2023	**5,744,345**	**3,123,119**	**416,226**	**524,653**	**21,076,432**	**30,884,775**
Carrying amount						
At 31 March 2023	**386,828**	**1,498,664**	**156,166**	**367,900**	**20,957,976**	**23,367,534**
At 31 March 2022	234,228	1,805,230	125,593	411,369	19,027,908	21,604,328

Included in property and equipment are assets amounting to AED 1,728,135 (2022: AED 1,728,135) which are fully depreciated as at the reporting date as these are still in Company's use as at 31 March 2023.

6. Investments in subsidiaries

At 31 March 2023, the Company has three subsidiaries, details of which are as follows:

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

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

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

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

7. Additional investments in subsidiaries

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

	2023 AED	2022 AED
Kalyan Jewelers for Golden Jewelries W.L.L, Kuwait	**55,362,123**	55,362,123
Kalyan Jewellers W.L.L., Qatar	**46,261,729**	106,261,729
	101,623,852	161,623,852

8. Cash and cash equivalents

	2023 AED	2022 AED
Cash on hand	**1,457,239**	1,185,173
Bank balances - current accounts	**18,736,592**	11,943,060
	20,193,831	13,128,233

8. Cash and cash equivalents (continued)

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

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

9. Margin deposits

Margin deposits amounting to AED 50.4 million (2022: AED 50.1 million) have been maintained against borrowings during the year (Note 20). Margin deposits earn interest at a rate between 0.6% to 4.25% per annum (2022: between 0.6% to 1%).

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

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

10. Trade and other receivables

	2023	2022
	AED	AED
Trade receivables – related party [Note 11(b)]	**30,615,788**	46,399,772
Trade receivables – others	**7,141,022**	12,797,204
Less: Expected credit loss allowance	**(231,273)**	(231,273)
	37,525,537	58,965,703
Advances to gold suppliers	**48,900,033**	36,672,448
Advances to other suppliers	**2,592,760**	7,100,669
Deposits and other receivables	**1,455,293**	1,092,180
Prepayments	**168,220**	160,200
	90,641,843	103,991,200

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

10. Trade and other receivables (continued)

Trade receivables – others, represents amounts receivable from third parties and receivables from credit card companies as at the reporting date. The average credit period for receivables from third parties is 30 days (2022: 30 days). The Company's trade receivable balances from third parties are not impaired.

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

Trade receivables are secured against bank borrowings of the Company.

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

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

	Expected credit loss rate	Gross carrying amount AED	Expected credit loss allowance AED	Net carrying amount AED
31 March 2023				
Low risk		**7,141,022**	**(231,273)**	**6,909,749**
		7,141,022	**(231,273)**	**6,909,749**
31 March 2022				
Low risk		12,797,204	(231,273)	12,565,931
		12,797,204	(231,273)	12,565,931

Ageing of trade receivables:

	Gross carrying amount AED	Expected credit loss allowance AED	Net receivables AED
31 March 2023			
Current	**7,003,049**	**93,300**	**6,909,749**
Past due by:			
0 - 90 days	**137,973**	**137,973**	**-**
	7,141,022	**231,273**	**6,909,749**

10. Trade and other receivables (continued)

	Gross carrying amount AED	Expected credit loss allowance AED	Net receivables AED
31 March 2022			
Current	12,600,833	34,902	12,565,931
Past due by:			
0 - 90 days	196,371	196,371	-
	12,797,204	231,273	12,565,931

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	Collectively assessed AED	Individually assessed AED	Total AED
Balance as at 31 March 2021	231,273	-	231,273
Net re-measurement of loss allowance (Note 23)	-	-	-
Balance as at 31 March 2022	231,273	-	231,273
Net re-measurement of loss allowance (Note 23)	-	-	-
Balance as at 31 March 2023	**231,273**	**-**	**231,273**

11. Related party transactions

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

The Company has determined that the amounts due from related parties do not carry a credit risk and hence no expected or specific loss allowance is required on these balances. In the process of making this determination, the Company has considered the terms underlying these balances, historical default rates, the ability of the related parties to settle these balances when due and the right of set off on a Group basis. The balances due from related parties are repayable on demand and there is no historical default rate. For the year ended 31 March 2023, the Company has recorded Nil (2022: Nil) impairment on amounts due from related parties.

11. Related party transactions (continued)

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

	2023 AED	2022 AED
(a) Due from related parties		
Ultimate Parent Company		
Kalyan Jewellers India Ltd.	**565,958**	1,792,901
Subsidiaries		
Kalyan Jewellers for Golden Jewelries W.L.L, Kuwait	**4,907,032**	3,124,191
Kalyan Jewellers W.L.L., Qatar	**7,593,233**	6,227,835
	13,066,223	11,144,927

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

	2023 AED	2022 AED
(b) Disclosed as trade receivables		
Subsidiaries		
Kalyan Jewelers for Golden Jewelries W.L.L, Kuwait (Note 10)		-
Kenouz Al Sharq Gold Ind. L.L.C. (Note 10)	**30,615,788**	46,399,772
	30,615,788	46,399,772
(c) Loan from a related party		
Parent Company		
Kalyan Jewellers FZE		
- Gold loan [Note 11(c)(i)]	**147,052,542**	239,647,262
- Other loans [Note 11(c)(ii)]	**-**	44,716,301
	147,052,542	284,363,563

(i) The Company availed gold loans amounting to AED 147 million (2022: AED 239.6 million) as at the end of the reporting period from the Parent Company. The interest rates on gold loans range from 5% to 6% per annum (2022: from 5% to 6% per annum) and the tenure of the gold loan is 12 months (2022: 12 months). The loans are guaranteed by standby letters of credit issued by the bank of the Ultimate Parent Company to the bullion banks. Gold received from the Parent Company is on an unfixed basis, and aggregates to 631.85 Kgs (2022: 1,050 Kgs) as at the end of the reporting period and has been revalued at the closing bullion rate of AED 232.73 per gram (2022: 228 per gram).

11. Related party transactions (continued)

(ii) Other loans carry an interest rate of 6% to 9% per annum [2022: 6% per annum].

	2023 AED	2022 AED
(d) Loan to a related party		
Subsidiary		
Kalyan Jewellers W.L.L – Qatar	**98,660,459**	99,641,479
Kalyan Jewelers for Golden Jewelries W.L.L, Kuwait (Note 10)	**63,079,781**	56,169,693
	161,740,240	155,811,172

The loan to a related party is interest bearing and carries interest at the rate of 7.8% to 9.1% payable to the related party at the end of each year.

	2023 AED	2022 AED
(e) Due to a related party		
Parent		
Kalyan Jewellers FZE	**18,767,853**	17,467,729

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

(f) Transactions with related parties during the year

	2023 AED	2022 AED
Ultimate Parent Company		
Kalyan Jewellers India Ltd.	**1,226,943**	1,130,592
Parent Company		
Sales	**762,215**	3,389,261
Purchases	**7,506,931**	61,337,409
Interest expense (Note 25)	**18,767,853**	17,758,321
Management fee expense (Note 23)	**-**	840,000
Subsidiaries		
Sales	**296,074,811**	204,545,635
Purchases	**194,161,525**	135,987,728
Finance income	**12,500,265**	9,352,026

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

11. Related party transactions (continued)

Key management remuneration:

	2023	2022
	AED	AED
Salaries and other benefits		
- Short-term	**964,795**	660,000
- Long-term	**32,559**	15,070

12. Right-of-use assets

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

	2023	2022
	AED	AED
Cost		
At 1 April	**99,714,298**	89,637,288
Additions	**12,254,205**	18,856,993
On early terminations/renewal of contracts	**(6,215,242)**	(8,779,982)
At 31 March	**105,753,261**	99,714,299

	2023	2022
	AED	AED
Accumulated depreciation and impairment		
At 1 April	**19,138,650**	21,879,327
On early terminations/renewal of contracts	**(6,215,242)**	(8,631,421)
Depreciation charge for the year	**10,346,394**	7,899,451
(Reversal)/charge for impairment on right-of-use assets	**(14,991,293)**	(2,008,707)
At 31 March	**8,278,509**	19,138,650
Net book value at 31 March	**97,474,752**	80,575,649

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

The recoverable amount of the right-of-use asset as a cash-generating unit is determined based on a “value in use” calculation which uses cash flow projections based on financial budgets approved by the management covering a five-year period, and a discount rate of 8.7% (2022: 12.3%) per annum. Cash flow projections and profitability for the future years of forecast are based on the assumption of a consistent gross margin similar to that achieved for the current year and on the below mentioned projected revenues:

12. Right-of-use assets (continued)

- Increase in projected revenue of 13% in the first till the end of fifth year subsequent to the year ended 31 March 2023

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 3.2% (2022: 1.5%) per annum growth rate which are estimated by the Company's management based on past performance of the retail stores and the management's expectations of future market recovery.

Sensitivity analysis

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

At the end of the financial year the recoverable amount of the right-of-use asset was higher than its book value (2022: lower by AED 14.99 million).

Budgeted sales growth:

At the CGU level, had budgeted sales growth for each shop been 1% lower in each subsequent 5 years of analysis (other key assumptions remaining constant), no impairment charge would be incurred.

Weighted average cost of capital:

At the CGU level, had the weighted average cost of capital for each shop been increased by 3% (other key assumptions remaining constant), no impairment charge would be incurred.

Terminal growth rates:

At the CGU level, had the terminal growth rates for each shop been reduced to 1% (other key assumptions remaining constant), no impairment charge would be incurred.

The total cash outflows for leases amounts to AED 12,497,051 (2022: AED 12,332,674).

13. Lease liabilities

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

	2023 AED	2022 AED
Balance as at 1 April	**10,151,001**	3,211,217
Additions	**10,644,203**	15,714,136
Accretion of interest	**537,145**	516,285
On early terminations of the contracts	**-**	(100,820)
Payments	**(10,887,050)**	(9,189,817)
Balance as at 31 March	**10,445,300**	10,151,001

	2023 AED	2022 AED
Maturity analysis		
Not later than 1 year	**7,257,813**	6,998,411
Later than 1 year and not later than 5 years	**3,187,487**	3,510,650
	10,445,300	10,509,061

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

Sensitivity analysis of incremental borrowing rate:

The incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as of 31 March 2023 is 6.5% (2022: 6.5%).

If the incremental borrowing rate had been 1% higher or lower and all variables were held constant, the Company's carrying amount of lease liabilities would have a decreased or increased by AED 104,453 (2022: AED 101,510).

a) Amounts recognized in profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2023 AED	2022 AED
Depreciation charge of right-of-use assets (Note 23)	**10,346,394**	7,899,451
Interest expense (included in finance cost) (Note 25)	**537,145**	516,285
Expense relating to short term and low value leases (Note 23)	**1,895,656**	1,895,204

14. Inventories

	2023 AED	2022 AED
Bullion – unfixed (a)	**3,427,866**	13,465,698
Gold jewellery – unfixed (b)	**200,227,411**	144,079,482
Scrap gold (b)	**1,536,175**	2,272,117
Diamond Jewellery	**120,017,186**	116,527,263
Making charges on gold Jewellery	**7,903,383**	5,826,352
	333,112,021	282,170,912

a) Unfixed bullion represents 14,729 grams (2022: 58,979 grams) of bullion received from suppliers.

b) The Company purchases gold jewellery by exchanging equivalent bullion for the value of gold used in those jewelleries and the related making charges are paid as per credit terms agreed with suppliers.

Unfixed gold jewellery represents 866,943 grams (2022: 641,893 grams) of gold amounting to AED 202 million (2022: AED 146 million), which is valued at a bullion price of AED 232.73 per gram prevailing as at 31 March 2023 (2022: AED 228 per gram).

The corresponding liability for unfixed gold has been recognised at the closing bullion rate as at 31 March 2023 and 2022 [Notes 20 and 11(c)].

c) Inventory is secured against bank borrowings of the held with Kalyan Jewellers FZE- the parent company.

15. Share capital

The authorised, issued and fully paid up share capital of the Company comprise three hundred shares of AED 1,000 each. The shareholding of the Company at 31 March 2023 and 31 March 2022 is given below:

	Ownership %	Number of shares	Amount AED
At 31 March 2023			
Kalyan Jewellers FZE	**100%**	**300**	**300,000**
At 31 March 2022			
Kalyan Jewellers FZE	100%	300	300,000

During the current year 100% shareholding has been transferred to Kalyan Jewellers FZE.

16. Statutory reserve

In accordance with UAE Federal Decree Law No. (32) of 2021, the Company has established a statutory reserve by appropriation of 5% of net profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution except in the circumstances stipulated by the Law. No transfer has been made to the reserve during the current year as it has reached to 50% of the share capital.

17. Loan from a shareholder

The loan from a shareholder at 31 March 2023 represents an amount of AED 335 million (2022: AED 335 million), which is due to the principal shareholder, Kalyan Jewellers FZE. This amount is interest-free, has no fixed repayment term and repayment is at the discretion of the issuer (Note 4.1).

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

	2023	2022
	AED	AED
Balance at the beginning of the year	**1,730,930**	1,690,556
Charge for the year	**477,289**	325,632
Payments made during the year	**(151,944)**	(285,258)
Balance at the end of the year	**2,056,275**	1,730,930

19. Trade and other payables

	2023	2022
	AED	AED
Trade payables – others	**65,264,181**	48,642,027
Advances from customers	**30,825,332**	26,728,932
Accrued expenses	**4,544,902**	3,484,466
	100,634,415	78,855,425

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amount of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

20. Bank borrowings

	2023	2022
	AED	AED
Gold loans [Note 20 (a)]	**96,633,079**	-
Suppliers invoice financing [Note 20 (b)]	**74,814,918**	74,940,777
Bank overdraft [Note 20 (c)]	**24,566,160**	22,864,970
	196,014,157	97,805,747

a) The Company has obtained gold loan facilities with a total limit of AED 108 million (2022: AED Nil) of which AED 96 million (2022: Nil) 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% (2022: Nil) per annum and the tenure of gold loan is between 30 days to 12 months (2022: Nil) and the loans are guaranteed by standby letters of credit issued by the Bank of the Parent Company.

   At 31 March 2023, gold quantity of 414 Kgs (2022: Nil) has been obtained as a loan from bullion banks on an unfixed basis.

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

20. Bank borrowings (continued)

b) The Company has a supplier's invoice financing facility with a limit of AED 75 million (2022: AED 75 million) of which AED 74.8 million (2022: AED 74.9 million) was utilised as of the reporting date. This facility is an invoice financing agreement and is to be repaid within 12 months. The facility has an interest rate of 6% to 9% per annum (2022: 5.5% per annum).

   Supplier's invoice financing facility is secured by margin deposits amounting to AED 50 million [2022: AED 50 million] (Note 9) corporate guarantees from the Ultimate Parent Company and the Parent Company, standby letters of credit amounting to 35% of the total funds availed less margin deposit (Note 9), daily sales collection of 5 stores and a security cheque equivalent to the total facility amount.

c) The Company has an overdraft facility from a bank with a limit of AED 25 million (2022: AED 25 million) of which AED 24.5 million (2022: AED 23 million) was utilised as of the reporting date. These facilities are availed for payment of trade liabilities owed to the suppliers and are required to be repaid within 12 months (2022: 12 months). The overdraft facility has an interest rate of 6% to 9% per annum (2022: 6% per annum).

Reconciliation of liabilities arising from financing activities:

	1 April 2022 AED	Financing cash flows Proceeds AED	Repayments AED	Other changes AED	**31 March 2023 AED**
Bank borrowings	97,805,747	467,084,123	(368,875,713)	-	**196,014,157**

21. Revenue

	2023 AED	2022 AED
Gross revenue	**1,507,933,550**	1,175,553,106
Sales other than retail and intercompany sales	**(568,233,102)**	(512,564,686)
Customer loyalty points awarded (Note 21)	**(59,768)**	(42,845)
Discount on promotional sales – priority	**(7,770)**	(12,930)
Discount on promotional sales – vouchers	**-**	(527,144)
	939,632,910	662,405,501

22. Cost of sales

	2023 AED	2022 AED
Inventories at the beginning of the year	**282,170,912**	259,597,337
Purchases of bullion, gold and diamond jewellery	**1,452,889,951**	1,118,159,485
Packing materials	**822,494**	692,564
Other direct costs	**13,520,183**	9,774,723
	1,749,403,540	1,388,224,109
Sales other than retail and intercompany sales	**(568,233,102)**	(512,564,686)
Less: Inventories at the end of the year (Note 14)	**(333,112,021)**	(282,170,912)
	848,058,417	593,488,511

23. Selling, general and administrative expenses

	2023 AED	2022 AED
Salaries and other benefits	**14,361,785**	12,100,585
Advertisement expenses	**16,250,896**	14,840,211
Loss on disposal of property, plant and equipment	**494,769**	-
Depreciation of right-of-use assets	**10,346,394**	7,899,451
Depreciation of property, plant and equipment	**2,588,094**	2,754,946
Traveling and communication	**2,069,687**	1,828,851
Rent	**1,895,656**	1,895,204
Bank charges	**1,785,307**	2,370,199
Utilities	**1,294,315**	1,245,442
Legal and professional fees	**2,229,448**	1,683,803
Sales promotion	**253,908**	179,926
Security services	**105,481**	80,362
Management fee expense [Note 11(f)]	**-**	840,000
Consultancy fee	**27,000**	38,300
Others	**1,482,099**	1,223,465
	55,184,839	48,980,745

24. Other income

	2023 AED	2022 AED
Other income	**935,624**	476,395
Exchange gain	**36,899**	14,696
	972,523	491,091

25. Finance cost

	2023 **AED**	2022 AED
Interest on loan from related party [Note 11(f)]	**19,994,796**	17,758,321
Interest on supplier invoice financing	**9,173,490**	4,331,275
Loan arrangement and letter of credit fees	**681,526**	666,100
Interest on lease liabilities	**537,145**	516,285
Others	**1,663,090**	1,315,478
	32,050,047	24,587,459

26. Derivative financial instruments

Derivative financial assets

Derivative financial instruments that are not designated for hedging purposes:

	2023 **AED**	2022 AED
Foreign exchange forward contracts	**17,120,096**	1,695,803
	17,120,096	1,695,803
Forward foreign exchange purchase contracts (notional amounts) – financial assets	**46,778,290**	41,420,886

Derivative financial liabilities

Held for trading derivatives that are not designated in hedge accounting relationships:

	2023 **AED**	2022 AED
Foreign exchange forward contracts	**(31,242,109)**	(8,552,726)
	(31,242,109)	(8,552,726)
Forward foreign exchange purchase contracts (notional amounts) – financial liabilities	**99,078,412**	23,712,172

26. Derivative financial instruments (continued)

Derivative financial liabilities (continued)

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

	2023	2022
	AED	AED
Net loss on derivative financial instruments	**(14,122,012)**	(6,856,923)

27. Financial instruments

a) *Significant accounting policies*

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

b) *Categories of financial instruments*

	2023	2022
	AED	AED
Financial assets		
At amortised cost (including cash and cash equivalents)	**284,626,289**	290,475,167
Financial liabilities		
At amortised cost	**295,036,391**	222,267,271

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

28. Financial risk management

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

28. Financial risk management (continued)

(a) Credit risk management

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

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

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 Company has no realistic prospect of recovery.	Amount is written off

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

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

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

(b) Exchange rate risk management

There are no significant exchange rate risks as most financial assets and financial liabilities are denominated in Arab Emirates Dirham and United States Dollar which is also pegged with AED.

(c) Liquidity risk management

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

28. Financial risk management (continued)

(c) Liquidity risk management (continued)

Liquidity risk tables

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

	Interest Rate %	Less than 1 month AED	1-3 months AED	3 months - 1 year AED	Between 2 to 5 years AED	Total AED	Carrying amount AED
2023							
Fixed interest rate instruments	**6.5%**	**875,157**	**1,759,743**	**8,215,881**	**-**	**10,850,781**	**10,445,300**
Variable interest rate instruments	**6%**	**196,968,267**	**-**	**-**	**-**	**196,968,267**	**196,014,158**
Non-interest bearing instruments		**88,576,933**	**-**	**-**	**-**	**88,576,933**	**88,576,933**
Derivative financial instruments		**-**	**28,926,360**	**-**	**-**	**28,926,360**	**28,926,360**
		286,420,357	**30,686103**	**8,215,881**	**-**	**325,322,341**	**323,962,751**
2022							
Fixed interest rate instruments	6.5%	850,499	1,710,162	7,984,397	-	10,545,058	10,151,001
Variable interest rate instruments	6%	143,215,781	-	-	-	143,215,781	142,522,048
Non-interest bearing instruments		69,594,222	-	-	-	69,594,222	69,594,222
Derivative financial instruments		-	8,552,726	-	-	8,552,726	8,552,726
		213,660,502	10,262,888	7,984,397	-	231,907,787	230,819,997

28. Financial risk management (continued)

(c) Liquidity risk management (continued)

Liquidity risk tables (continued)

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

	Interest interest rate %	Less than 1 month AED	1-3 months AED	3 months - 1 year AED	Total AED	Carrying amount AED
2023						
Fixed interest rate instruments	**0.15%**	**50,420,194**	**-**	**-**	**50,420,194**	**50,419,194**
Non-interest bearing instruments		**234,212,397**	**-**	**-**	**234,212,397**	**234,212,397**
Derivative financial instruments		**-**	**17,120,096**	**-**	**17,120,096**	**17,120,096**
		284,632,591	**17,120,096**	**-**	**301,752,687**	**301,751,687**
2022						
Fixed interest rate instruments	0.15%	50,107,942	-	-	50,107,942	50,101,679
Non-interest bearing instruments	-	240,373,488	-	-	240,373,488	240,373,488
Derivative financial instruments	-	-	1,695,803	-	1,695,803	1,695,803
		290,481,430	1,695,803	-	292,177,233	292,170,970

28. Financial risk management (continued)

d) 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 and advances to suppliers), loan to a related party, derivative financial assets and other financial assets.

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

The Company 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.

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

	Level I AED	Level II AED	Level III AED	Total AED
2023				
Financial assets				
Derivative Financial instruments				
Foreign exchange forward contracts	**17,120,096**	**-**	**-**	**17,120,096**
	17,120,096	**-**	**-**	**17,120,096**
2022				
Financial assets				
Derivative Financial instruments				
Foreign exchange forward contracts	1,695,803	-	-	1,695,803
	1,695,803	-	-	1,695,803

28. Financial risk management (continued)

d) Fair value of financial instruments (continued)

	Level I AED	Level II AED	Level III AED	Total AED
2023				
Financial liabilities				
Derivative Financial instruments				
Foreign exchange forward contracts	**(31,242,109)**	**-**	**-**	**(31,242,109)**
	(31,242,109)	**-**	**-**	**(31,242,109)**
2022				
Financial liabilities				
Derivative Financial instruments				
Foreign exchange forward contracts	(8,552,726)	-	-	(8,552,726)
	(8,552,726)	-	-	(8,552,726)

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 2023	Valuation techniques and key inputs
Foreign exchange forward contracts	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.

(e) Interest rate risk management

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

If interest rate had been 50 basis point higher/lower and all other variables were held constant, the Company's profit/loss for the year ended 31 March 2023 would increase/decrease by AED 980,070 (2022: AED 712,610).

(f) Commodity risk management

The Company is exposed to price risk on both sales and purchases of gold inventory. The Company uses gold price forward contracts to manage some of its transactions exposure. The forward contracts are not designated as cash flow hedges and entered into for period consistent with Commodity price risk exposure of the underlying transactions generally from 2-4 months which is as per the risk management policy outlined by the Board of directors.

In addition, the Company enters into forward contracts designated as cash flow hedges to manage the price risk volatility of the company's gold inventory. These contracts are entered into in accordance with the Company's risk management and hedging polices for a period of 2-4 months.

29. Capital risk management

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

30. Non-cash transactions

	2023	2022
	AED	AED
Write-off of right-of-use assets at early termination of lease contract	**-**	148,561
Write-back of lease liability at early termination of lease contract	**-**	100,820
Transfer from additional investment in subsidiaries to loan to a related party	**-**	26,647,287

31. Approval of the separate financial statements

The separate financial statements were approved by the directors and authorised for issue on 21 June 2023.