

KALYAN JEWELLERS W.L.L.
DOHA – QATAR

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED MARCH 31, 2019

KALYAN JEWELLERS W.L.L.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended March 31, 2019

INDEX	Page
Independent auditor's report	--
Statement of financial position	1
Statement of profit or loss and other comprehensive income	2
Statement of changes in equity	3
Statement of cash flows	4
Notes to the financial statements	5 – 43

QR. 99-8

RN: 0155/BH/FY2020

INDEPENDENT AUDITOR'S REPORT

**To The Shareholders
Kalyan Jewellers W.L.L.
Doha-Qatar**

Opinion

We have audited the financial statements of Kalyan Jewellers W.L.L. ("the Company"), which comprise the statement of financial position as at March 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1.1 in the financial statements, which indicates that the Company incurred a net loss of QR. 3,522,870 during the year ended March 31, 2019 and the Company has accumulated losses amounting to QR. 27,664,784 as of March 31, 2019. As stated in Note 1.1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The accompanying financial statements have been prepared on a going concern basis which is dependent on the partner's continuing financial support for the Company to meet its financial obligations as and when they fall due.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

Report on Other Legal and Regulatory Requirements

Further, as required by the Qatar Commercial Companies' Law, we report the following:

- We are also in the opinion that the Company maintained proper books of account and the physical inventory verification has been duly carried out.
- We obtained all the information and explanations, which we considered necessary for our audit.
- To the best of our knowledge and belief and according to the information given to us, except as mentioned below, no contraventions of the applicable provisions of Qatar Commercial Companies' Law and the Company's Articles of Associations were committed during the year, which would materially affect the Company's activities or its financial position.

The accumulated losses of the Company as of March 31, 2019 amounted to QR. 27,664,784 contravening the Qatar Commercial Companies' Law. The Law states that should the Company's losses exceed 50% of the capital of the Company, the partners should either dissolve the Company or increase its capital.

Doha – Qatar
July 22, 2019

For Deloitte & Touche
Qatar Branch



Midhat Salha
Partner
License No. 257

KALYAN JEWELLERS W.L.L.

STATEMENT OF FINANCIAL POSITION

As at March 31, 2019

	Notes	March 31, 2019 QR.	March 31, 2018 QR.
ASSETS			
Non-current assets			
Furniture, fixtures and equipment	5	11,407,068	7,207,250
Right-of-use-assets	6	41,064,755	--
Intangible assets	7	--	17,216,379
Total non-current assets		52,471,823	24,423,629
Current assets			
Inventories	8	89,392,179	108,086,557
Due from a related party	9(a)	48,229,114	3,911,928
Trade receivables		346,665	2,063,024
Advances, prepayments and other receivables	10	15,710,563	25,145,163
Cash and bank balances	11	10,949,514	81,478,969
Total current assets		164,628,035	220,685,641
TOTAL ASSETS		217,099,858	245,109,270
EQUITY AND LIABILITIES			
Equity			
Share capital		200,000	200,000
Partner's current account		203,998,101	203,998,101
Accumulated losses		(27,664,784)	(26,869,945)
Net equity		176,533,317	177,328,156
Non-current liabilities			
Employees' end of service benefits	12	235,334	180,884
Lease liabilities	15	5,009,858	--
Bank borrowings	13	1,549,505	3,596,772
Total non-current liabilities		6,794,697	3,777,656
Current liabilities			
Trade payables		12,765,906	23,310,528
Due to related parties	9(b)	--	27,691,566
Lease liabilities	15	3,345,436	--
Bank borrowings	13	2,340,000	2,340,000
Accrued expenses and other liabilities	14	15,320,502	10,661,364
Total current liabilities		33,771,844	64,003,458
Total liabilities		40,566,541	67,781,114
TOTAL EQUITY AND LIABILITIES		217,099,858	245,109,270

These financial statements were approved and authorized by the partners for issue on July 22, 2019.

Nasser Darwish A Mashhadi



Kalyan Jewellers L.L.C

KALYAN JEWELLERS W.L.L.**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended March 31, 2019

	Notes	March 31, 2019 QR.	March 31, 2018 QR.
Revenue	16	200,093,520	198,270,222
Cost of sales	17	(172,456,879)	(168,405,737)
		27,636,641	29,864,485
Other income		1,067,703	8,835,581
Depreciation	5	(1,140,505)	(2,735,900)
Amortization of right-of-use assets	6	(5,218,957)	--
Amortization of intangible assets	7	--	(1,152,668)
General and administrative expenses	18	(24,424,862)	(35,883,450)
Finance costs		(1,442,890)	(2,201,077)
Loss for the year		(3,522,870)	(3,273,029)
Other comprehensive income		--	--
Total comprehensive loss for the year		(3,522,870)	(3,273,029)

KALYAN JEWELLERS W.L.L.**STATEMENT OF CHANGES IN EQUITY**

For the year ended March 31, 2019

	Share capital	Partner's current account	Accumulated losses	Total
	QR.	QR.	QR.	QR.
Balance at April 1, 2018	200,000	203,998,101	(23,596,916)	180,601,185
Total comprehensive loss for the year	--	--	(3,273,029)	(3,273,029)
Balance at March 31, 2018	200,000	203,998,101	(26,869,945)	177,328,156
Impact of application of IFRS 16	--	--	2,728,031	2,728,031
Balance at April 1, 2018 - Restated	200,000	203,998,101	(24,141,914)	180,056,187
Total comprehensive loss for the year	--	--	(3,522,870)	(3,522,870)
Balance at March 31, 2019	200,000	203,998,101	(27,664,784)	176,533,317

KALYAN JEWELLERS W.L.L.
STATEMENT OF CASH FLOWS

For the year ended March 31, 2019

	Note	March 31, 2019 QR.	March 31, 2018 QR.
OPERATING ACTIVITIES			
Loss for the year		(3,522,870)	(3,273,029)
<i>Adjustment for:</i>			
Depreciation of furniture, fixtures and equipment		1,140,505	2,735,899
Amortization of intangible assets		--	1,152,668
Amortization of right of use assets		5,218,957	--
Provision for employees' end of service benefits		70,560	63,194
Gain on disposal of furniture, fixtures and equipment		--	(7,473,955)
Finance costs		1,442,890	2,201,077
		<u>4,350,042</u>	<u>(4,594,146)</u>
<i>Changes in working capital:</i>			
Inventories		18,694,378	(4,183,787)
Due from related parties		(44,317,186)	5,559,489
Trade receivables		1,716,360	(1,307,470)
Advances, prepayments and other receivables		9,434,600	(20,180,552)
Trade payables		(10,544,622)	21,708,749
Due to related parties		(27,691,566)	27,691,567
Accrued expenses and other liabilities		4,659,138	(3,562,119)
Cash (used in)/ generated from operations		<u>(43,698,857)</u>	<u>21,131,731</u>
End of service benefits paid		(16,110)	--
Net cash (used in)/ generated from operating activities		<u>(43,714,967)</u>	<u>21,131,731</u>
INVESTING ACTIVITIES			
Purchase of furniture, fixtures and equipment		(5,340,323)	(199,358)
Proceeds from disposal		--	9,908,400
Payments of right of use assets (key money)		(12,885,089)	--
Fixed deposits		70,471,608	(34,982,338)
Net cash generated from / (used in) investing activities		<u>52,246,196</u>	<u>(25,273,296)</u>
FINANCING ACTIVITIES			
Bank borrowings		(2,047,267)	(1,926,711)
Payments of lease liabilities		(5,763,015)	--
Finance costs paid		(778,794)	(2,201,077)
Net cash used in financing activities		<u>(8,589,076)</u>	<u>(4,127,788)</u>
Net decrease in cash and cash equivalents		(57,847)	(8,269,353)
Cash and bank balances at beginning of the year		11,007,361	19,276,714
Cash and bank balances at end of the year		<u>10,949,514</u>	<u>11,007,361</u>

KALYAN JEWELLERS W.L.L.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

1. GENERAL INFORMATION

Kalyan Jewellers W.L.L. (the "Company") is a limited liability Company registered in the State of Qatar under Commercial Registration No. 67939. The Registered Office of the Company is situated in Abdul Jaleel Center, 3rd Floor, Unit No-303, Najma Airport road, Doha-Qatar.

The Company is a retailer in jewellery and ornaments. The Company's ownership details are as follows:

<u>Name</u>	<u>Nationality</u>	<u>Amount</u> <u>QR.</u>	<u>%</u>
Nasser Darwish A Mashhadi	Qatari	102,000	51
Kalyan Jewellers L.L.C.	Emirati	98,000	49
		<u>200,000</u>	<u>100</u>

The Company is a Subsidiary of Kalyan Jewellers L.L.C. (Intermediate Holding Company) and ultimate controlling party is Kalyan Jewellers India Ltd (the "Ultimate Parent Company").

1.1 Going Concern

Although the Company has incurred losses of QR. 3,522,870 for the year ended March 31, 2019, the financial statements have been prepared on a going concern basis as the Kalyan Jewellers L.L.C. have committed to provide continuing financial support to the Company to meet its financial obligations as and when they fall due.

In addition, the accumulated losses of the Company as of March 31, 2019 amounted to QR. 27,664,784 contravening the Qatar Commercial Companies' Law. The said law states that should the Company's losses exceed 50% of the capital of the Company, the partners should dissolve the Company or increase its capital. The partners will be jointly and severally responsible for the Company's liabilities.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after April 1, 2018, have been adopted in these financial statements.

The Company applies, for the first time, IFRS 9 *Financial Instruments* (as revised in July 2014) and IFRS 15 *Revenue from contracts with customers*) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after April 1, 2018. The impact of the initial application of these standards is disclosed as below:

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards.

Impact of initial application of IFRS 9 *Financial Instruments*

In the current year, the Company has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are mandatorily effective for an accounting period that begins on or after April 1, 2018. Transition provisions of IFRS 9 allow an entity not to restate comparatives.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

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

Impact of initial application of IFRS 9 *Financial Instruments* (continued)

Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures about 2018.

Details of these IFRS 9 new requirements as well as their impact on the Company's financial statements are described below.

a) Classification and measurement of financial assets

The Company has applied the requirements of IFRS 9 to instruments that have not been derecognised as at April 1, 2018 and has not applied the requirements to instruments that have already been derecognised as at April 1, 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Management reviewed and assessed the Company's existing financial assets as at April 1, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement:

- Financial assets classified as loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 based on Company's existing financial assets, requires the Company to recognise a loss allowance for expected credit losses on:

- (1) Trade receivables;
- (2) Due from related parties; and
- (3) Cash and bank balances.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables and due from a related party.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)**2.1 New and amended IFRS Standards that are effective for the current year (continued)****b) Impairment of financial assets (continued)**

The result of the assessment is as follows:

Items existing as at Apr. 1, 2018 that are subject to the impairment provisions of IFRS 9	Credit risk attributes at Jan. 1, 2018	Cumulative additional loss allowance recognised on: Apr. 1, 2018 (QR.)
Trade receivables	The Company applies the simplified approach and recognises lifetime ECL for these assets. The management has assessed the impact of ECL adjustment as immaterial.	No impairment recognized
Due from a related party	The management have concluded that no ECL is required as credit risk is considered to be low as the due amount is secured by the Parent company and based on the fact that the related company is directly supported by the Group for any liquidity or financial requirements.	No impairment recognized.
Cash and bank balances	All bank balances are assessed to have low credit risk as they are held with reputable banks which are regulated by the Qatar Central Bank. Management has assessed the impact of ECL adjustment as immaterial.	No impairment recognized.

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Company's exposure to credit risk in the financial statements.

c) Classification and measurement of financial liabilities

The application of IFRS 9 has had no material impact on the classification and measurement of the Company's financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)**2.1 New and amended IFRS Standards that are effective for the current year (continued)****(d) Disclosures in relation to the initial application of IFRS 9**

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, April 1, 2018.

		Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39	Additional loss allowance recognised under IFRS 9 [Retained earning effect as at April 1, 2018]	New carrying amount under IFRS 9
				QR.	QR.	QR.
1.	Trade receivables	Loans and receivables	Financial assets at amortised cost	2,063,024	--	2,063,024
2.	Deposits and other receivables	Loans and receivables	Financial assets at amortised cost	8,849,742	--	8,849,742
3.	Due from related parties	Loans and receivables	Financial assets at amortised cost	3,911,928	--	3,911,928
4.	Cash and bank balances	Loans and receivables	Financial assets at amortised cost	81,478,969	--	81,478,969
5.	Accounts payable	Financial liabilities at amortised cost	Financial liabilities at amortised cost	23,310,528	N/A	23,310,528
6.	Due to related parties	Financial liabilities at amortised cost	Financial liabilities at amortised cost	27,691,566	N/A	27,691,566
7.	Bank borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	5,936,772	N/A	5,936,772

Based on the assessment made by management, the application of IFRS 9 has no significant impact on the financial position and financial performance of the Company for the year ended March 31, 2019, other than the changes in accounting policies and disclosures mentioned above.

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is mandatorily effective for an accounting period that begins on or after April 1, 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Details of the new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 15 in accordance with the modified retrospective transitional approach with a cumulative effect of initially applying this standard as an adjustment to equity as permitted by IFRS 15.C3(b).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

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

Impact of application of IFRS 15 *Revenue from Contracts with Customers* (continued)

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position.

The Company adopted IFRS 15 'Revenue from Contracts with Customers' resulting in no change in the revenue recognition policy of the Company in relation to its contracts with customers. Further, adoption of IFRS 15 had no impact on the financial statements of the Company.

IFRS 16 *Leases*

In the current year, the Company has adopted IFRS 16 using the modified retrospective approach and has therefore not restated comparatives for the March 31, 2018 reporting period as permitted under the specific transitional provisions in the standard.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requires the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is April 1, 2018.

Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or modified before April 1, 2018.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after April 1, 2018 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

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

IFRS 16 Leases (continued)

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;
- b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of profit or loss.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)**2.1 New and amended IFRS Standards that are effective for the current year (continued)****IFRS 16 Leases (continued)**Financial impact of initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current year.

Impact on profit or loss for the year

	2019
	QR.
Impact on profit for the year	
Increase in depreciation expense	(5,218,957)
Increase in finance costs	(664,096)
Decrease in rent expense	5,435,038
Decrease in profit for the year	(448,015)

Impact on assets, liabilities and equity as at April 1, 2018

	Balance as of March 31, 2018 (as reported)	IFRS 16 adjustments	Balance as at April 1, 2018 (as adjusted)
	QR.	QR.	QR.
Assets			
Right-of-use assets	--	29,145,302	29,145,302
Prepaid rent	401,023	(401,023)	--
Intangible assets - net	17,216,379	(17,216,379)	--
Liabilities			
Lease liabilities	--	12,416,148	12,416,148
Equity			
Retained Earnings	(26,869,945)	2,728,031	(24,141,914)

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. It resulted in an adjustments of prepaid rent and intangible assets representing key money paid to acquire right to use the prime commercial spaces to the right-of-use assets account.

Under IFRS 16, lessees must present:

- short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 7. The Company has opted to include interest paid as part of financing activities;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

- Cash payments for the principal portion for lease liability, as part of financing activities.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after April 1, 2018, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28	January 1, 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	January 1, 2018
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	January 1, 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	January 1, 2018

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

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

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 17 <i>Insurance Contracts</i>	January 1, 2021
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as at January 1, 2021.	
Amendments to IFRS 9 <i>Prepayment Features with Negative Compensation</i>	January 1, 2019
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	
The amendment applies to annual periods beginning on or after January 1, 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	
Amendments to IAS 28 <i>Investment in Associates and Joint Ventures</i> : Relating to long-term interests in associates and joint ventures.	January 1, 2019
These amendments clarify that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	
Annual Improvements to IFRSs 2015-2017 <i>Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs</i>	January 1, 2019
The Annual Improvements include amendments to four Standards.	January 1, 2019
IAS 12 <i>Income Taxes</i>	January 1, 2019
The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<i>IAS 23 Borrowing costs</i> The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	January 1, 2019
<i>IFRS 3 Business Combinations</i> The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	January 1, 2019
<i>IFRS 11 Joint Arrangements</i> The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation. All the amendments are effective for annual periods beginning on or after January 1, 2019 and generally require prospective application. Earlier application is permitted.	January 1, 2019
<i>Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement</i>	January 1, 2019
<i>Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.</i>	Effective date deferred indefinitely. Adoption is still permitted.
<i>IFRIC 23 Uncertainty over Income Tax Treatments</i> The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	January 1, 2019

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

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

Management 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and applicable provisions of Qatar Commercial Companies' Law.

Basis of preparation

The financial statements have been prepared under the historical cost convention. The principal accounting policies are set out below. These financial statements are presented in Qatari Riyal (QR), which is the Company's functional and reporting currency.

Furniture, fixtures and equipment

Furniture, fixtures and equipment are stated at cost less accumulated depreciation and any impairment in value. 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is charged to statement of profit or loss on a straight-line method basis over the estimated useful lives of the assets.

The estimated useful lives, residual values and depreciation methods are reviewed at each statement of financial position date, with the effect of any changes in estimate accounted for on a prospective basis. The carrying values of furniture, fixtures and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of the fair value less costs to sell and their value in use.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets representing key money paid to acquire right to use the prime commercial spaces in commercial shopping complexes with finite useful lives that are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the statement of profit or loss on a straight-line method over their estimated useful lives estimated by the management. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. 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 recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured.

Impairment of tangible and intangible assets

At each statement of financial position date, the Company reviews the carrying amounts of its tangible and intangible 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. When 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs of disposal 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.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Foreign currencies

Transactions in foreign currencies are initially recorded at the approximate functional currency rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of profit or loss.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the approximate exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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 recognized 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.

Employees' end of service benefits

A provision is made for employees end of service benefits which is payable on completion of employment. The provision is calculated in accordance with Qatari Labour Law based on employees' salary and accumulated period of service as at the reporting date.

Financial instruments upon adoption of IFRS 9, applicable from April 1, 2018

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments upon adoption of IFRS 9, applicable from April 1, 2018 (continued)

Financial assets (continued)

Classification of financial assets

Debit instruments designated at amortized 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.

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.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Other income" line item.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on trade receivables, due from a related party and bank balances that are measured at amortized cost. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments upon adoption of IFRS 9, applicable from April 1, 2018 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The Company always recognises lifetime ECL for trade receivables and due from a related party. 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-months 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-months 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.

(i) Significant increase in credit risk

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments upon adoption of IFRS 9, applicable from April 1, 2018 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(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.

(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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments upon adoption of IFRS 9, applicable from April 1, 2018 (continued)

Financial assets (continued)

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

Financial liabilities

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

Financial liabilities measured subsequently at amortised cost

Financial liabilities 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets under IAS 39, applicable before April 1, 2018

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, net of bank overdrafts, if any.

Trade and other receivables

Trade receivables are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off and changes in the carrying amount of the allowance account are recognised in the statement of profit or loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Included in this account are advances made to metal smiths, which are advances goods forwarded to vendors to make refurbishing or transforming materials to saleable goods.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost method for gold and gold ornaments measured in weight and specific costing method for diamonds. Cost includes expenditure incurred in acquiring the inventories, cost of production or conversion and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provision is made for obsolete and slow-moving items based on management's judgment.

Customer loyalty programmes

The Company accounts for award credits as separately identifiable component of the sales transactions in which they are granted (the "initial sale"). The fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The consideration allocated to the award credits is measured by reference to their fair value.

The Company supplies the awards itself and recognizes the consideration allocated to award credits as revenue, when award credits are redeemed and it fulfills its obligations to supply the awards. The amount of revenue recognized shall be based on the number of the award credits that have been redeemed in exchange for awards, relative to the total number expected to be redeemed.

Contingent liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases – policy applicable from April 1, 2018

The Company as a 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; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The 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).
- 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 Company did not make any such adjustments during the periods presented.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases – policy applicable from April 1, 2018 (continued)

The Company as a lessee (continued)

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 and equipment' policy.

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.

Leases – policy applicable before April 1, 2018

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition, upon adoption of IFRS 15 applicable from April 1, 2018

Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. Revenue is adjusted for expected discounts and volume discounts, which are estimated based on the historical data or forecast and projections. The Company recognizes revenue when it transfers control over goods or services to its customers.

The stand-alone selling prices are determined based on the observable price at which the Company sells the products and services on a standalone basis. For items that are not sold separately the Company estimates standalone selling prices using other methods.

Revenue recognition under IAS 18, applicable before April 1, 2018

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- (i) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (ii) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (iii) 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
- (iv) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments and estimates

The preparation of the financial statements in compliance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Revenue recognition, under IFRS 15 applicable from April 1, 2018

Management considers recognizing revenue over time, if one of the following criteria is met, otherwise revenue will be recognized at a point in time:

- a) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- c) the Company's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Judgements in determining the timing of satisfaction of performance obligations, upon adoption of IFRS 9 applicable from April 1, 2018

For performance obligations satisfied at a point in time, the Company considers the general requirements of control (i.e. direct the use of asset and obtain substantially all benefits) and the following non-exhaustive list of indicators of transfer of control:

- Entity has present right to payment
- Customer has legal title
- Entity has transferred legal possession
- Customer has significant risk and rewards
- Customer has accepted the asset

Business model assessment, upon adoption of IFRS 9 applicable from April 1, 2018

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements (continued)

Significant increase in credit risk, upon adoption of IFRS 9 applicable from April 1, 2018

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Determining the lease term, upon adoption of IFRS 16 applicable from April 1, 2018

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).

Residual value guarantees, upon adoption of IFRS 16 applicable from April 1, 2018

The Company initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period.

Discounting of lease payments, upon adoption of IFRS 16 applicable from April 1, 2018

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

Estimates

Impairment of tangible and intangible assets and useful lives

The Company's management assess whether there are indicators to suspect that tangible and intangible assets have suffered impairment in accordance with accounting policies stated in Note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Company's management determines as well the useful lives and related depreciation charge. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Management assessed that there are no indicators of impairment affecting the Company's tangible and intangible assets, and that the useful lives are reasonable.

Impairment of financial assets, under IAS 39 applicable before April 1, 2018

The Company's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in the statement of profit or loss. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty. Management is of the opinion that since all receivables at the reporting date are collectible, no allowance for doubtful debts is required.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimates (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Adjustments to reduce the cost of inventories to their realisable value are made at product group level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues. Based on the above factors, the Company has arrived at certain percentages for allowance for slow moving and obsolete inventories. Revisions to these adjustments would be required if these factors differ from the estimates.

Shareholder Account

Management has considered the detailed criteria for the recognition of equity instrument in IAS 32: Financial Instruments: Presentation, and in particular whether the equity instrument i.e. shareholder account represents a residual interest in the assets of an entity after deducting all of its liabilities. Based on their assessment, management is satisfied that the recognition of the shareholder's account as an equity instrument is appropriate and is in the nature of equity.

KALYAN JEWELLERS W.L.L.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

5. FURNITURE, FIXTURES AND EQUIPMENT

	Electrical equipment	Computer equipment	Furniture and fixtures	Motor vehicle	Total
	QR.	QR.	QR.	QR.	QR.
Costs:					
At March 31, 2017	2,593,503	463,764	9,708,252	244,370	13,009,889
Additions during the year	11,911	120,350	67,097	--	199,358
Disposals during the year	--	--	(808,095)	--	(808,095)
At March 31, 2018	2,605,414	584,114	8,967,254	244,370	12,401,152
Additions during the year	81,330	79,300	5,093,299	86,394	5,340,323
At March 31, 2019	2,686,744	663,414	14,060,553	330,764	17,741,475
Accumulated depreciation:					
At March 31, 2017	506,946	104,238	2,136,845	58,894	2,806,923
Charge for the year	553,692	112,066	2,018,451	51,690	2,735,899
Disposals during the year	--	--	(348,920)	--	(348,920)
At March 31, 2018	1,060,638	216,304	3,806,376	110,584	5,193,902
Charge for the year	197,823	326,740	590,545	25,397	1,140,505
At March 31, 2019	1,258,461	543,044	4,396,921	135,981	6,334,407
Carrying amounts:					
At March 31, 2019	1,428,283	120,370	9,663,632	194,783	11,407,068
At March 31, 2018	1,544,776	367,810	5,160,878	133,786	7,207,250
Depreciation rates	10%	33.33%	6.76%	10%	

KALYAN JEWELLERS W.L.L.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended March 31, 2019

6. RIGHT OF USE ASSETS

The Company leases several retail shops. The average lease term is 5 years.

	Retail shops
	QR.
Right-of-use assets:	
At April 1, 2018	29,145,302
Additions	17,138,410
March 31, 2019	<u>46,283,712</u>
Depreciation:	
At April 1, 2018	--
Charge for the year	5,218,957
March 31, 2019	<u>5,218,957</u>
Net carrying amount:	
March 31, 2019	<u>41,064,755</u>

Amounts recognised in profit and loss:

	March 31, 2019
	QR.
Depreciation expense on right-of-use assets	5,218,957
Interest expense on lease liabilities	664,096
Total	<u>5,883,053</u>

Amount recognised in cash flow:

	March 31, 2019
	QR.
Payments of lease liabilities	<u>5,763,015</u>

KALYAN JEWELLERS W.L.L.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended March 31, 2019

7. INTANGIBLE ASSETS

	March 31, 2019 QR.	March 31, 2018 QR.
Cost:		
At April 1,	19,944,410	22,138,820
Transfer to right-of-use assets	(19,944,410)	--
Disposals	--	(2,194,410)
At March 31,	--	19,944,410
Accumulated amortization:		
At April 1,	2,728,031	1,794,503
Charge for the year	--	1,152,668
Transfer to right-of-use assets	(2,728,031)	--
Disposals	--	(219,140)
At March 31,	--	2,728,031
Carrying amount	--	17,216,379
Amortization rate	5%	5%

During the year, as per application of IFRS 16 Leases, the Company has transferred its intangible assets to right-of-use assets as it qualifies as initial direct costs. The intangible assets represent key money paid to acquire Right to use the prime commercial spaces in commercial shopping complexes.

On March 2018, the Company, by way of executed Sale and Purchase agreement, waived its right in a showroom leased at Plaza Mall in favour of M/S Morning Rise General Trading L.L.C. (the "Buyer") Dubai, UAE for a sale consideration of AED 10.00 million. The Company has received initial down payment of AED 1.50 million and notified the landlord about the potential termination of the lease agreement and lease to 3rd party identified by the Buyer. The Buyer has agreed to take custody of leased property by September 2018 and already signed the Sale and Purchase agreement with the Company. The Company recognized a gain amounting to QR 7.43 which is included in the "Other Income" account in the profit or loss during the year and other receivables of QR 8.42 million is included in Note 10.

8. INVENTORIES

	March 31, 2019 QR.	March 31, 2018 QR.
Gold jewellery	65,793,150	72,831,065
Diamond jewellery	23,599,029	35,255,492
	89,392,179	108,086,557

KALYAN JEWELLERS W.L.L.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended March 31, 2019

9. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties, as defined in International Accounting Standard 24: *Related Party Disclosures*, include associate companies, major shareholders, directors and other key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

(a) Due from a related party

	Relationship	March 31, 2019 QR.	March 31, 2018 QR.
Kalyan Jewellers FZE	Under common control	48,229,114	--
Kalyan Jewellers L.L.C.	Shareholder	--	3,911,928
		<u>48,229,114</u>	<u>3,911,928</u>

Balance due from a related party is from a company which is under common control and this company is supported by the ultimate parent, Kalyan Jewellers India Limited, for any financial or liquidity issues. Hence, no expected credit losses were recorded on these balances as at March 31, 2019.

(b) Due to related parties

	Relationship	March 31, 2019 QR.	March 31, 2018 QR.
Kalyan Jewellers Kuwait	Under common control	--	22,161,036
Kalyan Jewellers FZE	Under common control	--	5,530,530
		<u>--</u>	<u>27,691,566</u>

(c) Transactions with related parties

During the year, the Company entered into the following transactions with related parties:

	March 31, 2019 QR.	March 31, 2018 QR.
Brand sharing charges	3,468,483	3,449,730
Management fee	2,477,488	2,464,090
Purchases	<u>36,006,518</u>	<u>34,875,814</u>

KALYAN JEWELLERS W.L.L.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended March 31, 2019

10. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	March 31, 2019 QR.	March 31, 2018 QR.
Advance to suppliers	15,082,931	15,194,869
Prepaid expenses	183,750	1,100,552
Deposits	443,882	427,602
Other receivables (Note 7)	--	8,422,140
	<u>15,710,563</u>	<u>25,145,163</u>

11. CASH AND BANK BALANCES

	March 31, 2019 QR.	March 31, 2018 QR.
Cash in hand	337,623	498,426
Bank balances	10,611,891	10,508,935
Fixed deposits*	--	70,471,608
Cash and bank balances	10,949,514	81,478,969
Less: Fixed deposits with original maturity of more than three months**	--	(70,471,608)
Cash and cash equivalents	<u>10,949,514</u>	<u>11,007,361</u>

* Fixed deposits are placed with a local commercial bank and earns interest at the rate of 2.5%-3.0% per annum.

** These deposits are used as collateral for bank facilities obtained by the Company during year.

Bank Balances are assessed to have low credit risk of default since these banks are highly regulated by the Central Bank of Qatar and have high credit rating according to international credit agencies. Accordingly, management of the Company estimates the loss allowance on cast at banks 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 bank, the management of the Company have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

12. EMPLOYEES' END OF SERVICE BENEFITS

	March 31, 2019 QR.	March 31, 2018 QR.
Balance at January 1,	180,884	117,690
Provision for the year	70,560	63,194
Paid during the year	(16,110)	--
Balance at December 31,	<u>235,334</u>	<u>180,884</u>

KALYAN JEWELLERS W.L.L.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended March 31, 2019

13. BANK BORROWINGS

	March 31, 2019	March 31, 2018
	QR.	QR.
Term loan	3,889,505	5,936,772
Less: Current portion	(2,340,000)	(2,340,000)
Non-current portion	1,549,505	3,596,772

In January 2017, the Company obtained a term loan from a local commercial bank to finance the setting up of new store outlets and is repayable in 16 equal quarterly installments. The term loan bears interest at the rate of 6.25% (2018: 6.25%) per annum. The loan is secured by personal guarantees of partners and corporate guarantees of Kalyan Jewellers India Limited.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	March 31, 2019	March 31, 2018
	QR.	QR.
Advance from customers	14,909,690	10,183,178
Accrued expenses	410,812	478,186
	15,320,502	10,661,364

15. LEASE LIABILITIES

On adoption of IFRS 16 'Leases', the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of April 1, 2018. The lessee's incremental borrowing rate applied to the lease liabilities on April 1, 2018 was 5.25%:

	March 31, 2019
	QR.
At beginning of the year	--
Initial application of IFRS 16	12,416,148
Interest expense on lease liability	664,096
Principal element of lease payments	(4,724,950)
	8,355,294

KALYAN JEWELLERS W.L.L.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended March 31, 2019

15. LEASE LIABILITIES (continued)

	March 31, 2019 QR.
Amounts due for settlement within 12 months (shown under current liabilities)	3,345,436
Amounts due for settlement after 12 months (shown under non-current liabilities)	5,009,858
	<u>8,355,294</u>

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

16. REVENUE

The Company derives its revenue from contracts with customers for sales of goods recognised at a point in time in the following major revenue line.

	March 31, 2019 QR.	March 31, 2018 QR.
Revenue – point in time		
Sale of jewelry and ornaments	<u>200,093,520</u>	<u>198,270,222</u>

17. COST OF SALES

	March 31, 2019 QR.	March 31, 2018 QR.
Opening inventory balance	108,086,557	103,902,770
Purchases during the year	144,983,674	160,457,171
Other direct expenses	8,778,827	12,132,353
Goods available for sale	<u>261,849,058</u>	<u>276,492,294</u>
Ending inventory balance (Note 8)	<u>(89,392,179)</u>	<u>(108,086,557)</u>
Cost of goods sold	<u>172,456,879</u>	<u>168,405,737</u>

KALYAN JEWELLERS W.L.L.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended March 31, 2019

18. GENERAL AND ADMINISTRATIVE EXPENSES

	March 31, 2019	March 31, 2018
	QR.	QR.
Salaries and staff benefits	5,561,034	6,089,047
Advertising and promotion	4,007,910	10,870,081
Brand sharing charges	3,468,480	3,449,730
Management fee	2,477,481	2,464,090
Rent	1,669,122	6,213,199
Inauguration expenses	1,019,839	--
Communication and utilities	589,087	604,129
Recruitment expenses	481,355	572,961
Bank charges and commission	464,043	542,001
Repairs and maintenance	403,014	205,736
Travelling	387,764	730,579
Administrative support fee	348,000	312,000
Professional fees	227,867	200,074
Office supplies	222,786	267,826
Insurance	160,591	166,104
Staff refreshment	140,355	186,018
Printing, postage and courier	70,877	88,890
Security	48,190	166,040
Other expenses	2,677,067	2,754,945
	24,424,862	35,883,450

19. CONTINGENT LIABILITIES

	March 31, 2019	March 31, 2018
	QR.	QR.
Letter of credits	--	106,480,000

KALYAN JEWELLERS W.L.L.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended March 31, 2019

20. FINANCIAL INSTRUMENTS

Financial instruments represent any contractual agreement that creates a financial asset, financial liability or an equity instrument. Financial assets comprise cash and bank balances, due from a related party, trade receivables and other debit balances. Financial liabilities comprise trade payables, due to related parties, bank borrowings and accrued expenses. Accounting policies for the financial assets and liabilities are set out in Note 3.

Fair value of financial instruments

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 of financial instruments is not materially different from their carrying values.

	March 31, 2019		March 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	(QR)	(QR)	(QR)	(QR)
Due from related parties	48,229,114	48,229,114	3,911,928	3,911,928
Trade receivables	346,665	346,665	2,063,024	2,063,024
Cash and bank balances	10,949,514	10,949,514	81,478,969	81,478,969
	<u>59,525,293</u>	<u>59,525,293</u>	<u>87,453,921</u>	<u>87,453,921</u>
Bank borrowings	3,889,505	3,889,505	5,936,772	3,911,928
Due to related parties	--	--	27,691,566	2,063,024
Trade payables	12,765,906	12,765,906	23,310,528	81,478,969
	<u>16,655,411</u>	<u>16,655,411</u>	<u>56,938,866</u>	<u>87,453,921</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

21. FINANCIAL RISK MANAGEMENT

The activities of the Company expose it to routine financial risks, including the effects of defaults by customers, movement in interest rates and liquidity. The Company's management seeks to minimize potential adverse effects on the financial performance of the Company by taking appropriate steps to address specific risk management areas, such as credit risk, interest rate risk, foreign currency and liquidity risk management.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at March 31, 2019, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

In order to minimise credit risk, the Company has tasked its management to develop and maintain the Company's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

Category	Description	Basis for recognising
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	When there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
In default	When there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that there is a severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Company's financial assets, contract assets and financial guarantee contracts, as well as the Company's maximum exposure to credit risk by credit risk rating grades:

March 31, 2019	Note	12-month or lifetime ECL	Gross carrying QR.	Loss allowance QR.	Net carrying amount QR.
Bank balances	11	12-month ECL	10,611,891	--	10,611,891
Trade receivables		Lifetime ECL	346,665	--	346,665
Deposits	10	Lifetime ECL	443,882	--	443,882
Due from a related party	9 (a)	Lifetime ECL	48,229,114	--	48,229,114

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

For trade receivables, deposits and due from a related party, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The Company always measures the loss allowance for trade receivables and due from a related party at an amount equal to lifetime ECL using the simplified approach. The expected credit losses on trade receivables and due from a related party 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 loss allowance as at March 31, 2019 was determined as follows for trade receivables and due from related a party:

March 31, 2019	Days past due						Total QR
	Up to 30 days	31 – 90 days	61-90 days	91-180	181-365	Over 365 days	
	QR	QR	QR	QR	QR	QR	
Gross carrying amount							
- Trade receivables	335,708	--	--	--	1,070	9,887	346,665
- Due from a related party (Note 9(a))	22,113,243	--	--	--	26,115,871	--	48,229,114
Loss allowance	--	--	--	--	--	--	--
							48,575,779

April 1, 2018	Days past due						Total QR
	Up to 30 days	31 – 90 days	61-90 days	91-180	181-365	Over 365 days	
	QR	QR	QR	QR	QR	QR	
Gross carrying amount							
- Trade receivables	2,030,101	11,070	--	13,728	175	7,950	2,063,024
- Due from a related party (Note 9(a))	1,004,043	2,907,885	--	--	--	--	3,911,928
Loss allowance	--	--	--	--	--	--	--
							5,974,952

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

Interest rate risk is the risk of changes in market interest rates affecting the overall return of the Company. The Company is exposed to interest rate risk as they have exposure in fixed deposit and loans.

Interest rate sensitivity analysis

For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At March 31, 2019, the impact of changing the interest rates on borrowings by 50 basis point higher/lower with all other variables held constant on the profit for the year would have been QR. 194,475 (2018: QR. 296,839) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign currency risk

The Company undertakes certain transactions denominated in a foreign currency. Hence, exposure to exchange rate fluctuations arises. Exchange rate exposure is managed within approved policy parameters. Management is of the opinion that Company's exposure to foreign currency risk is minimal since majority of the transactions are denominated in Qatari Riyal.

Liquidity risk

Liquidity risk represents the risk that the Company will not be able to settle its financial obligations due to cash and liquidity problems. Liquidity risk arises from the inability to collect payments from customers as and when they become due. The financial statements are prepared going concern basis which is dependent upon the continuous financial support by the Emirati partner to meet financial obligations of the Company when they fall due.

KALYAN JEWELLERS W.L.L.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity profiles

The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company with agreed repayment periods. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

March 31, 2019

	Up to a year	1-5 years	Over 5 years	Total
	QR.	QR.	QR.	QR.
<i>Non – derivative financial assets</i>				
Due from a related party	48,229,114	--	--	48,229,114
Trade receivables	346,665	--	--	346,665
Deposits	443,882	--	--	443,882
Cash and bank balances	10,949,514	--	--	10,949,514
	<u>59,969,175</u>	<u>--</u>	<u>--</u>	<u>59,969,175</u>

	Up to a year	1-5 years	Over 5 years	Total
	QR.	QR.	QR.	QR.
<i>Non – derivative financial liabilities</i>				
Bank borrowings	2,340,000	1,549,505	--	3,889,505
Trade payables	12,765,906	--	--	23,310,528
Accrued expenses	410,812	--	--	410,812
	<u>15,516,718</u>	<u>1,549,505</u>	<u>--</u>	<u>17,066,223</u>

March 31, 2018

	Up to a year	1-5 years	Over 5 years	Total
	QR.	QR.	QR.	QR.
<i>Non – derivative financial assets</i>				
Due from a related party	3,911,928	--	--	3,911,928
Trade receivables	2,063,024	--	--	2,063,024
Deposits and other receivables	8,849,742	--	--	8,849,742
Cash and bank balances	81,478,969	--	--	81,478,969
	<u>96,303,663</u>	<u>--</u>	<u>--</u>	<u>96,303,663</u>

KALYAN JEWELLERS W.L.L.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended March 31, 2019

21. FINANCIAL RISK MANAGEMENT (CONTINUED)**Liquidity risk (continued)****Maturity profiles (continued)**March 31, 2018 (continued)

	Up to a year	1-5 years	Over 5 years	Total
	QR.	QR.	QR.	QR.
<i>Non – derivative financial liabilities</i>				
Bank borrowings	2,340,000	3,596,772	--	5,936,772
Trade payables	23,310,528	--	--	23,310,528
Due to related parties	27,691,566	--	--	27,691,566
Accrued expenses	478,186	--	--	478,186
	<u>53,820,280</u>	<u>3,596,772</u>	<u>--</u>	<u>57,417,052</u>

22. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the partners. One of the partners has committed to provide all financial support to the Company as and when obligations become due.

The capital structure of the Company consists of net debt and equity of the Company, comprising share capital, partner's current account net of accumulated loss.

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The below table details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes.

	At April 1, 2018 QR.	Financing cash flows QR.	Other changes QR.	At March 31, 2019 QR.
Bank borrowings	<u>5,936,772</u>	<u>(2,047,267)</u>	<u>--</u>	<u>3,889,505</u>
	At April 1, 2017 QR.	Financing cash flows QR.	Other changes QR.	At March 31, 2018 QR.
Bank borrowings	<u>7,863,483</u>	<u>(1,926,711)</u>	<u>--</u>	<u>5,936,772</u>

24. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized by the partners for issue on July 22 2019.