

KALYAN JEWELLERS FZE
Dubai - United Arab Emirates

Report and separate financial statements
for the year ended 31 March 2019

KALYAN JEWELLERS FZE

**Report and separate financial statements
for the year ended 31 March 2019**

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INDEPENDENT AUDITOR'S REPORT

The Shareholder
Kalyan Jewellers FZE
Dubai
United Arab Emirates

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of **Kalyan Jewellers FZE** (the "Establishment"), which comprise the statement of financial position as at 31 March 2019 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Other Matter

In accordance with International Financial Reporting Standards (IFRS) 10, *Consolidated Financial Statements*, the Establishment has prepared and issued on 1 August 2019, the consolidated financial statements in compliance with International Financial Reporting Standards (IFRSs).

Responsibilities of Management for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards, and their preparation in compliance with the applicable provisions of the articles of association of the Establishment, the provisions of the Dubai Airport Free Zone Implementing Regulations No.1/98 issued pursuant to Law No. 2 of 1996 and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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INDEPENDENT AUDITOR'S REPORT (continued)**Responsibilities of Management for the Separate Financial Statements (continued)**

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

The Directors are responsible for overseeing the Establishment's financial reporting process.

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)**Report on Other Legal and Regulatory Requirements**

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

Deloitte & Touche (M.E.)

Musa Ramahi
Registration No. 872
1 August 2019
Dubai
United Arab Emirates

Kalyan Jewellers FZE

Separate statement of financial position as at 31 March 2019

	Notes	2019 AED	2018 AED
ASSETS			
Non-current assets			
Investment in subsidiaries	5	2,522,670	2,522,670
Additional investments in subsidiaries	5	263,538,670	235,000,000
Loan to a related parties	8(c)	-	18,555,401
Total non-current assets		266,061,340	256,078,071
Current assets			
Loan to related parties	8(c)	334,883,193	415,865,024
Due from related parties	8(a)	104,106,702	37,847,421
Margin deposits	9	96,543,723	37,642,153
Trade and other receivables	7	16,147,033	152,970
Inventories	10	1,108,551	-
Cash and cash equivalents	6	260,893	614,656
Total current assets		553,050,095	492,122,224
Total assets		819,111,435	748,200,295
EQUITY AND LIABILITIES			
Equity			
Share capital	11	150,000,000	150,000,000
(Accumulated losses)/retained earnings		(901,572)	527,768
Loan from a shareholder	12	198,259,784	192,989,164
Total equity		347,358,212	343,516,932
Non-current liabilities			
Provision for employees' end-of-service indemnity	13	67,581	47,710
Total non-current liabilities		67,581	47,710
Current liabilities			
Due to related parties	8(b)	50,169,544	1,290,000
Trade and other payables	14	9,846,905	5,066,264
Bank borrowings	15	411,669,193	398,279,389
Total current liabilities		471,685,642	404,635,653
Total liabilities		471,753,223	404,683,363
Total shareholder's equity and liabilities		819,111,435	748,200,295

N. R. Venkataray



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

Kalyan Jewellers FZE

Separate statement of profit or loss and other comprehensive income for the year ended 31 March 2019

	Notes	2019 AED	2018 AED
Revenue		96,528,172	-
Cost of sales		(96,328,490)	-
Gross profit		199,682	-
Finance income	16	23,171,240	17,728,169
Management fee	8	840,000	840,000
General and administrative expenses	17	(1,600,326)	(852,689)
Finance costs	18	(22,277,489)	(17,912,118)
Foreign exchange loss	19	(1,762,447)	(313,534)
Net loss for the year		(1,429,340)	(510,172)
Other comprehensive income		-	-
Total comprehensive loss for the year		(1,429,340)	(510,172)

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

Kalyan Jewellers FZE

Separate statement of changes in equity for the year ended 31 March 2019

	Share capital AED	Retained earnings / (accumulated losses) AED	Loan from a shareholder AED	Total AED
Balance at 1 April 2017	150,000,000	1,037,940	98,839,164	249,877,104
Loss for the year	-	(510,172)	-	(510,172)
Additional loan from a shareholder	-	-	94,150,000	94,150,000
Balance at 31 March 2018	150,000,000	527,768	192,989,164	343,516,932
Loss for the year	-	(1,429,340)	-	(1,429,340)
Additional loan from a shareholder	-	-	5,270,620	5,270,620
Balance at 31 March 2019	150,000,000	(901,572)	198,259,784	347,358,212

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

Kalyan Jewellers FZE

Separate statement of cash flows for the year ended 31 March 2019

	2019 AED	2018 AED
Cash flows from operating activities		
Loss for the year	(1,429,340)	(510,172)
<i>Adjustments for:</i>		
Finance income	(23,171,240)	(17,728,169)
Finance costs	22,277,489	17,912,118
Charge for employees' end-of-service indemnity	19,871	10,169
Operating cash flows before changes in operating assets and liabilities	(2,303,220)	(316,054)
(Increase)/decrease in trade and other receivables	(15,994,063)	1,435,930
Increase in margin deposits	(58,901,570)	(24,731,875)
Increase in inventories	(1,108,551)	-
Increase in trade and other payables	4,780,641	2,266,630
Increase/(decrease) in due to related parties	48,879,544	(3,288,285)
Cash used in operating activities	(24,647,219)	(24,633,654)
Interest received	23,171,240	17,824,743
Interest paid	(22,277,489)	(17,715,963)
Net cash used in operating activities	(23,753,468)	(24,524,874)
Cash flows from investing activities		
Payment for investment in subsidiaries	-	(2,375,670)
Net cash used in investing activities	-	(2,375,670)
Cash flows from financing activities		
Increase/(decrease) in loans to a related party	99,537,232	(147,011,014)
Decrease in due from related parties	(94,797,951)	(36,261,912)
Proceeds from bank borrowings	856,034,020	157,039,050
Repayments of bank borrowings	(842,644,216)	(43,361,658)
Loan taken from shareholder	5,270,620	94,150,000
Net cash generated from financing activities	23,399,705	24,554,466
Net decrease in cash and cash equivalents	(353,763)	(2,346,078)
Cash and cash equivalent at the beginning of the year	614,656	2,960,734
Cash and cash equivalents at end of the year (note 6)	260,893	614,656

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

Kalyan Jewellers FZE

Notes to the separate financial statements for the year ended 31 March 2019

1. General information

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

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

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

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

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

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

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

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

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

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

Impact of initial application of IFRS 9 *Financial Instruments*

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

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

Details of these new requirements as well as their impact on the Establishment’s financial statements are described below.

The Establishment has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

**Notes to the separate financial statements
for the year ended 31 March 2019 (continued)**

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

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

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

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Establishment has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 April 2018. Accordingly, the Establishment has applied the requirements of IFRS 9 to instruments that continue to be recognized as at 1 April 2018 and has not applied the requirements to instruments that have already been derecognized as at 1 April 2018.

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

The management of the Establishment reviewed and assessed the Establishment’s existing financial assets as at 1 April 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 Establishment’s financial assets as regards their classification and measurement:

- financial assets classified as loans and receivables under IAS 39 that were measured at amortized cost (i.e. due from related parties, trade and other receivables, margin deposits, other receivables, loan to related parties and cash and cash equivalents) continue to be measured at amortized 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.
- equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been designated as at FVTOCI. The change in fair value on these equity instrument continues to be accumulated in the investment revaluation reserve;
- there is no change in the Establishment’s investments in equity instruments that are held for trading; those instruments were and continue to be measured at FVTPL.

(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 Establishment 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 recognized.

Specifically, IFRS 9 requires the Establishment to recognize a loss allowance for expected credit losses on:

- 1) Trade and other receivables (excluding prepayments)
- 2) Cash and cash equivalents
- 3) Margin deposits
- 4) Other receivables
- 5) Loan to related parties
- 6) Due from related parties

**Notes to the separate financial statements
for the year ended 31 March 2019 (continued)**

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

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

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

(b) Impairment of financial assets (continued)

In particular, IFRS 9 requires the Establishment 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 Establishment is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables and lease receivables in certain circumstances.

The Establishment has assessed the impact of ECL on 1 April 2018 and have concluded that there is an immaterial impact on opening retained earnings.

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Establishment’s exposure to credit risk in the financial statements (see note 21 for details) but have not been generally applied to the comparative information.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognized.

Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Establishment’s financial liabilities (i.e. trade and other payables, due to related parties and bank borrowings) as it does not have financial liabilities designated as at FVTPL.

(d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Establishment’s risk management activities have also been introduced.

This has no impact on the Establishment’s financial statements as it does not do hedge accounting.

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

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

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

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

(e) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Establishment had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Establishment has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Establishment has elected to designate as at FVTPL at the date of initial application of IFRS 9.

Impact of application of IFRS 15 *Revenue from Contracts with Customers*

In the current year, the Establishment has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016), which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition.

Details of the new requirements as well as their impact on the Establishment’s financial statements are described below.

The Establishment 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).

The Establishment’s accounting policies for its revenue streams are disclosed in detail in Note 3 below. Apart from providing more extensive disclosures for the Establishment’s revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Establishment. The opening balance of retained earnings has not been restated as the impact is immaterial.

2.2 New and amended IFRSs that are early adopted for the current year

Impact of early adoption of IFRS 16 *Leases*

In the current year, the Establishment, for the first time, has applied IFRS 16 *Leases* (as issued by the IASB in January 2016) in advance of its effective date.

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 leases and requiring the recognition of a right-of-use asset and a lease liability at the lease 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 new accounting policies are described in Note 3. The impact of the adoption of IFRS 16 on the Establishment’s financial statements is described below.

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

The Establishment as lessee

The Establishment has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 14.

**Notes to the separate financial statements
for the year ended 31 March 2019 (continued)**

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

2.2 New and amended IFRSs that are early adopted for the current year (continued)

Impact of early adoption of IFRS 16 *Leases* (continued)

a) Impact of the new definition of a lease

The Establishment 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 leases entered or modified before 1 April 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 Establishment 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 1 April 2018 (whether it is a lessor or a lessee in the lease contract).

b) Impact on lessee accounting

Former operating leases

IFRS 16 changes how the Establishment 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 Establishment:

- recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;
- recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- 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 cash flows.

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 leases of low-value assets (such as personal computers and office furniture), the Establishment 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.

c) Financial impact of initial application of IFRS 16

The Establishment has assessed the impact of IFRS 16 on 1 January 2018 and have concluded that there is no impact on opening retained earnings.

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

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

2.2 New and amended IFRSs that are early adopted for the current year (continued)

Impact of early adoption of IFRS 16 *Leases* (continued)

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 (the Establishment has included these payments as part of payments to suppliers and employees);
- Cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Establishment has opted to include the interest paid as part of operating activities); and
- Cash payments for the principal portion for leases liability, as part of financing activities.

The adoption of IFRS 16 did not have an impact on net cash flows.

In applying IFRS 16 for the first time, the Establishment has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2018 as short-term leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Establishment has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

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

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

<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	1 January 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.	1 January 2018

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

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

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<i>IFRIC 22 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.	1 January 2018
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	1 January 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.	1 January 2018

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

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<i>IFRS 17 Insurance Contracts</i> 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 1 January 2021.	1 January 2021

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

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

2.4 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>Amendments to IFRS 9 Prepayment Features with Negative Compensation</i>	1 January 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 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	
<i>Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures.</i>	1 January 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.	
<i>Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs</i>	1 January 2019
The <i>Annual Improvements</i> include amendments to four Standards.	1 January 2019
<i>IAS 12 Income Taxes</i>	1 January 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.	
<i>IAS 23 Borrowing costs</i>	1 January 2019
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.	
<i>IFRS 3 Business Combinations</i>	1 January 2019
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.	

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

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

2.4 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>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 1 January 2019 and generally require prospective application. Earlier application is permitted.	1 January 2019
<i>Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement</i> <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>	1 January 2019 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. Management anticipates that these new and revised standards, interpretations and amendments will be adopted in the Establishment's financial statements for the period of initial application and adoption of these new and revised standards, interpretations and amendments, may have no material impact on the financial statements of the Establishment in the period of initial application. All other IFRSs not yet adopted are not expected to have a material impact on the financial statements of the Company in the period of initial adoption.	1 January 2019

3. Significant accounting policies

3.1 Statement of compliance

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

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

3. Significant accounting policies (continued)

3.2 Basis of preparation

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

3.3 Investment in subsidiary

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

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

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

Investment in subsidiary is accounted for in these separate financial statements using the “cost method” in accordance with International Accounting Standard (IAS) 27: *Separate Financial Statements*. The Establishment also prepares the consolidated financial statements.

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

3.4 Revenue recognition

[Upon adoption of IFRS 15 – applicable from April 1, 2018]

Sale of goods

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

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

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

3. Significant accounting policies (continued)

3.4 Revenue recognition (continued)

[Upon adoption of IFRS 15 – applicable from April 1, 2018] (continued)

Management fee

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

Interest income

Interest revenue is recognized on an accrual basis.

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

Rendering of services

Revenue from services is recognised when the service has been rendered.

Interest income

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

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

3.5 Foreign currencies

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

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

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the separate statement of profit or loss and other comprehensive income.

3.6 Inventories

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

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

3. Significant accounting policies (continued)

3.6 Inventories (continued)

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

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

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

3.7 Provisions

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

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

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

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

3.8 Leasing

Accounting policy applied after 1 April 2018

The Establishment as lessee

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

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

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

3. Significant accounting policies (continued)

3.8 Leasing (continued)

Accounting policy applied after 1 April 2018 (continued)

The Establishment as lessee (continued)

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

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

The above adjustments do not affect the periods presented.

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

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

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

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

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

3. Significant accounting policies (continued)

3.8 Leasing (continued)

Accounting policy applied after 1 April 2018 (continued)

The Establishment as lessee (continued)

The Establishment applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

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

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

Accounting policy applied before 1 April 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.

Assets held under finance leases are recognised as assets of the Establishment at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the separate statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting year.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term. When calculating the lease term, renewal periods are also considered if provided for by the agreement and the amount due is known.

3.9 Employee benefits

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

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

3.10 Financial instruments

Accounting policy applicable from 1 April 2018

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

**Notes to the separate financial statements
for the year ended 31 March 2019 (continued)**

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

Accounting policy applicable from 1 April 2018 (continued)

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

Financial assets

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

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

Classification of financial assets

(i) Debt instruments designated at amortised cost

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

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

(ii) Debt instrument designated at other comprehensive income

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

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

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

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

**Notes to the separate financial statements
for the year ended 31 March 2019 (continued)**

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

Accounting policy applicable from 1 April 2018 (continued)

Financial assets (continued)

Amortised cost and effective interest rate method

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

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

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

Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

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

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

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

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

The Establishment has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9 (see note 2).

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

Accounting policy applicable from 1 April 2018 (continued)

Financial assets (continued)

Financial assets at FVTPL

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

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

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

Impairment of financial assets

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

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

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

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

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

Accounting policy applicable from 1 April 2018 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

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

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

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

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

Accounting policy applicable from 1 April 2018 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets (continued)

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

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

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

Derecognition of financial assets

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

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

Accounting policy applicable from 1 April 2018 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

Derecognition of financial assets (continued)

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

Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

Financial liabilities measured subsequently at amortised cost

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

**Notes to the separate financial statements
for the year ended 31 March 2019 (continued)**

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

Accounting policy applicable from 1 April 2018 (continued)

Financial liabilities (continued)

Financial liabilities measured subsequently at amortised cost (continued)

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

Accounting policy applied before 1 April 2018

Financial assets and financial liabilities are recognised when the Establishment becomes a party to the contractual provisions of the instrument.

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

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

Effective interest method

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. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Kalyan Jewellers FZE

Notes to the separate financial statements for the year ended 31 March 2019 (continued)

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

Accounting policy applied before 1 April 2018 (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Establishment manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Establishment's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and *IAS 39 Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the separate statement of income. The net gain or loss recognised in the separate statement of income incorporates any dividend or interest earned on the financial asset and is included in the separate statement of profit or loss and other comprehensive income.

Held to maturity

Investments which have fixed or determinable payments with fixed maturities which the Establishment has the intention and ability to hold to maturity, are classified as held to maturity investments. Held to maturity investments are carried at amortised cost, using effective interest rate method less any impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective interest rate method.

Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Investments classified as held to maturity and not close to their maturity, cannot ordinarily be sold or reclassified without impacting the Establishment's ability to use this classification and cannot be designated as a hedged item with respect to interest rate or prepayment risk, reflecting the longer-term nature of these investments.

Kalyan Jewellers FZE

Notes to the separate financial statements for the year ended 31 March 2019 (continued)

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

Accounting policy applied before 1 April 2018 (continued)

Financial assets (continued)

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss (FVTPL).

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in the separate statement of income. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the equity is reclassified to the separate statement of profit or loss and other comprehensive income.

Dividends on AFS equity instruments are recognised in the separate statement of income when the Establishment's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in the separate statement of income are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including bank balances and cash, loan to a related party, other receivables, other financial assets and due from related parties) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be 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 affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Kalyan Jewellers FZE

Notes to the separate financial statements for the year ended 31 March 2019 (continued)

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

Accounting policy applied before 1 April 2018 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as accounts receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Establishment's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's 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 accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the separate statement of profit or loss and other comprehensive income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the separate statement of income in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in the income statement are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in the equity. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Kalyan Jewellers FZE

Notes to the separate financial statements for the year ended 31 March 2019 (continued)

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

Accounting policy applied before 1 April 2018 (continued)

Financial assets (continued)

Derecognition of financial assets

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

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 the separate statement of profit or loss and other comprehensive income.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (including an interest bearing loan from a related party, bank borrowings, other liabilities, and other balances due to related parties) are subsequently measured at amortised cost using the effective interest method.

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 net carrying amount on initial recognition.

Kalyan Jewellers FZE

Notes to the separate financial statements for the year ended 31 March 2019 (continued)

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

Accounting policy applied before 1 April 2018 (continued)

Financial liabilities and equity instruments (continued)

Derecognition of financial liabilities

The Establishment derecognises financial liabilities when, and only when, the Establishment's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the separate statement of profit or loss and other comprehensive income.

Contingent liabilities

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

Borrowing costs

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

4.1 Critical judgements in applying accounting policies

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

Kalyan Jewellers FZE

Notes to the separate financial statements for the year ended 31 March 2019 (continued)

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

4.1 Critical judgements in applying accounting policies (continued)

Revenue recognition

[Upon adoption of IFRS 15 – applicable from April 1, 2018]

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

Loan from shareholder

Loan from a shareholder represents additional funds provided by the shareholder and is classified as equity. In determining whether the funds/loan from a shareholder is a financial liability or an equity instrument, management has considered the detailed criteria set out in IAS 32 *Financial Instruments: Presentation and disclosure*. Further, management also considered the fact that the funds/loan is interest free, there are no contracted obligations to repay the amount and repayment is at the discretion of the issuer. Management is satisfied that it is appropriately classified as equity in the separate statement of financial position (note 12).

4.2 Key sources of estimation uncertainty

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

Calculation of loss allowance

Key sources of estimation uncertainty applied after 1 April 2018

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

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

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

Impairment of investments

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

Kalyan Jewellers FZE

Notes to the separate financial statements for the year ended 31 March 2019 (continued)

5. Investment in subsidiaries

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

<u>Name of the subsidiary</u>	<u>No of shares</u>	<u>Legal ownership</u>	<u>Controlling ownership</u>	<u>Amount AED (2019)</u>	<u>Amount AED (2018)</u>	<u>Principal activities</u>
Kalyan Jewellers L.L.C., U.A.E	147	49%	100%	147,000	147,000	Trading in jewellery
Kalyan Jewellers L.L.C., Oman	175,000	70%	100%	2,375,670	2,375,670	Trading in jewellery
				<u>2,522,670</u>	<u>2,522,670</u>	

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

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

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

	<u>2019 AED</u>	<u>2018 AED</u>
Kalyan Jewellers L.L.C., U.A.E	235,000,000	235,000,000
Kalyan Jewellers L.L.C., Oman	28,538,670	-
	<u>263,538,670</u>	<u>235,000,000</u>

During the year, the Establishment has converted amounts "due from a related party" amounting to AED 28,538,670 investments in its subsidiary to meet their additional capital requirements. There has been no additional contribution made in the current year.

6. Cash and cash equivalents

	<u>2019 AED</u>	<u>2018 AED</u>
Bank balance - current account	260,893	614,656

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

Cash and cash equivalents are secured against bank borrowings as disclosed in Note 15.

Kalyan Jewellers FZE

Notes to the separate financial statements for the year ended 31 March 2019 (continued)

7. Trade and other receivables

	2019 AED	2018 AED
Trade receivables	1,457,641	-
Advances to suppliers	12,546,773	-
Interest receivable on margin deposits (Note 9)	893,750	1,530
Prepayments	1,248,869	151,440
	16,147,033	152,970

- (a) Interest receivable on margin deposits represent the equivalent value of 5.87 kilograms (2018: Nil kilograms) of gold bullion receivable from bullion banks on margin deposits as at the reporting date (note 9), and has been valued at the bullion rate as on close of business on the reporting date.

Trade receivables, represents amounts receivable from third parties as at the reporting date. The average credit period for receivables from third parties is 30 days (2018: 0 days). The Establishment's trade receivable balances from third parties are not impaired.

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

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

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

	Expected credit loss rate	Gross carrying amount at default AED	Impaired receivables AED	Not impaired receivables AED
31 March 2019				
Low risk	0%	1,457,641	-	1,457,641
		1,457,641	-	1,457,641

Ageing of trade receivables:

	Gross carrying amount at default AED	Impaired receivables AED	Not impaired receivables AED
31 March 2019			
<u>Past due by:</u>			
0 - 90 days	1,457,641	-	1,457,641
	1,457,641	-	1,457,641

Kalyan Jewellers FZE

Notes to the separate financial statements for the year ended 31 March 2019 (continued)

8. Related party transactions

The Establishment enters into transactions with other companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common control and key management personnel.

The management decides on the terms and conditions of transactions and of services received/rendered from/to related parties as well as other charges.

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

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

	2019 AED	2018 AED
(a) Due from related parties		
<i>Subsidiaries</i>		
Kalyan Jewellers L.L.C., U.A.E.	41,672,891	18,555,401
Kalyan Jewellers L.L.C., Oman	62,238,147	8,712,990
<i>Entities under common control</i>		
Kalyan Jewellers W.L.L., Qatar	-	5,598,570
Kalyan Jewelers for Golden Jewelries W.L.L., Kuwait	195,664	4,980,460
	<u>104,106,702</u>	<u>37,847,421</u>
	2019 AED	2018 AED

(b) Due to related parties

<i>Parent Company</i>		
Kalyan Jewellers India Ltd.	1,530,000	1,290,000
<i>Entities under common control</i>		
Kalyan Jewellers W.L.L., Qatar	48,639,544	-
	<u>50,169,544</u>	<u>1,290,000</u>

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

Kalyan Jewellers FZE

Notes to the separate financial statements for the year ended 31 March 2019 (continued)

8. Related party transactions (continued)

	2019 AED	2018 AED
(c) Loan to related parties		
<i>Subsidiaries</i>		
Kalyan Jewellers L.L.C., UAE		
- Gold loan (note 15)	293,951,805	276,911,314
- Other loans	40,931,388	120,770,060
Kalyan Jewellers L.L.C., Oman		
- Gold loan (note 15)	-	36,739,051
Total loan	334,883,193	434,420,425
Less: Other loan (non-current portion)	-	(18,555,401)
Current portion of loan	334,883,193	415,865,024

The other loan to a related party carries an interest rate of 6% per annum [2018: 6% per annum].

During the current year, an amount of AED 28,538,670 has been converted into an additional contribution to a subsidiary in the nature of equity (note 5), as resolved by the board resolution dated 28 January 2019. There has been no additional contribution in the current year.

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

	2019 AED	2018 AED
<i>Parent company/subsidiary</i>		
<i>Subsidiary</i>		
Revenue	90,410,565	-
Management fee income	840,000	840,000
Interest income on loan to a related party (note 16)	6,943,306	3,241,667
Interest income on gold loan to a related party (note 16)	13,861,184	13,007,241
Loan arrangement and letter of credit income (note 16)	1,473,000	1,464,361

Key management remuneration:

	2019 AED	2018 AED
Salaries and other short term benefits	240,000	300,000
Long-term benefits	19,871	10,169

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

9. Margin deposits

	2019 AED	2018 AED
Margin deposits	96,543,723	37,642,153
	<u>96,543,723</u>	<u>37,642,153</u>

Margin deposits represent deposits with a bullion bank against the gold loan provided to the Establishment and earn an interest in the form of gold bullion (notes 7 & 15).

Margin deposits are secured against bank borrowings as disclosed in Note 15.

10. Inventories

	2019 AED	2018 AED
Diamond jewellery	1,108,551	-
	<u>1,108,551</u>	<u>-</u>

11. Share capital

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

	Percent of ownership %	Number of Shares	Amount AED
31 March 2019			
Kalyan Jewellers India Ltd.	<u>100</u>	<u>150</u>	<u>150,000,000</u>
31 March 2018			
Kalyan Jewellers India Ltd.	<u>100</u>	<u>150</u>	<u>150,000,000</u>

12. Loan from a shareholder

The loan from a shareholder as at 31 March 2019 represents an amount of AED 198.3 million (2018: AED 193.0 million), which is loan from a shareholder (Kalyan Jewellers India Ltd.) in the nature of equity. This amount is interest free, has no fixed repayment term and repayment is at the discretion of the Company (note 4.1).

Kalyan Jewellers FZE

Notes to the separate financial statements for the year ended 31 March 2019 (continued)

13. Provision for employees' end of service indemnity

	2019 AED	2018 AED
As at beginning of the year	47,710	37,541
Charge for the year	19,871	10,169
As at end of the year	67,581	47,710

14. Trade and other payables

	2019 AED	2018 AED
Trade payables	1,545,567	-
Interest payable on gold loans	245,908	1,159,370
Other liabilities	8,055,430	3,906,894
	9,846,905	5,066,264

15. Bank borrowings

	2019 AED	2018 AED
Gold loans [note 8 (c) & 15 (a)]	293,951,805	313,650,365
Bank overdraft [note 15 (b)]	110,886,981	62,369,145
Term loan [note 15 (c)]	6,830,407	22,259,879
	411,669,193	398,279,389
Less: gold loans (non-current)	-	-
	411,669,193	398,279,389

- a) The Establishment has obtained gold loan facilities with a total limit of AED 297.5 million (2018: AED 313.9 million) of which AED 293.9 million (2018: AED 313.7 million) was utilised as at the end of the reporting period. The interest rate on the gold loans availed, ranges from 1.4% to 3.5% (2018: from 2% to 2.5%) per annum and the tenure of gold loan is 12 months (2018: 12 months) and the loans are guaranteed by standby letters of credit issued by the Bank of the Parent Company.

The Establishment has transferred gold loans availed from bullion banks to its subsidiaries, Kalyan Jewellers L.L.C. UAE and Kalyan Jewellers L.L.C. Oman, on similar terms and conditions [note 8 (c)]. At 31 March 2019, gold quantity of 1,930 Kgs (2018: 2,015 Kgs) has been obtained as a loan from bullion banks on an unfixed basis and a gold quantity of 1,930 Kgs (2018: 2,015 Kgs) has been given to related parties on an unfixed basis and has been revalued on the reporting date at the spot rate of AED 153 per gram (2018: AED 156 per gram).

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

Kalyan Jewellers FZE

Notes to the separate financial statements for the year ended 31 March 2019 (continued)

15. Bank borrowings (continued)

- b) The Establishment has availed overdraft facilities against postdated cheques to finance the upfront security cash margin to be held against drawdowns under Unfixed Gold Facilities. The interest rate on these loans availed, ranges from 3.5% to 6.5% (2018: from 3.5% to 6.5%) per annum
- c) The Establishment has availed point of sale loans for funding inventories in its subsidiary's existing/new outlets. The interest rate on these loans availed, ranges from 5% to 7% (2018: from 5% to 7%) per annum

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

Reconciliation of liabilities arising from financing activities:

	1 April 2018 AED	Financing cash flows Proceeds AED	Repayments AED	Other changes AED	31 March 2019 AED
Bank borrowings	398,279,389	856,034,020	(842,644,216)	-	411,669,193

16. Finance income

	2019 AED	2018 AED
Interest income on other loans to a related party [note 8 (d)]	6,943,306	3,241,667
Interest income on gold loans to a related party [note 8 (d)]	13,861,184	13,007,241
Interest income on margin deposits [note 7 (a)]	893,750	14,900
Loan arrangement and letter of credit income [note 8 (d)]	1,473,000	1,464,361
	<u>23,171,240</u>	<u>17,728,169</u>

17. General and administrative expenses

	2019 AED	2018 AED
Salaries and benefits	259,871	310,170
Professional fees	834,909	200,000
Bank charges	325,877	176,201
Rent expense	148,184	121,071
Registration and license	-	15,000
Others	31,485	30,247
	<u>1,600,326</u>	<u>852,689</u>

Kalyan Jewellers FZE

Notes to the separate financial statements for the year ended 31 March 2019 (continued)

18. Finance costs

	2019 AED	2018 AED
Interest expense on gold loans	13,861,184	13,007,241
Interest expenses on term loan and bank overdrafts	6,729,832	3,440,516
Loan arrangement and letter of credit fees	1,686,473	1,464,361
	<u>22,277,489</u>	<u>17,912,118</u>

19. Foreign exchange loss

	2019 AED	2018 AED
Foreign exchange loss	<u>(1,762,447)</u>	<u>313,534</u>

20. Financial instruments

a) Significant accounting policies

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

b) Categories of financial instruments

	2019 AED	2018 AED
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	<u>244,194,097</u>	<u>196,875,820</u>
Financial liabilities at amortised cost		
At amortised cost	<u>177,733,837</u>	<u>90,985,288</u>

c) Fair value of financial instruments

The fair values of financial assets and liabilities at year end approximate their carrying amounts in the statement of financial position.

Kalyan Jewellers FZE

Notes to the separate financial statements for the year ended 31 March 2019 (continued)

21. Financial risk management

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

(a) Credit risk management

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

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

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

The Establishment's principal financial assets are bank balances, other receivables, due from related parties, loans to related parties and other financial assets. The credit risk on bank balances, other receivables and other financial assets is limited because the counterparties are financial institutions registered in the United Arab Emirates.

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

(b) Exchange rate risk management

There are no exchange rate risks as financial assets and financial liabilities are denominated in Arab Emirate Dirhams during the current year and prior period.

(c) Liquidity risk management

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

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

21. Financial risk management (continued)

(c) Liquidity risk management (continued)

Liquidity risk tables

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

	Average interest rate %	Less than 1 month AED	1-3 months	3 months - 1 year	Total AED	Carrying amount AED
31 March 2019						
Variable interest rate instrument	4%	115,914,428	1,183,937	5,327,717	122,426,082	117,717,388
Non-interest bearing instruments	-	60,016,449	-	-	60,016,449	60,016,449
		<u>175,930,877</u>	<u>1,183,937</u>	<u>5,327,717</u>	<u>182,442,531</u>	<u>177,733,837</u>
31 March 2018						
Variable interest rate instrument	4%	66,793,100	3,858,379	17,362,706	88,014,185	84,629,023
Non-interest bearing instruments	-	6,356,265	-	-	6,356,265	6,356,265
		<u>73,149,365</u>	<u>3,858,379</u>	<u>17,362,706</u>	<u>94,370,450</u>	<u>90,985,288</u>

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

21. Financial risk management (continued)

(c) Liquidity risk management (continued)

Liquidity risk tables (continued)

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

	Average interest rate %	Less than 1 month AED	1-3 months	3 months - 1 year	Between 2 to 5 years AED	Total AED	Carrying amount AED
31 March 2019							
Fixed interest rate instruments	6%	43,387,271	-	-	-	43,387,271	40,931,388
Variable interest rate instrument	4%	100,405,471	-	-	-	100,405,471	96,543,723
Non-interest bearing instruments	-	106,718,986	-	-	-	106,718,986	106,718,986
		<u>250,511,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,511,728</u>	<u>244,194,097</u>
31 March 2018							
Fixed interest rate instruments	6%	108,347,538	-	-	9,834,363	118,181,901	120,770,060
Variable interest rate instrument	4%	39,147,839	-	-	-	39,147,839	37,642,153
Non-interest bearing instruments	-	161,020,494	-	-	-	161,020,494	38,463,607
		<u>308,515,871</u>	<u>-</u>	<u>-</u>	<u>9,834,363</u>	<u>318,350,234</u>	<u>196,875,820</u>

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Notes to the separate financial statements for the year ended 31 March 2019 (continued)

21. Financial risk management (continued)

(d) Interest rate risk management

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

If interest rate had been 50 basis point higher/lower and all other variables were held constant, the Establishment's profit for the year ended 31 March 2019 would increase/decrease by AED 332,301 (2018: increase/decrease by AED 529,453).

(e) Commodity risk management

The Establishment is exposed to price risk on its gold borrowings. As at 31 March 2018, there are no significant exposures to the commodity price risk on financial assets and financial liabilities as gold inventory is on an unfixed basis which hedges the inventory to variances in the gold price rate.

22. Capital risk management

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

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

23. Non-cash transactions

	2019 AED	2018 AED
Conversion of loan to shareholders' account	-	94,150,000
Conversion of amounts due from related party to additional contribution to a subsidiary	28,538,670	-
Gold loan availed and disbursed to subsidiary	63,648,707	64,448,680
Interest expense on gold loan	13,861,184	13,007,241
Loan arrangement and letter of credit income	1,473,000	1,464,361

24. Approval of the separate financial statements

The separate financial statements were approved by the management and authorised for issue on 1 August 2019.