

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

**Reports and separate financial statements
for the year ended 31 March 2018**

KALYAN JEWELLERS L.L.C.

**Reports and separate financial statements
for the year ended 31 March 2018**

Contents	Page
Directors' report	1
Independent auditor's report	2 - 4
Separate statement of financial position	5
Separate statement of profit or loss and other comprehensive income	6
Separate statement of changes in equity	7
Separate statement of cash flows	8
Notes to the separate financial statements	9 - 41

DIRECTORS' REPORT

The Directors have pleasure in submitting their report, together with the separate audited financial statements of **Kalyan Jewellers L.L.C, United Arab Emirates** (the "Company") for the year ended 31 March 2018.

Principal activities

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

Results

Revenue for the year was AED 1,130,832,361 compared to AED 979,036,579 for the previous year. Profit for the year was AED 26,572,939 (2017: AED 23,658,493).

Auditors

The Directors propose the re-appointment of Deloitte & Touche (M.E.) as external auditors for the year ending 31 March 2019.

Release

The Directors release from liability the Company's management and the external auditor in connection with their duties for the year ended 31 March 2018.

On behalf of the Board of Directors

1-2 Venkatraman

Venkatraman Naduvatramadom
27 August 2018



INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of **Kalyan Jewellers L.L.C.** (the "Company"), which comprise the statement of financial position as at 31 March 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 (a) to the separate financial statements which state that for the year ended 31 March 2018, the Company had a negative working capital, however the shareholder has confirmed their support of the Company for the foreseeable future.

Our opinion is not qualified in respect of this matter.

Other Matter

In accordance with International Financial Reporting Standards (IFRS) 10, *Consolidated Financial Statements*, the Company has not prepared consolidated financial statements since its Parent Company produces consolidated financial statements in compliance with International Financial Reporting Standards (IFRSs).

Cont'd

INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

- we have obtained all the information we considered necessary for the purposes of our audit;
- the separate financial statements of the Company have been prepared and comply, in all material respects, with the applicable provisions of the U.A.E. Federal Law No. (2) of 2015;
- the Company has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the Company's books of account;
- note 7 to the separate financial statements of the Company discloses purchase of investments in shares during the financial year ended 31 March 2018;
- note 12 to the separate financial statements of the Company discloses material related party transactions and the terms under which they were conducted; and
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 March 2018 any of the applicable provisions of the U.A.E. Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 March 2018.

Deloitte & Touche (M.E.)



Musa Ramahi
Registration No. 872
27 August 2018
Dubai
United Arab Emirates



Kalyan Jewellers L.L.C.

Separate Statement of financial position as at 31 March 2018

	Notes	2018 AED	2017 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	15,864,120	13,441,413
Intangible assets	6	51,615,692	34,171,119
Investments in subsidiaries	7	1,162,540	862,540
Additional contribution to subsidiaries	8	288,271,139	288,271,139
Total non-current assets		356,913,491	336,746,211
Current assets			
Inventories	13	363,660,799	253,392,941
Due from related parties	12 (a)	17,850,000	7,000,000
Trade and other receivables	11	189,713,089	101,931,905
Margin deposits	10	41,002,539	5,061,302
Cash and cash equivalents	9	17,271,147	9,957,668
Total current assets		629,497,574	377,343,816
Total assets		986,411,065	714,090,027
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	14	300,000	300,000
Statutory reserve	15	150,000	150,000
Retained earnings		62,939,500	36,366,561
Loan from a shareholder	16	235,000,000	235,000,000
Total shareholders' equity		298,389,500	271,816,561
Non-current liabilities			
Provision for employees' end-of-service indemnity	17	1,313,043	767,184
Loan from a related party	12 (c)	18,555,401	29,335,874
Total non-current liabilities		19,868,444	30,103,058
Current liabilities			
Trade and other payables	18	117,924,806	99,839,728
Loan from a related party	12 (c)	379,125,973	258,073,535
Due to related parties	12 (d)	22,012,900	6,628,968
Bank borrowings	19	148,644,442	46,628,177
Deferred revenue	20	445,000	1,000,000
Total current liabilities		668,153,121	412,170,408
Total liabilities		688,021,565	442,273,466
Total shareholders' equity and liabilities		986,411,065	714,090,027

N. R. Venkataray
Director



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

Kalyan Jewellers L.L.C.

Separate statement of profit or loss and other comprehensive income for the year ended 31 March 2018

	Notes	2018 AED	2017 AED
Revenue	21	1,130,832,361	979,036,579
Cost of sales	22	(990,545,304)	(853,328,677)
Gross profit		140,287,057	125,707,902
Selling, general and administrative expenses	23	(103,987,737)	(90,231,821)
Other income	24	11,941,488	7,401,482
Operating profit for the year		48,240,808	42,877,563
Finance income		87,895	51,697
Finance costs	25	(21,755,764)	(19,270,767)
Net profit for the year		26,572,939	23,658,493
Other comprehensive income		-	-
Total comprehensive income for the year		26,572,939	23,658,493



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

Kalyan Jewellers L.L.C.

Separate statement of changes in equity for the year ended 31 March 2018

	Share capital AED	Statutory reserve AED	Retained earnings AED	Loan from a shareholder AED	Total AED
Balance at 1 April 2016	300,000	150,000	12,708,068	-	13,158,068
Loan from a shareholder				235,000,000	235,000,000
Total comprehensive income for the year	-	-	23,658,493	-	23,658,493
Balance at 31 March 2017	300,000	150,000	36,366,561	235,000,000	271,816,561
Total comprehensive income for the year	-	-	26,572,939	-	26,572,939
Balance at 31 March 2018	300,000	150,000	62,939,500	235,000,000	298,389,500



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

Kalyan Jewellers L.L.C.

Separate statement of cash flows for the year ended 31 March 2018

	2018 AED	2017 AED
Cash flows from operating activities		
Net profit for the year	26,572,939	23,658,493
Adjustments for:		
Finance costs	21,755,764	19,270,767
Depreciation of property, plant and equipment	6,539,097	5,278,289
Royalty income	(7,000,000)	(7,000,000)
Management fee income	(3,850,000)	-
Amortisation of intangible assets	2,455,427	1,925,392
Finance income	(87,895)	(51,697)
Management fee expense	840,000	840,000
Decrease in deferred revenue (customer loyalty points)	(555,000)	(200,000)
Charge for employees' end-of-service indemnity	612,670	229,510
Operating cash flows before changes in operating assets and liabilities	47,283,002	43,950,754
Increase in inventories	(110,267,858)	(51,609,887)
(Increase)/decrease in trade and other receivables	(87,781,184)	32,937,943
Decrease in due from related parties	-	9,123,680
Increase in margin deposits	(35,941,237)	(50,939)
Increase/(decrease) in trade and other payables	18,085,078	(25,503,923)
Increase in due to related parties	14,543,931	45,248,237
Cash (used in)/generated from operations	(154,078,268)	54,095,865
Employees' end-of-service indemnity paid	(66,811)	(30,193)
Interest received	87,895	51,697
Interest paid	(21,755,764)	(3,062,857)
Net cash (used in)/generated from operating activities	(175,812,948)	51,054,512
Cash flows from investing activities		
Additional contribution to subsidiaries	-	(39,864,900)
Payment for investment in subsidiary	(300,000)	-
Payments for intangible assets	(19,900,000)	(5,000,000)
Purchase of property, plant and equipment	(8,961,804)	(1,849,055)
Net cash used in investing activities	(29,161,804)	(46,713,955)
Cash flows from financing activities		
Loans received from a related party	110,271,965	-
Proceeds of loans	340,857,350	-
Repayments of loans	(238,841,085)	(3,208,826)
Net cash generated from/(used in) financing activities	212,288,230	(3,208,826)
Net increase in cash and cash equivalents	7,313,479	1,131,731
Cash and cash equivalents at the beginning of the year	9,957,668	8,825,937
Cash and cash equivalents at the end of the year (note 9)	17,271,147	9,957,668



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

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018

1. General information

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

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

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

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

1(a). Going concern

At 31 March 2018, the Company had negative working capital (excess of current liabilities over current assets) of AED 38,655,547 (2017: AED 34,826,592). These separate financial statements of the Company have been prepared on a "going concern" basis as the shareholder of the Company has committed to provide the necessary financial support to the Company to enable it to continue its operations and discharge its obligations as and when they fall due and therefore do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities. Further the shareholder has agreed to continue the operations of the Company for a period of twelve months from the date of authorization of these separate financial statements. Furthermore, management is working towards securing long terms loans from banks for its future expansion and focusing on improving profitability which will in turn reduce the deficit in working capital.

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

2.1 New and revised IFRS applied with no material effect on the separate financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 April 2017, have been adopted in these separate financial statements.

Amendments to IAS 7 Disclosure Initiative

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Company's liabilities arising from financing activities consist of borrowings (note 19). A reconciliation between the opening and closing balances of these items is provided in note 19. Consistent with the transition provisions of the amendments, the Company has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 19, the application of these amendments has had no impact on the Company's financial statements.

Annual Improvements to IFRS Standards 2014 - 2016 Cycle - Amendments to IFRS 12

The Company has applied the amendments to IFRS 12 included in the Annual Improvements to IFRS 2014 - 2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Company.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal Company that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The application of these amendments has had no effect on the Company's separate financial statements as none of the Company's interests in these entities are classified, or included in a disposal Company that is classified, as held for sale.

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

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

2.2 New and revised IFRS in issue but not yet effective

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

<u>New and revised IFRS</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
Annual Improvements to IFRS Standards 2015 - 2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	1 January 2018
IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014) IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . The standard contains requirements in the following areas: • Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.	1 January 2018

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRS

*Effective for
annual periods
beginning on or after*

IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014) 1 January 2018
(continued)

- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The financial requirements for the derecognition of financial assets and financial liabilities are carried forward from IAS 39.

Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. 1 January 2018

Impact assessment of IFRS 9 *Financial Instruments*

The application of IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's separate financial statements in respect of financial assets and financial liabilities. Management is in the process of assessing the impact of this standard on the separate financial statements.

IFRS 15 *Revenue from Contracts with Customers*

1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

**Notes to the separate financial statements
for the year ended 31 March 2018 (continued)**

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRS

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

IFRS 15 Revenue from Contracts with Customers (continued)

1 January 2018

Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Impact assessment of IFRS 15 Revenue from Contracts with Customers

The application of IFRS 15 may have significant impact on amounts reported and disclosures made in the Company's separate financial statements in respect of revenue from contracts with customers. Management is in the process of assessing the impact of this standard on the separate financial statements.

IFRS 16 Leases

1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Impact assessment of IFRS 16 Leases

The application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's separate financial statements in respect of leases. Management is in the process of assessing the impact of this standard on the separate financial statements.

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

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

2.2 New and revised IFRS in issue but not yet effective (continued)

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's separate financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16 as highlighted in previous paragraphs, may have no material impact on the separate financial statements of the Company in the year of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's separate financial statements for the annual period beginning 1 April 2018 and that IFRS 16 will be adopted in the Company's separate financial statements for the annual period beginning 1 April 2019.

All other IFRSs not yet adopted are not expected to be material.

3. Significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

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

3.3 Investment in subsidiary

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

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

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

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

3. Significant accounting policies (continued)

3.3 Investment in subsidiary (continued)

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

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

3.4 Revenue recognition

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company 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.

Royalty income

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured).

Royalties determined on a time basis are recognised on a straight line basis over the period of the agreement. Royalty arrangement that are based on sales and other measures are recognised by reference to the underlying arrangement.

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

3. Significant accounting policies (continued)

3.4 Revenue recognition (continued)

Customer loyalty programmes

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

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

3.5 Foreign currencies

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

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

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

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

3.6 Inventories

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

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

Cost of unfixed gold 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.

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.

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

3. Significant accounting policies (continued)

3.7 Property, plant and equipment

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

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

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

	Useful life
Computer equipment	5 years
Electrical equipment	5 years
Motor vehicles	5 years
Plant and machinery	5 years
Furniture and fixtures	5 years

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

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

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

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

3.8 Provisions

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

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

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

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

**Notes to the separate financial statements
for the year ended 31 March 2018 (continued)**

3. Significant accounting policies (continued)

3.9 Intangible assets other than goodwill

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if any.

Operating lease rights

Operating lease rights, included in intangible assets, represent the amount paid as premium to obtain key rental locations. These amounts are being amortised over a period of 20 years. Management believes the estimate of the expected useful life of the operating lease rights of 20 years represent their best estimate of the expected tenure of operations at the relevant rental locations.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the separate statement of profit or loss when the asset is derecognised.

3.10 Impairment of tangible and intangible assets other than goodwill

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

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss. An impairment loss on intangible assets with indefinite useful lives is not subsequently reversed.

**Notes to the separate financial statements
for the year ended 31 March 2018 (continued)**

3. Significant accounting policies (continued)

3.10 Impairment of tangible and intangible assets other than goodwill (continued)

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

3.11 Leasing

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 Company 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.

3.12 Employee benefits

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

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

3.13 Financial instruments

3.13.1 Financial Assets

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

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

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

3.13.1 Financial assets (continued)

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.

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 Company 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 Company'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 re-measurement recognised in the separate statement of profit or loss. The net gain or loss recognised in the separate statement of profit or loss incorporates any dividend or interest earned on the financial asset and is included in profit or loss.

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

3.13.1 Financial assets (continued)

Held to maturity

Investments which have fixed or determinable payments with fixed maturities which the Company 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 separate statement of profit or loss 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 Company'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.

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 profit or loss.

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 profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Company'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 profit or loss 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.

**Notes to the separate financial statements
for the year ended 31 March 2018 (continued)**

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

3.13.1 Financial assets (continued)

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, margin deposits, trade and other receivables (excluding prepayments) 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.

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 Company'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.

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 profit or loss in the period.

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

3.13.1 Financial assets (continued)

impairment of financial assets (continued)

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 separate statement of profit or loss 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.

Derecognition of financial assets

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

On derecognition of a financial asset 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.

3.13.2 Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

**Notes to the separate financial statements
for the year ended 31 March 2018 (continued)**

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

3.13.2 Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities (including loan from a related party, bank borrowings, due to related parties and accounts payable and accruals) 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.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company'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 profit or loss.

3.14 Contingent liabilities

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

3.15 Borrowing costs

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

**Notes to the separate financial statements
for the year ended 31 March 2018 (continued)**

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

4.1 Critical judgements in applying accounting policies

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

Revenue recognition

Management has considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18: *Revenue*, and in particular whether the Company had transferred risks and rewards of ownership of the goods. Based on the acceptance by the customer of the liability for the goods sold, management is satisfied that the significant risks and rewards have been transferred and the recognition of the revenue is appropriate.

Loan from a shareholder

Loan from a shareholder represents additional funds provided by the shareholder and is classified as equity. In determining whether the funds/loan from a shareholder is a financial liability or an equity instrument, management has considered the detailed criteria set out in IAS 32 *Financial Instruments: Presentation and disclosure*. Further, management also considered the fact that the funds/loan is interest free, there are no 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.

Intangible asset – key money

Management considers that the acquired key money, encompassing amounts paid to secure key locations to operate their stores in the Middle East, which is separately identifiable and controlled by the Company, has a finite useful life, and is amortised over a useful life of 20 years. Management considers this to have a finite useful life on the basis of an expert's report and that 20 years is a reasonable period over which the asset is expected to generate net cash inflows and of management's assessment of expected tenure of operations at the relevant rental locations.

4.2 Key sources of estimation uncertainty

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

Useful lives and depreciation of property, plant and equipment

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

Leasehold improvements

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

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

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

4.2 Key sources of estimation uncertainty (continued)

Useful lives and amortisation of intangible assets with finite life

Intangible assets, represent the amounts paid as premium (key money deposits) to obtain key rental locations and these amounts are being amortised over a period of 20 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates on a prospective basis. Management believes the estimate of the expected useful life of the operating lease rights of 20 years represents their best estimate of the expected tenure of operations at the relevant rental locations.

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. This determination of whether the receivables are impaired entails management's evaluation of the specific credit and liquidity position of the customers and related parties and their historical recovery rates and review of current economic environment. Management is satisfied that no impairment is required on its trade and other receivables.

Allowance for inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Refer to note 13 for details relating to inventories, allowance for slow moving and obsolete inventories as at the reporting date.

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.

Customer loyalty programmes

The Company has a scheme of reward points on purchase of certain products by customers which can be redeemed at the time of future purchases. Based on management's past experience and analysis of redemption trend since the inception of the scheme, management believes that approximately 6% (2017: 12%) of customer points are redeemed. The provision for customer loyalty programmes is based on this factor at the reporting date. If the redemption trend will increase or decrease in future, corresponding liability will be adjusted.

Kalyan Jewellers L.L.C.

**Notes to the separate financial statements
for the year ended 31 March 2018 (continued)**

5. Property, plant and equipment

	Computer equipment AED	Electrical equipment AED	Motor vehicles AED	Plant and machinery AED	Furniture and fittings AED	Capital work in progress AED	Total AED
Cost							
At 1 April 2016	1,258,090	2,916,372	775,764	213,740	20,170,027	315,378	25,649,371
Additions during the year	114,732	305,124	-	17,665	1,411,534	-	1,849,055
Transfer from capital work-in-progress	-	-	-	315,378	-	(315,378)	-
At 31 March 2017	1,372,822	3,221,496	775,764	546,783	21,581,561	-	27,498,426
Additions during the year	1,692,923	338,354	64,049	87,800	6,778,678	-	8,961,804
At 31 March 2018	3,065,745	3,559,850	839,813	634,583	28,360,239	-	36,460,230
Accumulated depreciation							
At 1 April 2016	461,485	1,081,481	277,253	46,400	6,912,105	-	8,778,724
Charge for the year	256,710	613,886	155,153	106,166	4,146,374	-	5,278,289
At 31 March 2017	718,195	1,695,367	432,406	152,566	11,058,479	-	14,057,013
Charge for the year	454,268	670,216	120,413	170,210	5,123,990	-	6,539,097
At 31 March 2018	1,172,463	2,365,583	552,819	322,776	16,182,469	-	20,596,110
Carrying amount							
At 31 March 2018	1,893,282	1,194,267	286,994	311,807	12,177,770	-	15,864,120
At 31 March 2017	654,627	1,526,129	343,358	394,217	10,523,082	-	13,441,413

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

6. Intangible assets

	Operating lease rights AED
Cost	
As at 1 April 2016	34,160,494
Additions during the year	5,000,000
As at 31 March 2017	39,160,494
Additions during the year	19,900,000
As at 31 March 2018	59,060,494
Accumulated amortisation	
As at 1 April 2016	3,063,983
Charge for the year	1,925,392
As at 31 March 2017	4,989,375
Charge for the year	2,455,427
As at 31 March 2018	7,444,802
Carrying amount	
As at 31 March 2018	51,615,692
As at 31 March 2017	34,171,119

7. Investments in subsidiaries

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

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

The share capital of Kalyan Jewelers for Golden Jewelleries W.L.L., Kuwait is Kuwaiti Dinar 50,000 divided into 100 shares of Kuwaiti Dinar 500 each. Badr Nasser Ali Al-Itaibi, the local shareholder holds 51 shares for the beneficial interest of the Company.

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

7. Investments in subsidiaries (continued)

The share capital of Kalyan Jewelers L.L.C., Qatar is Qatari Riyal 200,000 divided into 200 shares of Qatari Riyal 1,000 each. Nasser Darwish A Mashhadi, the local shareholder holds 102 shares for the beneficial interest of the Company.

The share capital of Kenouz Al Sharq Gold Ind. L.L.C., UAE is United Arab Emirates Dirham 300,000 divided into 300 shares of United Arab Emirates Dirham 1,000 each. Mohammad Hamza Mustafa Mohammad Ali, the local shareholder holds 153 shares for the beneficial interest of the Company.

8. Additional contribution to subsidiaries

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

	2018 AED	2017 AED
Kalyan Jewelers for Golden Jewelleries L.L.C, Kuwait	82,212,450	82,212,450
Kalyan Jewellers L.L.C., Qatar	206,058,689	206,058,689
	<u>288,271,139</u>	<u>288,271,139</u>

9. Cash and cash equivalents

	2018 AED	2017 AED
Cash on hand	960,402	1,476,321
Bank balances - current accounts	16,310,745	8,481,347
	<u>17,271,147</u>	<u>9,957,668</u>

10. Margin deposits

Margin deposits amounting to AED 41.0 million (2017: AED 5.1 million) has been maintained against the borrowings during the year (note 19). Margin deposits earn interest at a rate between 0% and 0.15% per annum (2017: 0.15% per annum).

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

11. Trade and other receivables

	2018 AED	2017 AED
Trade receivables – related party [note 12(b)]	57,350,921	41,130,618
Trade receivables – others	29,683,217	3,081,433
	87,034,138	44,212,051
Advances to suppliers	50,182,085	14,580,632
Prepaid advertising expenses	15,812,413	24,028,981
Deposits	21,122,648	13,512,427
Prepayments	15,561,805	5,597,814
	189,713,089	101,931,905

Trade receivables from a related party are repayable on demand and is not interest bearing. Management believes that there is no credit risk as the amount is receivable from its subsidiary and entity under common control.

Trade receivables – others, represents amounts receivable from third parties and receivables from credit card companies as at the reporting date. The average credit period for receivables from third parties is 30 days (2017: 30 days). The Company's trade receivable balances from third parties are neither past due nor impaired.

Credit card receivables are realised within three working days. Credit card receivables has been pledged with a bank against the borrowings availed by the Company (note 19).

12. Related party transactions

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

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

	2018 AED	2017 AED
(a) Due from related parties		
<i>Subsidiaries</i>		
Kalyan Jewellers for Golden Jewelries L.L.C, Kuwait	8,350,000	3,500,000
Kalyan Jewellers L.L.C., Qatar	9,500,000	3,500,000
	17,850,000	7,000,000

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

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

12. Related party transactions (continued)

	2018 AED	2017 AED
(b) Disclosed as trade receivables		
<i>Subsidiary</i>		
Kalyan Jewelers for Golden Jewelries L.L.C, Kuwait (note 11)	55,261,718	41,130,618
Kenouz Al Sharq Gold Ind. L.L.C. (note 11)	1,297,499	-
<i>Entity under common control</i>		
Kalyan Jewellers U.S.A. (note 11)	791,704	-
	<u>57,350,921</u>	<u>41,130,618</u>
(c) Loan from a related party		
<i>Parent Company</i>		
Kalyan Jewellers FZE		
- Gold loan [note 12(c)(i)]	276,911,514	258,073,535
- Other loans [note 12(c)(ii)]	120,769,860	29,335,874
	<u>397,681,374</u>	<u>287,409,409</u>
- Less: Other loans (non-current portion)	(18,555,401)	(29,335,874)
	<u>379,125,973</u>	<u>258,073,535</u>
i. The Company availed gold loans amounting to AED 276.9 million (2017: AED 258 million) as at the end of the reporting period from the Parent Company. The interest rates on gold loans range from 2% to 2.5% per annum (2017: from 2% to 2.5% per annum) and the tenure of the gold loan is 12 months (2017: between 45 days to 12 months). The loans are guaranteed by standby letters of credit issued by the bank of the Ultimate Parent Company to the bullion banks. Gold received from the Parent Company is on an unfixed basis, and aggregates to 1,775 Kgs (2017: 1,767 Kgs) as at the end of the reporting period and has been revalued at the closing bullion rate of AED 156 per gram (2017: 146 per gram).		
ii. Other loans carry an interest rate of 6% per annum [2017: 6% per annum]. As at 31 March 2018, an amount of AED 18,555,401 (2017: AED 29,335,874) is repayable by 31 March 2022.		
(d) Due to related parties		
	2018 AED	2017 AED
<i>Ultimate Parent Company</i>		
Kalyan Jewellers India (P) Limited	3,457,499	6,628,968
<i>Parent Company</i>		
Kalyan Jewellers FZE	18,555,401	-
	<u>22,012,900</u>	<u>6,628,968</u>

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

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

12. Related party transactions (continued)

	2018 AED	2017 AED
(e) Disclosed as trade payables		
<i>Subsidiary</i>		
Kalyan Jewellers L.L.C., Qatar (note 18)	<u>13,091,783</u>	<u>9,396,356</u>
(f) Transactions with related parties during the year		
	2018 AED	2017 AED
<i>Ultimate Parent Company</i>		
Sales	<u>-</u>	<u>16,409,677</u>
<i>Parent Company</i>		
Interest expense (note 25)	<u>16,248,908</u>	<u>16,207,910</u>
Management fee expense (note 23)	<u>840,000</u>	<u>840,000</u>
<i>Ultimate Parent Company</i>		
Purchases	<u>-</u>	<u>7,071,979</u>
<i>Subsidiaries</i>		
Sales	239,199,867	259,142,602
Royalty income [note 24 & 12 (g)]	7,000,000	7,000,000
Management fee income (note 24)	3,850,000	-
Purchases	<u>38,558,590</u>	<u>29,935,656</u>

(g) Royalty income represent amounts charged to subsidiaries respectively for the use of the Kalyan Jewellers brand.

Key management remuneration:

	2018 AED	2017 AED
Salaries and other benefits		
- Short-term	1,554,275	293,671
- Long-term	<u>23,246</u>	<u>11,428</u>

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

13. Inventories

	2018 AED	2017 AED
Bullion – unfixed (a)	20,009,730	2,962,263
Gold jewellery – unfixed (b)	204,326,753	178,572,378
Scrap gold	1,525,032	2,344,896
Diamond jewellery	119,961,710	51,796,019
Making charges on gold jewellery	16,558,858	8,386,925
Promotion stock	451,508	-
	<u>362,833,591</u>	<u>244,062,481</u>
Stock-in-transit (c)	827,208	9,330,460
	<u>363,660,799</u>	<u>253,392,941</u>

- a) Unfixed bullion represents 128,268 grams (2017: 20,151 grams) of bullion received from suppliers.
- b) The Company purchases gold jewellery by exchanging equivalent bullion for the value of gold used in those jewellerys and the related making charges are paid as per credit terms.

Unfixed gold jewellery represents 1,319,562 grams (2017: 1,234,610 grams) of gold amounting to AED 206.0 million (2017: AED 180.9 million), which is valued at a bullion price of AED 156 per gram prevailing as at 31 March 2018 (2017: AED 147 per gram).

The corresponding liability for unfixed gold has been recognised at the closing bullion rate as at 31 March 2018 [notes 19 and 12(c)].

- c) Stock-in-transit represents purchases of gold jewellery from related parties that is in transit as at the reporting date.

14. Share capital

The authorised, issued and fully paid up share capital of the Company comprise three hundred shares of AED 1,000 each. The shareholding of the Company at 31 March 2018 and 31 March 2017 is given below:

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

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

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

15. Statutory reserve

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

16. Shareholder's account

The shareholder's current account at 31 March 2018 represents an amount of AED 235 million (2017: AED 235 million), which is due to a principal shareholder (Kalyan Jewellers FZE). This amount is interest free, has no fixed repayment term and repayment is at the discretion of the issuer (note 4.1).

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

	2018 AED	2017 AED
Balance at the beginning of the year	767,184	567,867
Charge for the year	612,670	229,510
Payments made during the year	(66,811)	(30,193)
Balance at the end of the year	1,313,043	767,184

18. Trade and other payables

	2018 AED	2017 AED
Trade payables – related parties [note 12(e)]	13,091,783	9,396,356
Trade payables – others	85,495,750	39,927,182
Payables for unfixed gold jewellery	-	32,628,116
Advances from customers	15,392,501	16,307,221
Accrued expenses	3,944,772	1,580,853
	117,924,806	99,839,728

19. Bank borrowings

	2018 AED	2017 AED
Suppliers invoice financing [note 19 (a)]	74,535,726	-
Murabaha loan [note 19 (b)]	49,879,319	46,628,177
Overdraft [note 19 (c)]	24,229,397	-
	148,644,442	46,628,177

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

19. Bank borrowings (continued)

- a) The Company has a supplier's invoice financing facility with a limit of AED 75 million (2017: AED Nil) of which AED 74.5 million (2017: AED Nil) was utilised as of reporting date. This facility is an invoice financing agreement and to be repaid within 12 months. The facility has an interest rate of 5.50% per annum (2017: Nil).

Suppliers invoice financing facility is secured by margin deposits amounting to AED 35.9 million [2017: Nil] (note 10) corporate guarantees from the Ultimate Parent Company and the Parent Company, standby letter of credit amounting to 35% of the total funds availed less margin deposit (note 10), daily sales collection of 5 stores and a security cheque equivalent to the total facility amount.

- b) The Company has a Murabaha loan facility with a limit of AED 50.0 million (2017: AED 50.0 million) of which AED 49.9 million (2017: AED 46.6 million) was utilised as of reporting date. These facilities are availed for payment of trade liabilities owed to the suppliers and are required to be repaid within 90 days (2017: 90 days). The Murabaha loan is at a profit rate of 6% per annum (2017: 6% per annum).

Murabaha loans are secured by margin deposits amounting to AED 5.158 million [2017: AED 5,061 million] (note 10) corporate guarantees from the Ultimate Parent Company and the Parent Company, credit card receivables amounting to AED 0.6 million [2017: AED 2.2 million] (note 11) and a personal guarantee from Mr. T.S. Kalyanaraman (a shareholder of the Ultimate Parent Company).

- c) The Company has an overdraft facility with a limit of AED 25 million (2017: AED Nil) of which AED 24.2 million (2017: AED Nil) was utilised as of reporting date. These facilities are availed for payment of trade liabilities owed to the suppliers and are required to be repaid within 12 months (2017: Nil). The facility has an interest rate of 5.50% per annum (2017: Nil).

Reconciliation of liabilities arising from financing activities:

	1 April 2017 AED	Financing cash flows Proceeds AED	Repayments AED	Other changes AED	31 December 2017 AED
Bank borrowings	46,628,177	340,857,350	(238,841,085)	-	148,644,442

20. Deferred revenue

	2018 AED	2017 AED
Arising from customer loyalty programme	445,000	1,000,000
	445,000	1,000,000

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

20. Deferred revenue (continued)

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

	2018 AED	2017 AED
Balance at the beginning of the year	1,000,000	1,200,000
Charge for the year	1,242,124	2,331,233
Redemptions during the year	(1,797,124)	(2,531,233)
Balance at the end of the year	445,000	1,000,000

- (i) The deferred revenue arises in respect of the Company's Customer Loyalty Programme Scheme and is recognised in accordance with IFRIC 13 *Customer Loyalty Programmes*.

21. Revenue

	2018 AED	2017 AED
Gross revenue from gold jewellery and diamond ornaments	1,132,074,485	981,367,812
Less : Customer loyalty points awarded	(1,242,124)	(2,331,233)
	1,130,832,361	979,036,579

22. Cost of sales

	2018 AED	2017 AED
Inventories at the beginning of the year	253,392,941	201,783,054
Purchases of bullion	564,496,173	600,615,287
Purchases of gold and diamond jewellery	489,430,003	269,725,325
Making charges	27,317,509	30,913,651
Packing materials	1,442,632	1,625,007
Other direct costs	18,126,845	2,059,294
	1,354,206,103	1,106,721,618
Inventories at the end of the year (note 13)	(363,660,799)	(253,392,941)
	990,545,304	853,328,677

Kalyan Jewellers L.L.C.**Notes to the separate financial statements
for the year ended 31 March 2018 (continued)****23. Selling, general and administrative expenses**

	2018 AED	2017 AED
Advertisement expenses	33,889,664	37,695,716
Salaries and other benefits	23,557,836	15,999,057
Rent (note 26)	14,042,057	11,711,305
Bank charges	3,747,564	8,407,355
Depreciation and amortisation	8,994,524	7,203,681
Utilities	4,222,844	1,379,474
Legal and professional fees	3,368,445	1,156,140
Sales promotion	362,601	128,898
Traveling and communication	2,907,130	1,986,500
Security services	1,212,763	1,080,672
Management fee expense [note 12(f)]	840,000	840,000
Consultancy fee	568,500	111,705
Others	6,273,809	2,531,318
	<u>103,987,737</u>	<u>90,231,821</u>

24. Other income

	2018 AED	2017 AED
Royalty income [note 12(f)]	7,000,000	7,000,000
Management fee income [note 12(f)]	3,850,000	-
Other income	951,296	288,575
Exchange gain	140,192	112,907
	<u>11,941,488</u>	<u>7,401,482</u>

25. Finance costs

	2018 AED	2017 AED
Interest expense	<u>21,755,764</u>	<u>19,270,767</u>

26. Operating lease arrangements

	2018 AED	2017 AED
Minimum lease payments under operating leases recognised as expenses for the year (note 23)	<u>14,042,057</u>	<u>11,711,305</u>

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

26. Operating lease arrangements (continued)

At the end of the reporting period, the Company has commitments under non-cancellable operating leases for its showroom, which fall due as follows:

	2018 AED	2017 AED
Not later than one year	8,855,013	5,320,020
Between one and four years	3,009,538	1,281,000
	<u>11,864,551</u>	<u>6,601,020</u>

27. Financial instruments

a) Significant accounting policies

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

b) Categories of financial instruments

	2018 AED	2017 AED
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	<u>184,280,472</u>	<u>79,743,448</u>
Financial liabilities at amortised cost		
At amortised cost	<u>291,745,048</u>	<u>133,497,410</u>

c) Fair value of financial instruments

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

28. Financial risk management

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

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

28. Financial risk management (continued)

(a) Credit risk management

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

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

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

Further details of credit risks on trade and other receivables are discussed in note 11 to the separate financial statements.

(b) Exchange rate risk management

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

(c) Liquidity risk management

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

Liquidity risk tables

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

Kalyan Jewellers L.L.C.

**Notes to the separate financial statements
for the year ended 31 March 2018 (continued)**

28. Financial risk management (continued)

(c) Liquidity risk management (continued)

Liquidity risk tables (continued)

	Interest rate %	Less than 1 month AED	1-3 months AED	3 months - 1 year AED	Between 2 to 5 years AED	5+ years AED	Total AED	Carrying amount AED
2018								
Fixed interest rate instruments	5.5% - 6%	-	52,872,078	-	-	-	52,872,078	49,879,319
Variable interest rate instruments	4%	44,577,862	38,758,578	19,379,289	-	-	102,715,729	98,765,124
Non-interest bearing instruments	-	124,545,205	-	-	18,555,401	-	143,100,606	143,100,605
		<u>169,123,067</u>	<u>91,630,656</u>	<u>19,379,289</u>	<u>18,555,401</u>	<u>-</u>	<u>298,688,411</u>	<u>291,745,048</u>
2017								
Fixed interest rate instruments	6%	-	49,425,868	-	-	-	49,425,868	46,628,177
Non-interest bearing instruments	-	57,533,359	-	-	29,335,874	-	86,869,233	86,869,233
		<u>57,533,359</u>	<u>49,425,868</u>	<u>-</u>	<u>29,335,874</u>	<u>-</u>	<u>136,295,101</u>	<u>133,497,410</u>

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

28. Financial risk management (continued)

(c) Liquidity risk management (continued)

Liquidity risk tables (continued)

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

	Interest interest rate %	Less than 1 month AED	1-3 months AED	3 months - 1 year AED	Between 5 years AED	5+ years AED	Total AED	Carrying amount AED
2018								
Fixed interest rate instruments	0.15%	35,907,781	5,156,262	-	-	-	41,064,043	41,002,539
Non-interest bearing instruments		143,277,933	-	-	-	-	143,277,933	143,277,933
		<u>179,185,714</u>	<u>5,156,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,341,976</u>	<u>184,280,472</u>
2017								
Fixed interest rate instruments	0.15%	-	5,068,894	-	-	-	5,068,894	5,061,302
Non-interest bearing instruments	-	74,682,146	-	-	-	-	74,682,146	74,682,146
		<u>74,682,146</u>	<u>5,068,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,751,040</u>	<u>79,743,448</u>

Kalyan Jewellers L.L.C.

Notes to the separate financial statements for the year ended 31 March 2018 (continued)

28. Financial risk management (continued)

(d) Interest rate risk management

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

If interest rate had been 50 basis point higher/lower and all other variables were held constant, the Company's profit for the year ended 31 March 2018 would not increase/decrease as there are no variable interest rate bearing liabilities.

(e) Commodity risk management

The Company is exposed to price risk on both sales and purchases of gold inventory. As at 31 March 2018, there are no significant exposures to the commodity price risk on financial assets and financial liabilities as gold inventory is on unfixed basis which hedges the inventory to variances in the gold price rate.

29. Capital risk management

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

30. Non-cash transactions

	2018 AED	2017 AED
Additional contribution to subsidiaries	-	39,864,900
Related party loan converted to shareholder account	-	235,000,000
Interest expense on loans from a related party	-	16,207,910
	<u> </u>	<u> </u>

31. Approval of the separate financial statements

The separate financial statements were approved by the directors and authorised for issue on 27 August 2018.