KRISHNAMOORTHY & KRISHNAMOORTHY
CHARTERED ACCOUNTANTS

2B, 'Aashiyana'
Paliyam Road, Thrissur - 680 001
Phone : 0487- 2321485
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To

The Board of Directors
Kalyan Jewellers India Limited
TC 32 / 204 / 2, Sitaram Mill Road
Punkunnam, Thrissur - 680 002

Dear Sirs,

We have verified the annexed translated version of the audited financial statements **of Kalyan Jewellers L.L.C** (the "Company") for the year ended **March 31, 2019** ("Financial Year"). These financial statements have been translated by the Company in Indian Rupee in accordance with Ind AS 21 – The Effect of Changes in Foreign Currency Rates. The work carried out by us is in accordance with the Standard on Related Service (SRS) 4400 i.e. "Engagements to perform Agreed-Upon Procedures regarding financial information" issued by the Institute of Chartered Accountants of India.

As required by Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulation") we have verified the translated financial information contained in the Annexure attached to this certificate which is proposed to be uploaded on the website of Kalyan Jewellers India Limited in connection with its proposed initial public offering of Equity shares.

We did not audit the financial statements of **Kalyan Jewellers L.L.C**. These financial statements have been audited by other audit firms, whose reports have been furnished to us by the company.

These financials should not in any way be constructed as a reissuance or re-dating of any of the previous audit reports, nor should these be constructed as a new opinion on any of the audited financial statements referred to herein.

These financials are intended solely for use by the management for uploading on website of Kalyan Jewellers India Limited in connection with the proposed IPO of the Company. Our certificate should not be used, referred to or distributed for any other purpose except with our prior consent in writing.

For Krishnamoorthy & Krishnamoorthy
Chartered Accountants
ICAI Firm Registration No: 001488S

K. J. Narayanan
Partner
Membership No. 202844
Place: Thrissur
Date: 22.08.2020
UDIN: 20202844AAAAEY4399

KRISHNAMOORTHY & KRISHNAMOORTHY CHARTERED ACCOUNTANTS THRISSUR

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

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

KALYAN JEWELLERS L.L.C.

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

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report, together with the audited separate financial statements of **Kalyan Jewellers L.L.C, United Arab Emirates** (the "Company") for the year ended 31 March 2019.

Principal activities

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

Results

Revenue for the year ended 31 March 2019 was INR 1652,83,44,689 compared to INR 1982,39,43,621 for the previous year. Profit for the year was INR 35,77,52,139 (2018: INR 46,58,34,250).

Auditors

The Directors propose the re-appointment of Deloitte & Touche (M.E.) as external auditors for the year ending 31 March 2020.

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 2019.

On behalf of the Board of Directors

Venkatraman Naduvatramadom
1 August 2019

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 2019 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Other 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).

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.

Cont'd

INDEPENDENT AUDITOR'S REPORT (continued)

Other Information (continued)

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.

- 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.

Cont'd

INDEPENDENT AUDITOR'S REPORT (continued)

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

- 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 2019 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 2019.

Deloitte & Touche (M.E.)

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

Kalyan Jewellers L.L.C.

Separate Statement of financial position
as at 31 March 2019

	Notes	2019 INR	2018 INR
ASSETS			
Non-current assets			
Property, plant and equipment	5	**55,04,95,959**	28,03,76,111
Intangible assets	6	**-**	91,22,35,095
Right-of-use assets	13	**160,65,20,559**	-
Investments in subsidiaries	7	**2,193,6,897**	2,05,46,267
Additional investments subsidiaries	8	**543,96,18,739**	509,47,88,802
Total non-current assets		**761,85,72,154**	630,79,46,275
Current assets			
Inventories	15	**549,88,65,363**	642,71,95,497
Due from related parties	12 (a)	**25,18,63,750**	31,54,73,760
Trade and other receivables	11	**253,00,57,859**	335,29,13,250
Margin deposits	10	**113,67,54,076**	72,46,62,473
Cash and cash equivalents	9	**22,51,20,639**	30,52,43,344
Total current assets		**964,26,61,687**	1112,54,88,324
Total assets		**1726,12,33,841**	1743,34,34,598
EQUITY AND LIABILITIES			
Equity			
Share capital	16	5,030,850	50,30,850
Statutory reserve	17	2,701,500	27,01,500
Retained earnings		1,616,748,983	112,74,20,391
Loan from a shareholder	18	4,145,400,000	414,54,00,000
Foreign Currency Translation Reserve		356,645,961	(6,93,6,074)
Total equity		**6,126,527,294**	527,36,16,667
Non-current liabilities			
Provision for employees' end-of-service indemnity	19	**29,57,55,62**	2,32,06,197
Lease liabilities	14	**2,15,53,765**	-
Loan from a related party	12 (c)	**-**	32,79,40,735
Total non-current liabilities		**5,11,29,327**	35,11,46,932
Current liabilities			
Trade and other payables	20	**108,13,71,478**	208,41,55,851
Lease liabilities	14	**8,73,61,287**	-
Loan from a related party	12 (c)	**631,91,78,875**	670,05,20,796
Due to related parties	12 (d)	**78,63,59,119**	38,90,47,189
Bank borrowings	21	**280,76,62,658**	262,70,82,410
Deferred revenue	22	**16,43,805**	78,64,752
Total current liabilities		**1108,35,77,221**	1180,86,70,999
Total liabilities		**1113,47,06,548**	1215,98,17,931
Total equity and liabilities		**1726,12,33,841**	1743,34,34,598

....
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 2019

	Notes	2019 INR	2018 INR
Revenue	23	**1652,83,44,689**	1982,39,43,621
Cost of sales	24	**(1443,43,01,091)**	(1736,46,55,397)
Gross profit		**209,40,43,598**	**245,92,88,224**
Selling, general and administrative expenses	25	**(134,66,03,105)**	(182,29,46,625)
Other income	26	**20,87,23,809**	20,93,39,061
Operating profit for the year		**95,61,64,301**	**84,56,80,661**
Finance income		**2,02,74,987**	15,40,835
Finance costs	27	**(61,86,87,150)**	(38,13,87,245)
Net profit for the year		**35,77,52,139**	**46,58,34,250**
Other comprehensive income		**--**	**--**
Total comprehensive income for the year		**35,77,52,139**	**46,58,34,250**

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 2019

	Share capital INR	Statutory reserve INR	Retained earnings INR	Loan from a shareholder INR	Foreign Currency Translation Reserve INR	Total INR
Balance at 1 April 2017	50,30,850	27,01,500	66,15,86,142	414,54,00,000	(1,98,74,356)	4794844,136
Total comprehensive income for the year	-		46,58,34,250	-		46,58,34,250
Movement in FCTR	-		-	-	1,29,38,281	129,38,281
Balance at 31 March 2018	50,30,850	27,01,500	112,74,20,391	414,54,00,000	(69,36,074)	527,36,16,667
Impact of IFRS 16 adjustments (Note 2)	-		13,15,76,453	-		13,15,76,453
Total comprehensive income for the year	-		35,77,52,139	-		35,77,52,139
Movement in FCTR	-		-	-	36,35,82,035	36,35,82,035
Balance at 31 March 2019	**50,30,850**	**27,01,500**	**161,67,48,983**	**414,54,00,000**	**35,66,45,961**	**612,65,27,294**

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 2019

	2019	2018
	INR	INR
Cash flows from operating activities		
Net profit for the year	**35,77,52,139**	46,58,34,250
Adjustments for:		
Impact on Retained earning IFRS 16	**13,15,76,453**	-
Finance costs - borrowings	**60,99,63,897**	38,13,87,245
Finance costs – lease liabilities	**87,23,253**	-
Depreciation of property, plant and equipment	**5,99,64,960**	11,46,33,182
Depreciation of right-of-use assets	**19,00,55,532**	-
Loss on disposal or property, plant and equipment	**66,28,795**	-
Royalty income	**(13,29,27,200)**	(12,27,12,800)
Management fee income	**(7,31,09,960)**	(6,74,92,040)
Amortization of intangible assets	**-**	4,30,44,691
Finance income	**- (2,02,74,987)**	(15,40,835)
Management fee expense	**1,59,51,264**	1,47,25,536
Decrease in deferred revenue (customer loyalty points)	**(67,96,131)**	(97,29,372)
Charge for employees' end-of-service indemnity	**66,67,514**	1,07,40,350
Foreign Currency translation reserve	**34,42,27,073**	1,26,26,247
Operating cash flows before changes in operating assets and liabilities	**149,84,02,601**	84,15,16,455
Decrease/(increase) in inventories	**92,83,30,134**	(195,73,44,018)
Decrease/(increase) in trade and other receivables	**102,88,92,551**	(136,46,29,606)
Decrease in due from related parties	**6,36,10,010**	(19,19,93,760)
Increase in margin deposits	**(41,20,91,603)**	(63,53,81,106)
(Decrease)/increase in trade and other payables	**(101,66,31,855)**	30,83,25,149
Increase in due to related parties	**39,73,11,929**	27,21,12,194
Cash generated from / (used in) operations	**248,78,23,767**	(272,73,94,692)
Employees' end-of-service indemnity paid	**(18,26,748)**	(11,80,791)
Interest received	**2,02,74,987**	15,40,835
Interest paid	**(6,186,87,150)**	(38,13,87,245)
Net cash generated from / (used in) operating activities	**188,75,84,856**	(310,84,21,893)
Cash flows from investing activities		
Payment for investment in subsidiary	**(34,62,20,567)**	(1,50,16,972)
Payments for intangible assets	**-**	(35,17,04,640)
Purchase of property, plant and equipment	**(31,73,16,821)**	(15,83,87,339)
Payment for disposal of PPE	**(41,819)**	
Payments for right-of-use assets	**(58,65,69,420)**	-

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 2019

Net cash used in investing activities	**(1,2501,48,627)**	-52,51,08,951
Cash flows from financing activities		
Loans (repaid) / received from a related party	**(7092,82,656)**	195,85,59,557
Payment of lease liabilities	**(1888,56,525)**	-
Proceeds of loans	**194044,31,361**	602,57,43,168
Repayments of loans	**(192238,51,114)**	-422,11,81,800
Net cash (used in) / generated from financing activities	**(7175,58,934)**	376,31,20,925
Net (decrease)/increase in cash and cash equivalents	**(801,22,705)**	12,95,90,080
Cash and cash equivalents at the beginning of the year	**3052,43,344**	17,56,53,264
Cash and cash equivalents at the end of the year (Note 9)	**2251,20,639**	30,52,43,344

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

1. General information

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

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

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

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

1(a). Going concern

At 31 March 2019, the Company had negative working capital (excess of current liabilities over current assets) of INR 144,09,15,534 (2018: INR 68,31,83,062). 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. Also, 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. Also, 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 ("IFRSs")

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

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

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

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

Impact of initial application of IFRS 9 *Financial Instruments*

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

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

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

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

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

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

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

(a) Classification and measurement of financial assets

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

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

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

- financial assets classified as loans and receivables under IAS 39 that were measured at amortized cost (i.e. due from related parties, trade and other receivables, margin deposits and cash and cash equivalents) continue to be measured at amortized cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.
- equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been designated as at FVTOCI. The change in fair value on these equity instrument continues to be accumulated in the investment revaluation reserve;
- there is no change in the Company's investments in equity instruments that are held for trading; those instruments were and continue to be measured at FVTPL.

(b) Impairment of financial assets

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

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

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

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

(b) Impairment of financial assets (continued)

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

1) Trade and other receivables (excluding prepayments)
2) Cash and cash equivalents
3) Margin deposits
4) Due from related parties

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

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

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Company's exposure to credit risk in the financial statements (see Note 29 for details) but have not been generally applied to the comparative information.

(c) Classification and measurement of financial liabilities

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

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

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

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

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

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

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

(d) General hedge accounting

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

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

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

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

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

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

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

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

The Company's accounting policies for its revenue streams are disclosed in detail in Note 3 below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company.

The opening balance of retained earnings has not been restated as the impact is immaterial.

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

Impact of early adoption of IFRS 16 *Leases*

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

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

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

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

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

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

The Company *as lessee*

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

a) Impact of the new definition of a lease

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

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

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 April 2018 (whether it is a lessor or a lessee in the lease contract).

b) Impact on lessee accounting

Former operating leases

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

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

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

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

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

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

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

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

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

c) Financial impact of initial application of IFRS 16

The table below show the amount of adjustment for each financial statement line item affected by early adoption of IFRS 16 in the current year.

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

	As if IAS 17 still applied INR	IFRS 16 adjustments INR	Opening balance INR
Right-of-use assets	-	133,85,39,432	133,85,39,432
Intangible assets	91,22,35,610	(91,22,35,610)	-
Trade and other receivables	335,29,15,147	(2,38,31,432)	332,90,83,715
Net impact on total assets	**426,51,50,757**	**40,24,72,390**	**466,76,23,147**
Lease liabilities	-	27,08,95,863	27,08,95,863
Net impact on total liabilities	-	27,08,95,863	27,08,60,515
Retained earnings	-	13,15,76,527	13,15,76,527
Total impact on total liabilities and equity		**40,24,72,390**	

Impact on assets, liabilities and equity as at 31 March 2019:

	As if IAS 17 still applied INR	IFRS 16 adjustments INR	As presented INR
Right-of-use assets	-	160,65,20,559	160,65,20,559
Intangible assets	134,02,20,054	(134,02,20,054)	-
Trade and other receivables	254,33,43,708	(1,32,85,849)	253,00,57,859
Net impact on total assets	**388,35,63,761**	**25,30,14,657**	**413,65,78,418**
Lease liabilities	-	1,08,91,5051	10,89,15,051
Net impact on total liabilities	-	10,89,15,051	10,89,15,051
Retained earnings	-	14,40,99,605	14,40,99,605
Total impact on total liabilities and equity		**25,30,14,657**	

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

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

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

c) Financial impact of initial application of IFRS 16 (continued)

Impact on profit/loss for the year ended 31 March 2019:

	2019 INR
Increase in depreciation expenses	19,00,55,532
Increase in finance costs	87,23,253
Decrease in rental expenses	(20,24,19,432)
Decrease in profit for the year	**(36,40,648)**
Decrease in other comprehensive income for the year	**(36,40,648)**

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and leases liabilities. It resulted in a decrease in other expense and an increase in depreciation expense and in interest expense.

The application of IFRS 16 has an impact on the statement of cash flows of the Company.

Under IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities (the Company has included these payments as part of payments to suppliers and employees);
- Cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Company has opted to include the interest paid as part of operating activities); and
- Cash payments for the principal portion for leases liability, as part of financing activities.

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

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

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

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

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

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

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

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

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

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at 1 January 2021.	1 January 2021

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	
The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.	1 January 2019
These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*	1 January 2019
The *Annual Improvements* include amendments to four Standards.	1 January 2019
IAS 12 *Income Taxes*	1 January 2019
The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	
IAS 23 *Borrowing costs*	1 January 2019
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	
IFRS 3 *Business Combinations*	1 January 2019
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 11 *Joint Arrangements*	1 January 2019
The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	
All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.	
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:	

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

Management anticipates that these new and revised standards, interpretations and amendments will be adopted in the Company's financial statements for the period of initial application and adoption of these new and revised standards, interpretations and amendments, may have no material impact on the financial statements of the Company in the period of initial application.

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

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. Significant accounting policies (continued)

3.2 Basis of preparation

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

3.3 Investment in subsidiary

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

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

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

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

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

3.4 Revenue recognition

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

Sale of goods

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

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

Royalty income

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

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

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

3. Significant accounting policies (continued)

3.4 Revenue recognition (continued)

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.

Customer loyalty programmes

Accounting policy applied before 1 April 2018

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.

3. Significant accounting policies (continued)

3.5 Foreign currencies (continued)

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

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

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

3.6 Inventories

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

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

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

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

3.7 Property, plant and equipment

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

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

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

Useful life	**2019**	2018
Computer equipment	**3 years**	5 years
Electrical equipment	**10 years**	5 years
Motor vehicles	**10 years**	5 years
Plant and machinery	**15 years**	5 years
Furniture and fixtures	**10 years**	5 years

For impact of change in accounting estimate please refer to Note 4.2.

3. Significant accounting policies (continued)

3.7 Property, plant and equipment (continued)

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

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

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

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

3.8 Provisions

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

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

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

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

3.9 Intangible assets other than goodwill

Accounting policy applied before 1 April 2018

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.

3. Significant accounting policies (continued)

3.9 Intangible assets other than goodwill (continued)

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.

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

Accounting policy applied after 1 April 2018

The Company as lessee

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

3. Significant accounting policies (continued)

3.11 Leasing (continued)

Accounting policy applied after 1 April 2018 (continued)

The Company as lessee (continued)

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

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

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

The above adjustments do not effect the periods presented.

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

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

3. Significant accounting policies (continued)

3.11 Leasing (continued)

Accounting policy applied after 1 April 2018 (continued)

The Company as lessee (continued)

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

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

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

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

Accounting policy applied before 1 April 2018

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

Assets held under finance leases are recognised as assets of the 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. Significant accounting policies (continued)

3.13 Financial instruments

Accounting policy applicable from 1 April 2018

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

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

Financial assets

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

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

Classification of financial assets

(i) Debt instruments designated at amortised cost

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

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

(ii) Debt instrument designated at other comprehensive income

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

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

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

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

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Accounting policy applicable from 1 April 2018 (continued)

Financial assets (continued)

Amortised cost and effective interest rate method

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

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

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

Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

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

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

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.
The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9 (see Note 2).

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Accounting policy applicable from 1 April 2018 (continued)

Financial assets (continued)

Financial assets at FVTPL

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

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

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

Impairment of financial assets

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

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

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

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

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Accounting policy applicable from 1 April 2018 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

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

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

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

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

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

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Accounting policy applicable from 1 April 2018 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets (continued)

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

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

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

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

Derecognition of financial assets

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

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Accounting policy applicable from 1 April 2018 (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

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

Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

Financial liabilities measured subsequently at amortised cost

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

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

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Accounting policy applicable from 1 April 2018 (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

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

Accounting policy applied before 1 April 2018

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.

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.

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Accounting policy applied before 1 April 2018 (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

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.

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.

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Accounting policy applied before 1 April 2018 (continued)

Financial assets (continued)

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

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.

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

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Accounting policy applied before 1 April 2018 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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.

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Accounting policy applied before 1 April 2018 (continued)

Financial assets (continued)

Derecognition of financial assets

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

On derecognition of a financial asset 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.

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'.

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.

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Accounting policy applied before 1 April 2018 (continued)

Financial liabilities and equity instruments (continued)

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.

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.

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

4.1 Critical judgements in applying accounting policies (continued)

Revenue recognition

Critical judgements applied after 1 April 2018

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

Critical judgements applied before 1 April 2018

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

Critical judgements applied before 1 April 2018

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.

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

4.2 *Key sources of estimation uncertainty* (continued)

Useful lives and depreciation of property, plant and equipment (continued)

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.

Useful lives and amortisation of intangible assets with finite life

Key sources of estimation uncertainty applied before 1 April 2018

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.

Calculation of loss allowance

Key sources of estimation uncertainty applied after 1 April 2018

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

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

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

Key sources of estimation uncertainty applied before 1 April 2018

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.

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

4.2 *Key sources of estimation uncertainty* (continued)

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 15 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

Key sources of estimation uncertainty applied before 1 April 2018

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% of customer points are redeemed. The provision for customer loyalty programmes is based on this factor at the prior reporting date. If the redemption trend will increase or decrease in future, corresponding liability will be adjusted. The customer loyalty programme has been discontinued and the liability written back.

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

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

Incremental borrowing rate

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

Information on the carrying amount of right-of-use asset and lease liabilities and sensitivity of those amounts to changes in discount rates are provided in Note 13.

Residual value of right-of-use assets

The Company's management has determined that the residual value of the right-of-use assets is equivalent to the key money paid at the commencement of the lease amounting to AED 148,07,01,978 at 31 March 2019. On an annual basis the management will review the residual values to determine whether they are recoverable or have been impaired.

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

4.2 *Key sources of estimation uncertainty* (continued)

Key sources of estimation uncertainty applied before 1 April 2018 (continued)

Impairment of right-of-use asset

As at 31 March 2019, management assessed whether there are indications that the right-of-use assets which are included in its statement of financial position at 31 March 2019 at INR 160,65,20,559 (2018: Nil) are not impaired. Management considers the recoverable amount of the right-of-use assets to be most sensitive to the achievement of the forecasted budget. Budgets comprise forecasts of revenue, staff costs, overheads and gross margins based on current and anticipated market conditions that have been considered and approved by management. Whilst the Company is able to manage most of the costs, the revenue projections are inherently uncertain due to the short-term nature of the business and variable market conditions. Revenue of the cash generating units is most sensitive to change in the market price of gold as this has a direct impact on the selling price and quantities of the jewellery in each marketplace.

The sensitivity analysis in respect of the recoverable amount of right-of-use assets is presented in Note 13.

Kalyan Jewellers L.L.C.

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

5. Property, plant and equipment

	Computer equipment	Electrical equipment	Motor vehicles	Plant and machinery	Furniture and fittings	Total
	INR	INR	INR	INR	INR	INR
Cost						
At 1 April 2017	2,42,16,580	5,68,27,189	1,36,84,477	96,45,252	38,06,98,736	48,50,72,235
Additions during the year	2,99,20,044	59,79,933	11,31,976	15,51,742	11,98,03,644	15,83,87,339
Exchange Difference	46,127	1,08,242	26,066	18,372	7,25,140	9,23,947
At 31 March 2018	5,41,82,751	6,29,15,365	1,48,42,519	112,15,366	50,12,27,520	64,43,83,521
Additions during the year	3,26,09,581	2,54,96,119		38,43,986	25,53,67,136	31,73,16,821
Disposals during the year	0				(1,37,50,140)	(1,37,50,140)
Exchange Difference	36,67,244	42,58,293	10,04,584	7,59,088	3,39,24,518	4,36,13,727
At 31 March 2019	9,04,59,576	9,26,69,776	1,58,47,103	158,18,440	77,67,69,033	99,15,63,929
Accumulated depreciation						
At 1 April 2017	1,26,68,960	2,99,06,274	76,27,642	26,91,264	19,50,71,570	24,79,65,709
Charge for the year	79,63,500	1,17,49,155	21,10,888	29,83,849	8,98,25,594	11,46,32,986
Exchange Difference	89,183	1,52,939	31,772	29,500	11,05,320	14,08,714
At 31 March 2018	2,07,21,642	4,18,08,368	97,70,302	57,04,614	28,60,02,484	36,40,07,410
Charge for the year	2,34,87,534	42,70,343	7,11,521	5,61,143	3,09,34,419	5,99,64,960
Disposals during the year					-71,63,165	-71,63,165
Exchange Difference	12,54,324	28,02,770	6,56,793	3,82,565	1,91,62,313	2,42,58,765
At 31 March 2019	4,54,63,500	4,88,81,481	1,11,38,617	66,48,321	32,89,36,051	44,10,67,970
Carrying amount						
At 31 March 2019	**4,49,96,076**	**4,37,88,296**	**47,08,487**	**91,70,119**	**44,78,32,982**	**55,04,95,959**
At 31 March 2018	**3,34,61,109**	**2,11,06,997**	**50,72,217**	**55,10,752**	**21,52,25,036**	**28,03,76,111**

Included in property and equipment are assets amounting to INR 23739,907 (2018: AED Nil) which are fully depreciated as at the reporting date.

5. Property, plant and equipment (continued)

During the current year, management has carried out a review of the useful lives of property, plant and equipment in order to align the useful lives with those of the ultimate Parent Company and has revised the useful life of all the assets as follows:

	2019	2018
Computer equipment	**3 years**	5 years
Electrical equipment	**10 years**	5 years
Motor vehicles	**10 years**	5 years
Plant and machinery	**15 years**	5 years
Furniture and fixtures	**10 years**	5 years

The revision in estimated useful life is effective from 1 April 2018 and has been treated as a change in accounting estimate in accordance with International Accounting Standard ("IAS") 8, 'Accounting policies, changes in accounting estimates and errors' and applied prospectively from the effective date. Had there been no such change in estimate of useful life, the depreciation expense for property, plant and equipment for the year ended 31 March 2019 would have been higher and the profit for the year would have been lower by INR 11,68,44,047. The effect of this change on the depreciation expense recognized in profit or loss, in future years is as follows:

	INR
Decrease in depreciation expense per year	11,68,44,047

6. Intangible assets

	Operating lease rights INR
Cost	
As at 1 April 2017	690,791,114
Additions during the year	351,704,640
Exchange Difference	1,315,793
As at 31 March 2018	1,043,811,547
Transferred to right of use assets	(1,043,811,547)
As at 31 March 2019	
Accumulated amortization	
As at 1 April 2017	88,012,575
Charge for the year	43,044,617
Exchange Difference	519,260
As at 31 March 2018	131,576,453
Eliminated on transfer to right-of-use assets	(131,576,453)
As at 31 March 2019	**-**
Carrying amount	
As at 31 March 2019	**-**
As at 31 March 2018	91,22,35,094

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 INR	Legal ownership	Controlling ownership	Principal activities
Kalyan Jewelers for Golden Jewelleries W.L.L., Kuwait	Kuwait	**12,444,633**		**100%**	Trading in jewellery
Kalyan Jewellers L.L.C., Qatar	Qatar	**3,831,324**		**100%**	Trading in jewellery
Kenouz Al Sharq Gold Ind. L.L.C.	UAE	**5,660,940**		**100%**	Manufacturing of jewellery
		21,936,897			

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% of the share capital for the beneficial interest of the Company.

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 51% of the share capital for the beneficial interest of the Company.

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

8. Additional investments in subsidiaries

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

	2019 INR	2018 INR
Kalyan Jewelers for Golden Jewelries L.L.C, Kuwait	**1,551,332,489**	1,452,989,956
Kalyan Jewellers L.L.C., Qatar	**3,888,286,250**	3,641,798,846
	5,439,618,739	5,094,788,802

9. Cash and cash equivalents

	2019 INR	2018 INR
Cash on hand	**1,05,21,310**	16,973,761
Bank balances - current accounts	**21,45,99,329**	288,269,583
	22,51,20,639	305,243,344

9. Cash and cash equivalents (continued)

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

Cash and cash equivalents are secured against bank borrowings of the Group.

10. Margin deposits

Margin deposits amounting to INR 1136.7 Crore (2018: INR 724.6 Crore) have been maintained against borrowings during the year (Note 21). Margin deposits earn interest at a rate between 1.5% and 2% per annum (2018: between 0% and 0.15%).

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

Margin deposits are secured against bank borrowings of the Company as disclosed in Note 21 and of the Group.

11. Trade and other receivables

	2019 INR	2018 INR
Trade receivables – related party [Note 12(b)]	**60,58,25,326**	1,013,597,237
Trade receivables – others	**34,03,45,978**	524,609,304
	94,61,71,304	1,538,206,541
Advances to gold suppliers	**99,59,64,895**	886,898,097
Advances to suppliers	**31,50,67,484**	529,349,664
Deposits and other receivables	**3,66,42,397**	21,729,161
Prepayments	**23,62,11,779**	376,729,786
	253,00,57,859	3,352,913,250

The Company has determined that the amounts due from related parties do not carry a credit risk and hence no expected or specific loss allowance is required on these balances. In the process of making this determination, the Company has considered the terms underlying these balances, historical default rates, the ability of the related parties to settle these balances when due and the right of set off on a Group basis. The balances due from related parties are repayable on demand and there is no history of default. For the year ended 31 March 2019, the Company has not recorded any impairment on the amounts due from related parties (2018: Nil).

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 (2018: 30 days). The Company's trade receivable balances from third parties are not impaired.

Kalyan Jewellers L.L.C.

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

11. Trade and other receivables (continued)

Credit card receivables are realised within three working days. Credit card receivables have been pledged with a bank against the borrowings availed to the Company (Note 21).

Trade receivables are secured against bank borrowings of the Group.

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

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

	Expected credit loss rate	Gross carrying amount at default INR	Impaired receivables INR	Not impaired receivables INR
31 March 2019				
Low risk	**0%**	**34,03,45,978**	**-**	**34,03,45,978**
		34,03,45,978	**-**	**34,03,45,978**
1 April 2018				
Low risk	0%	5,246,09,601		52,46,09,601
		5,246,09,601		52,46,09,601

Ageing of trade receivables:

	Gross carrying amount at default INR	Impaired receivables INR	Not impaired receivables INR
31 March 2019			
Current	**33,76,11,970**	**-**	**33,76,11,970**
Past due by:			
0 - 90 days	**18,24,823**	**-**	**18,24,823**
91 - 180 days	**5,33,317**	**-**	**5,33,317**
181 to 365 days	**3,75,868**	**-**	**3,75,868**
	34,03,45,978	**-**	**34,03,45,978**
31 March 2018			
Current	41,88,64,769	-	41,88,64,769
Past due by:			
0 – 90 days	10,45,65,808	-	10,45,65,808
91 – 180 days	1,27,303	-	1,27,303
181 to 365 days	10,51,721	-	1051,,721
	52,46,09,601	-	52,46,09,601

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.

The Company has determined that the amounts due from related parties do not carry a credit risk and hence no expected or specific loss allowance is required on these balances. In the process of making this determination, the Company has considered the terms underlying these balances, historical default rates, the ability of the related parties to settle these balances when due and the right of set off on a Group basis. The balances due from related parties are repayable on demand and there is no historical default rate. For the year ended 31 March 2019, the Company has not recorded any impairment of amounts due from related parties (2018: Nil).

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

	2019	2018
	INR	INR
(a) Due from related parties		
Ultimate Parent Company		
Kalyan Jewellers India Ltd.	**27,82,390**	-
Subsidiaries		
Kalyan Jewellers for Golden Jewelries L.L.C, Kuwait	**24,90,81,360**	147,574,560
Kalyan Jewellers L.L.C., Qatar	**-**	167,899,200
	25,18,63,750	315,473,760

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

	2019	2018
	INR	INR
(b) Disclosed as trade receivables		
Subsidiaries		
Kalyan Jewelers for Golden Jewelries L.L.C, Kuwait (Note 11)	**50,61,41,664**	97,66,74,052
Kenouz Al Sharq Gold Ind. L.L.C. (Note 11)	**9,96,83,662**	2,29,31,491
Entity under common control		
Kalyan Jewellers U.S.A. (Note 11)	**-**	1,39,92,268
	60,58,25,326	1,01,35,97,811
(c) Loan from a related party		
Parent Company		
Kalyan Jewellers FZE		
- Gold loan [Note 12(c)(i)]	**554,68,11,770**	4,894,023,334
- Other loans [Note 12(c)(ii)]	**77,23,67,105**	2,134,438,198
	6,31,91,78,875	7,028,461,532
- Less: Other loans (non-current portion)	**-**	-327,940,735
	6,31,91,78,875	6,700,520,796

12. Related party transactions (continued)

(c) Loan from a related party (continued)

(i) The Company availed gold loans amounting to INR 554.8 Crore million (2018: 489.38 Crore) 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 (2018: from 2% to 2.5% per annum) and the tenure of the gold loan is 12 months (2018: 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 1,930 Kgs (2018: 1,775 Kgs) as at the end of the reporting period and has been revalued at the closing bullion rate of INR 2,874 per gram (2018: 2,757 per gram).

(ii) Other loans carry an interest rate of 6% per annum [2018: 6% per annum].

(d) Due to related parties

	2019 INR	2018 INR
Ultimate Parent Company		
Kalyan Jewellers India Ltd.	**-**	61,106,454
Parent Company		
Kalyan Jewellers FZE	**78,63,59,119**	327,940,735
	78,63,59,119	389,047,189

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

(e) Disclosed as trade payables

	2019 INR	2018 INR
Subsidiary		
Kalyan Jewellers L.L.C., Qatar (Note 20)	**-**	23,13,79,067

(f) Transactions with related parties during the year

	2019 INR	2018 INR
Parent Company		
Sales	**13,66,47,547**	
Purchases	**149,55,21,656**	
Interest expense	**42,30,40,624**	28,48,49,857
Management fee expense (Note 25)	**1,59,51,264**	1,47,25,536

12. Related party transactions (continued)

(f) Transactions with related parties during the year (continued)

	2019	2018
	INR	INR
Subsidiaries		
Sales	**152,64,58,202**	419,32,69,348
Brand sharing fee [Note 26]	**13,26,30,924**	12,27,12,800
Management fee income [Note 26]	**7,29,82,882**	6,74,92,040
Purchases	**150,11,25,677**	67,59,47,506

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

Management fee income represent amounts charged to subsidiaries respectively for the common management.

Key management remuneration:

	2019	2018
	INR	INR
Salaries and other benefits		
- Short-term	**2,05,29,733**	2,72,47,062
- Long-term	**1,85,604**	4,07,512

13. Right-of-use assets

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

The recognised right-of-use assets relate to the following types of assets:

	2019	2018
Net carrying amount	**INR**	INR
Showrooms / offices	**1,60,65,20,559**	-
Total	**1,60,65,20,559**	-

During the year, the additions to right-of-use assets amount to INR 36,62,42,269.

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

The recoverable amount of the right-of-use asset as a cash-generating unit is determined based on a “value in use” calculation which uses cash flow projections based on financial budgets approved by the management covering a five-year period, and a discount rate of 8.8% per annum. Cash flow projections during the budgeted period are based on the same expected gross margin with an increase in projected revenue of 10% per annum and cost increase in line with projected inflation rates of 2.1% per annum.

Cash flows beyond that five-year period have been extrapolated using a steady 2.8% per annum growth rate.

13. Right-of-use assets (continued)

The steady growth rate of 2.8% per annum is estimated by the management of the Company based on past performance of the cash-generating unit and their expectations of market development.

Sensitivity analysis

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

At the beginning and end of the financial year the recoverable amount of the right-of-use asset was substantially in excess of its book value.

Budgeted sales:

At the CGU level, had budgeted sales for each shop been 80% lower (other key assumptions remaining constant), no impairment charge would be recorded in the books of the entity.

Weighted average cost of capital:

At the CGU level, had the weighted average cost of capital for each shop been increased by 70% (other key assumptions remaining constant), no impairment charge would be recorded in the books of the entity.

Terminal growth rates:

At the CGU level, had the terminal growth rates for each shop been reduced to 0% (other key assumptions remaining constant), no impairment charge would be recorded in the books of the entity.

Amounts recognized in profit and loss:

	Year ended 31 March 2019 INR
Depreciation on right-of-use assets	**18,88,56,525**
Interest expense on lease liabilities	**86,68,220**

The total cash outflow for leases amounts to INR 19,75,24,745.

14. Lease liabilities

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

	2019 INR	2018 INR
Amounts due for settlement within 12 months (shown under current liabilities)	**8,73,61,287**	-
Amounts due for settlement after 12 months	**2,15,53,765**	-
	10,89,15,051	-

14. Lease liabilities (continued)

	2019 INR	2018 INR
Maturity analysis		
Not later than 1 year	**8,73,61,287**	-
Later than 1 year and not later than 5 years	**2,15,53,765**	-
	10,20,10,734	-

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

Sensitivity analysis of incremental borrowing rate:

If the incremental borrowing rate had been 1% higher or lower and all variables were held constant, the Company's carrying amount of lease liabilities would have a decrease or increase by INR 10,20,107.

15. Inventories

	2019 INR	2018 INR
Bullion – unfixed (a)	**20,51,33,520**	35,36,43,964
Gold jewellery – unfixed (b)	**267,95,94,910**	361,11,89,302
Scrap gold	**3,74,83,103**	2,69,52,806
Diamond jewellery	**238,06,52,293**	212,01,55,278
Making charges on gold jewellery	**18,38,33,290**	29,26,54,633
Promotion inventory	**1,21,68,247**	79,79,772
	549,88,65,363	641,25,75,754
Inventory-in-transit (c)	**-**	1,46,19,743
	549,88,65,363	642,71,95,497

a) Unfixed bullion represents 71,304 grams (2018: 128,268 grams) of bullion received from suppliers.

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

   Unfixed gold jewellery represents 944,535 grams (2018: 1,319,562 grams) of gold amounting to INR 271.7 Crore (2018: INR 364.07 Crore), which is valued at a bullion price of INR 2,887 per gram prevailing as at 31 March 2019 (2018: INR 2,757 per gram).

   The corresponding liability for unfixed gold has been recognised at the closing bullion rate as at 31 March 2019 and 2018 [Notes 21 and 12(c)].

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

d) Inventory is secured against bank borrowings of the Group.

16. Share capital

The authorized, issued and fully paid up share capital of the Company comprise three hundred shares of INR 16769.50 each. The shareholding of the Company at 31 March 2019 and 31 March 2018 is given below:

	Ownership %	Number of shares	Amount INR
Mr. Mohammad Hamza Mustafa Mohammad Ali	**51%**	**153**	2,565,734
Kalyan Jewellers FZE	**49%**	**147**	2,465,117
	100%	**300**	5,030,850

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

17. 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.

18. Loan from a shareholder

The loan from a shareholder at 31 March 2019 represents an amount of INR 415.33 Crore (2018: INR 415.33 Crore), which is due to the principal shareholder (Kalyan Jewellers FZE). This amount is interest-free, has no fixed repayment term and repayment is at the discretion of the issuer (Note 4.1).

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

	2019 INR	2018 INR
Balance at the beginning of the year	**2,32,06,210**	1,35,33,126
Charge for the year	**66,67,514**	1,07,40,350
Payments made during the year	**(18,38,345)**	-11,80,791
Exchange Difference	**15,40,183**	1,13,512
Balance at the end of the year	**2,95,75,562**	2,32,06,197

20. Trade and other payables

	2019 INR	2018 INR
Trade payables – related parties [Note 12(e)]	**-**	23,13,78,936
Trade payables – others	**69,04,69,494**	151,10,17,687
Advances from customers	**32,48,88,555**	27,20,40,906
Accrued expenses	**6,60,13,429**	6,97,18,322
	108,13,71,478	208,41,55,851

21. Bank borrowings

	2019	2018
	INR	INR
Suppliers invoice financing [Note 21 (a)]	**234,14,44,377**	131,73,14,607
Murabaha loan	**-**	88,15,47,132
Bank overdraft [Note 21 (b)]	**46,62,18,281**	42,82,20,671
	280,76,62,658	262,70,82,410

a) The Company has a supplier's invoice financing facility with a limit of INR 220.92 Crore (2018: 132.6 Crore) of which INR 234.14 Crore (2018: INR 131.7 Crore) was utilised as of reporting date. This facility is an invoice financing agreement and is to be repaid within 12 months. The facility has an interest rate of 5.5% per annum (2018: 5.5% per annum).

   Supplier's invoice financing facility is secured by margin deposits amounting to INR 113.78 Crore [2018: INR 63.45 Crore] (Note 10) corporate guarantees from the Ultimate Parent Company and the Parent Company, standby letters of credit amounting to 35% of the total funds availed less margin deposit (Note 10), daily sales collection of 5 stores and a security cheque equivalent to the total facility amount.

b) The Company has an overdraft facility from a bank with a limit of INR 47.17 Crore (2018: INR 44.84 Crore) of which INR 46.6 Crore (2018: INR 42.82 Crore) was utilised as of the reporting date. These facilities are availed for payment of trade liabilities owed to the suppliers and are required to be repaid within 12 months (2018: 12 months). The overdraft facility has an interest rate of 5.5% per annum (2018: 5.50% per annum).

Reconciliation of liabilities arising from financing activities:

	1 April	Financing cash flows		Exchange	**31 March**
	2018	Proceeds	Repayments	Difference	**2019**
	INR	INR	INR	INR	INR
Bank borrowings	262,70,82,410	1922,66,22,880	(1922,38,51,114)	17,78,08,482	**280,76,62,658**

22. Deferred revenue

	2019	2018
	INR	INR
Arising from customer loyalty programme	**16,43,805**	78,64,752
	16,43,805	78,64,752

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

22. Deferred revenue (continued)

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

	2019 **INR**	2018 INR
Balance at the beginning of the year	**78,64,752**	176,40,000
Charge for the year (Note 23)	**8,67,255**	219,52,803
Redemptions during the year	**(76,15,040)**	(317,61,651)
Exchange Difference	**5,26,838**	33,600
Balance at the end of the year	**16,43,805**	78,64,752

23. Revenue

	2019 **INR**	2018 INR
Gross revenue from gold jewellery and diamond ornaments	**1656,38,54,937**	19,845,718,552
Less : Customer loyalty points awarded (Note 22)	**(8,67,255)**	(217,74,931)
Less : Discount On Promotional Sales – Priority	**(1,07,70,597)**	-
Less : Discount On Promotional Sales - Vouchers	**(2,38,72,396)**	-
	1652,83,44,689	19,823,943,621

24. Cost of sales

	2019 **INR**	2018 INR
Inventories at the beginning of the year	**642,71,95,497**	446,98,51,479
Purchases of bullion	**534,91,72,429**	989,58,43,711
Purchases of gold and diamond jewellery	**747,13,01,133**	857,99,03,725
Making charges	**65,20,402**	47,88,86,860
Packing materials	**2,46,08,964**	2,52,89,916
Other direct costs	**65,43,68,029**	34,20,75,204
	199,33,16,645	2379,18,50,894
Less: Inventories at the end of the year (Note 15)	**(549,88,65,363)**	-642,71,95,497
	144,34,01,091	1736,46,55,397

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Notes to the separate financial statements
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25. Selling, general and administrative expenses

	2019 INR	2018 INR
Salaries and other benefits	**38,51,71,051**	41,29,78,288
Advertisement expenses	**31,15,23,173**	59,40,99,366
Rent	**8,04,64,024**	24,61,62,876
Bank charges	**6,29,56,791**	6,56,96,296
Depreciation of property, plant and equipment	**5,99,64,960**	11,46,32,986
Depreciation of right-of-use assets	**19,00,55,532**	0
Amortisation	**0**	4,30,44,617
Utilities	**4,05,87,270**	7,40,28,144
Legal and professional fees	**5,83,77,468**	5,90,50,188
Sales promotion	**64,81,245**	63,56,541
Loss on disposal of property, plant and equipment	**66,28,795**	0
Traveling and communication	**5,03,53,887**	5,09,63,152
Security services	**1,31,55,463**	2,12,60,220
Management fee expense [Note 12(f)]	**1,59,51,264**	1,47,25,536
Consultancy fee	**10,83,357**	99,66,032
Others	**6,38,48,827**	10,99,82,381
	134,66,03,105	182,29,46,625

26. Other income

	2019 INR	2018 INR
Brand sharing fee [Note 12(f)]	**13,26,30,924**	12,27,12,800
Management fee income [Note 12(f)]	**7,29,82,882**	6,74,92,040
Other income	**4,67,695**	1,66,76,599
Exchange gain	**26,42,308**	24,57,622
	20,87,23,809	20,93,39,061

27. Finance costs

	2019 INR	2018 INR
Interest on loan from related party	**42,30,40,624**	31,05,58,083
Interest on supplier invoice financing	**8,99,07,135**	1,42,40,137
Loan arrangement and letter of credit fees	**1,15,59,406**	67,49,204
Interest on lease liabilities	**87,23,253**	0
Others	**8,54,56,732**	4,98,39,821
	61,86,87,150	3,813,87,245

28. Financial instruments

a) Significant accounting policies

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

b) Categories of financial instruments

	2019 INR	2018 INR
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**259,65,52,166**	2,905,315,279
Financial liabilities at amortised cost		
At amortised cost	**523,17,86,856**	6,962,682,743

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.

29. 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.

(a) Credit risk management

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

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

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

29. Financial risk management (continued)

(a) Credit risk management (continued)

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:

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

29. Financial risk management (continued)

(c) Liquidity risk management (continued)

Liquidity risk tables (continued)

	Interest rate	Less than 1 month	01-03 months	3 months - 1 year	Between 2 to 5 years	Total	Carrying amount
	%	INR	INR	INR	INR	INR	INR
2019							
Fixed interest rate instruments	**5.5%-6%**	**-**	**-**	**-**	**-**	**-**	**-**
Lease liabilities	**6.50%**	**95,52,761**	**1,91,05,522**	**85,97,4809**	**-**	**11,46,33,092**	**10,89,15,051**
Variable interest rate instruments	**4%**	**296,20,84,100**	**-**	**-**	**-**	**296,20,84,100**	**280,76,62,658**
Non-interest bearing instruments	-	**231,52,09,147**	**-**	**-**	**-**	**231,52,09,147**	**231,52,09,147**
		528,68,46,007	**1,91,05,522**	**8,59,74,809**	**-**	**539,19,26,338**	**523,17,86,856**
2018							
Fixed interest rate instruments	5.5% - 6%	23,36,09,998	70,08,29,977			93,44,39,958	88,15,47,132
Variable interest rate instruments	4%	181,53,56,708				181,53,56,708	174,55,35,296
Non-interest bearing instruments	-	400,76,59,598			32,79,40,735	433,56,00,333	433,56,00,333
		605,66,26,304	70,08,29,977	-	32,79,40,735	708,53,96,999	696,26,82,761

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Notes to the separate financial statements
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29. 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 has 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 INR	01-Mar months INR	3 months - 1 year INR	Total INR	Carrying amount INR
2019						
Fixed interest rate instruments	**0.15%**	66,14,33,665	47,70,25,544	-	113,84,59,208	113,67,54,076
Non-interest bearing instruments		145,97,98,090	-	-	145,97,98,090	145,97,98,090
		212,12,31,754	47,70,25,544	-	259,82,57,298	259,65,52,166
2018						
Fixed interest rate instruments	0.15%	63,46,19,758	911,29,712		72,57,49,470	72,46,62,473
Non-interest bearing instruments		253,22,36,877			253,22,36,877	218,06,52,806
		316,68,56,635	911,29,712		325,79,86,347	290,53,15,279

29. 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 fixed or variable rates of interest.

If interest rate had been 50 basis point higher/lower and all other variables were held constant, the Company's profit for the year ended 31 March 2019 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 2019 there are no significant exposures to the commodity price risk on financial assets and financial liabilities as gold inventory is on an unfixed basis which hedges the inventory to variances in the gold price rate.

30. 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.

31. Non-cash transactions

	2019 INR	2018 INR
Interest expense on loans from a related party	**42,03,71,781**	31,05,58,066
Customer loyalty points balance written back	**1,53,74,208**	-

32. Approval of the separate financial statements

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