Kalyan Jewellers FZE
Dubai - United Arab Emirates

Report and separate financial statements
for the year ended 31 March 2024

Kalyan Jewellers FZE

Contents

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

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

INDEPENDENT AUDITOR'S REPORT

The Shareholder
Kalyan Jewellers FZE
Dubai
United Arab Emirates

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the accompanying separate financial statements of **Kalyan Jewellers FZE** (the "Establishment"), which comprise the separate statement of financial position as at 31 March 2024 and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Establishment as at 31 March 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the articles of association of the Establishment, the provisions of the Dubai Airport Free Zone Implementing Regulations 2021 issued pursuant to Law No. 25 of 2009 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 Establishment's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Establishment or to cease operations, or has no realistic alternative but to do so.

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

Cont'd…

Deloitte.

INDEPENDENT AUDITOR'S REPORT

to the Shareholder of Kalyan Jewellers FZE (continued)

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

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

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

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Establishment has maintained proper books of accounts. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there were no contraventions during the period of the provisions of the Dubai Airport Free Zone Implementing Regulations 2021 issued pursuant to Law No. 25 of 2009, as amended, which might have materially affected the financial position of the Establishment or the results of its financial performance.

Deloitte & Touche (M.E.)

Akbar Ahmad
Registration No.: 1141
20 June 2024
Dubai
United Arab Emirates

Kalyan Jewellers FZE

Separate statement of financial position as at 31 March 2024

	Notes	2024 AED	2023 AED
ASSETS			
Non-current assets			
Investment in subsidiaries	5	**3,071,278**	2,773,270
Additional investments in subsidiaries	5	**307,624,330**	382,624,330
Total non-current assets		**310,695,608**	385,397,600
Current assets			
Loan to a related party	8(c)	**276,865,027**	197,616,719
Due from related parties	8(a)	**25,583,238**	23,289,341
Margin deposits	9	**102,591,198**	71,803,399
Trade and other receivables	7	**2,105,292**	3,147,267
Derivative financial instruments	21	**-**	18,486,683
Cash and cash equivalents	6	**9,694**	63,673
Total current assets		**407,154,449**	314,407,082
Total assets		**717,850,057**	699,804,682
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**385,000,000**	385,000,000
Accumulated losses		**(56,757,641)**	(51,172,721)
Total equity		**328,242,359**	333,827,279
Liabilities			
Non-current liabilities			
Provision for employees' end-of-service indemnity	12	**118,558**	109,209
Bank borrowings - non-current portion	14	**-**	3,472,225
Loan from a shareholder	11&8(d)	**41,174,537**	61,774,537
Total non-current liabilities		**41,293,095**	65,355,971
Current liabilities			
Due to related parties	8(b)	**-**	4,914,274
Derivative financial instruments	21	**-**	951,896
Trade and other payables	13	**1,009,234**	5,359,691
Bank borrowings	14	**347,305,369**	289,395,571
Total current liabilities		**348,314,603**	300,621,432
Total liabilities		**389,607,698**	365,977,403
Total shareholder's equity and liabilities		**717,850,057**	699,804,682

كاليان جوليرز م.م.ح
P.O.Box: 371516
DAFZA
Dubai - U.A.E
KALYAN JEWELLERS FZE

V. Krishnamoorthy

Kalyan Jewellers FZE

Separate statement of profit or loss and other comprehensive income for the year ended 31 March 2024

	Notes	2024 AED	2023 AED
Revenue	19	**32,362**	9,326,674
Cost of sales	20	**(32,362)**	(9,343,949)
Gross loss		**-**	(17,275)
Finance income	15	**27,232,971**	24,077,250
General and administrative expenses	16	**(3,342,151)**	(14,277,508)
(Loss)/gain on derivative financial instruments	21	**(3,907,792)**	17,534,787
Finance costs	17	**(25,583,238)**	(23,289,342)
Other income	8	**28,704**	-
Foreign exchange (loss)/gain	18	**(13,414)**	446,734
Net (loss)/profit for the year		**(5,584,920)**	4,474,646
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Changes in fair value of cash flow hedge		**-**	(1,197,604)
Total comprehensive (loss)/income for the year		**(5,584,920)**	3,277,042

Kalyan Jewellers FZE

Separate statement of changes in equity
for the year ended 31 March 2024

	Share capital AED	Accumulated losses AED	Hedge reserve AED	Total equity AED
Balance at 31 March 2022	385,000,000	(55,647,367)	1,197,604	330,550,237
Profit for the year	-	4,474,646	-	4,474,646
Other comprehensive loss for the year	-	-	(1,197,604)	(1,197,604)
Balance at 31 March 2023	385,000,000	(51,172,721)	-	333,827,279
Profit for the year	-	(5,584,920)	-	(5,584,920)
Balance at 31 March 2024	**385,000,000**	**(56,757,641)**	**-**	**328,242,359**

Kalyan Jewellers FZE

Separate statement of cash flows
for the year ended 31 March 2024

	2024 AED	2023 AED
Cash flows from operating activities		
(Loss)/profit for the year	**(5,584,920)**	4,474,646
Adjustments for:		
Finance income	**(27,232,971)**	(24,077,250)
Finance costs	**25,583,238**	23,289,342
Unrealised loss/(gain) on derivative financial instruments	**3,907,792**	(17,534,787)
Net re-measurement of loss allowance	**53,000**	-
Provision for employees' end-of-service indemnity	**9,349**	10,400
Operating cash flows before changes in operating assets and liabilities	**(3,370,812)**	(13,837,649)
Decrease in trade and other receivables	**1,095,275**	4,583,825
Decrease in due from related parties	**-**	13,210,183
Increase in margin deposits	**(30,787,799)**	(3,997,724)
Decrease in inventories	**-**	1,538,516
Decrease in trade and other payables	**(4,350,457)**	(6,408,472)
Decrease/(increase) in due to related parties	**3,069,953**	(67,554,363)
Cash used in operations	**(34,343,840)**	(72,465,684)
Interest received	**24,939,074**	22,629,968
Interest paid	**(33,567,465)**	(19,644,571)
Net cash used in operating activities	**(42,972,231)**	(69,480,287)
Cash flows from investing activities		
Proceeds/(payment) towards additional investment in subsidiaries	**-**	(19,085,660)
Investment in subsidiaries	**(195,146)**	-
Net cash generated from/(used in) investing activities	**(195,146)**	(19,085,660)
Cash flows from financing activities		
(Repayment of)/proceeds from loan to a related party	**(4,351,170)**	163,804,064
Net settlement of derivative financial instruments	**13,626,995**	(35,056)
Proceeds from bank borrowings	**955,168,764**	869,518,179
Repayments of bank borrowings	**(900,731,191)**	(954,671,877)
(Repayments of)/proceeds from loan from shareholder	**(20,600,000)**	9,992,774
Net cash (used in)/generated from financing activities	**(43,113,398)**	88,608,084
Net (decrease)/increase in cash and cash equivalents	**(53,979)**	42,137
Cash and cash equivalents at the beginning of the year	**63,673**	21,536
Cash and cash equivalents at end of the year (Note 6)	**9,694**	63,673

Non-cash transactions not reflected in the statement of cash flows are as follows:

- During the year AED 75 million has been transferred from the additional investment in subsidiaries to loan to a related party.

1. General information

Kalyan Jewellers FZE (the "Establishment") is a free zone establishment with limited liability registered on 15 July 2013 with the Dubai Airport Free Zone Authority, pursuant to the authority vested in it under Law No. 25 of 2009 concerning Dubai International Airport Free Zone.

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

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

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

These financial statements represent the separate financial statements of the Establishment. The Establishment also prepares the consolidated financial statements which are available at Establishment's registered address.

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

2.1 New and amended IFRS Accounting Standards applied with no material effect on the financial statements

In the current year, the Establishment has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

New and revised IFRS Accounting Standards	***Effective for annual periods beginning on or after***
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* - Disclosure of Accounting Policies: The Establishment has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.	1 January 2023

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

2.1 New and amended IFRS Accounting Standards applied with no material effect on the financial statements (continued)

New and revised IFRS Accounting Standards	***Effective for annual periods beginning on or after***
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* - Disclosure of Accounting Policies (continued):	

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendments to IAS *8 Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Accounting Estimates	1 January 2023

The Establishment has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

Amendments to IAS 12 *Income Taxes* – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The Establishment has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

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

2.1 New and amended IFRS Accounting Standards applied with no material effect on the financial statements (continued)

New and revised IFRS Accounting Standards	***Effective for annual periods beginning on or after***
Amendments to IAS 12 *Income Taxes* – International Tax Reform – Pillar Two Model Rules	1 January 2023

The Establishment has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Establishment is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

IFRS 17 *Insurance Contracts* (including the June 2020 and December 2021 Amendments to IFRS 17)	1 January 2023

The Establishment has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Establishment does not have any contracts that meet the definition of an insurance contract under IFRS 17.

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

2.2 New and amended IFRS Accounting Standards in issue but not yet effective and not early adopted

New and revised IFRS Accounting Standards	***Effective for annual periods beginning on or after***
Amendments to IAS 1 *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 *Presentation of Financial Statements* – Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* – Supplier Finance Arrangements	1 January 2024
Amendment to IFRS 16 *Leases* – Lease Liability in a Sale and Leaseback	1 January 2024
IFRS 18 Presentation and Disclosures in Financial Statements	1 January 2027
IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date deferred indefinitely. Adoption is still permitted.

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

3. Material accounting policy information

3.1 Statement of compliance

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

3.2 Basis of preparation

The separate financial statements have been prepared on the historical cost basis except for derivative financial instruments which are carried at fair value. The principal accounting policies are set out below.

3. Material accounting policy information (continued)

3.3 Corporate Income Tax

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

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

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

3.4 Investments in subsidiaries

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

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

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

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

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

On disposal of an investment the differences between the net disposal proceeds and the carrying amount is charged or credited to separate statement of profit or loss and comprehensive income.

3.5 Revenue recognition

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.

3. Material accounting policy information (continued)

3.5 Revenue recognition (continued)

Management fee

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

Interest income

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

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

3.6 Foreign currencies

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

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

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

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

3.7 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 Establishment is determined on the basis of weighted average cost.

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

3. Material accounting policy information (continued)

3.8 Provisions

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

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

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

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

3.9 Leasing

The Establishment as lessee

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

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

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

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

3. Material accounting policy information (continued)

3.9 Leasing (continued)

The Establishment as lessee (continued)

The above adjustments do not affect the periods presented.

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

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

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

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

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

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

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

3.10 Employee benefits

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

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

3.11 Financial instruments

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

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.

3. Material accounting policy information (continued)

3.11 Financial instruments (continued)

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.

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.

3. Material accounting policy information (continued)

3.11 Financial instruments (continued)

Financial assets (continued)

Amortised cost and effective interest rate method (continued)

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

Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

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

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

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

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

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

Financial assets at FVTPL

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

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

3. Material accounting policy information (continued)

3.11 Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

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

Impairment of financial assets

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

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

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

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

(i) Significant increase in credit risk

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

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

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

3. Material accounting policy information (continued)

3.11 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

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

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

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

(iv) Write-off policy

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

3. Material accounting policy information (continued)

3.11 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses

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

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

Derecognition of financial assets

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

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

3. Material accounting policy information (continued)

3.11 Financial instruments (continued)

Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

Financial liabilities measured subsequently at amortised cost

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

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

Derecognition of financial liabilities

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

3. Material accounting policy information (continued)

3.11 Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.12 Derivative financial instruments and hedging activities

The Establishment uses derivative financial instruments, such as foreign exchange forward and swap contracts, to hedge its price fluctuation risk to Gold loan borrowings. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Establishment formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Establishment will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Establishment actually hedges and the quantity of the hedging instrument that the Establishment actually uses to hedge that quantity of hedged item.

3. Material accounting policy information (continued)

3.12 Derivative financial instruments and hedging activities (continued)

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Establishment uses forward gold price contracts for its exposure to volatility in the gold prices. The ineffective portion relating to these contracts is recognised in "loss/gain on derivative financial instruments" in the profit or loss.

The fair values of the Establishment's derivative instrument used for hedging are disclosed in Note 20.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory or fixed assets), the gains and losses previously recorded in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in direct costs.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss and deferred costs of hedging existing in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset (such as inventory) and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

3.13 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.

3.14 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

3. Material accounting policy information (continued)

3.15 Fair value measurement

For measurement and disclosure purposes, the Establishment determines the fair value of an asset or liability at initial measurement or at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Establishment. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Establishment uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair value for measurement and/or disclosure purposes in these financial statements is determined on the basis as explained above, except for share-based payment transactions that are within the scope of IFRS 2; leasing transactions that are within the scope of IFRS 16 and measurements that have some similarities to fair value, but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

4.1 Critical judgements in applying accounting policies

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

Revenue recognition

In making their judgement, the Establishment considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the Establishment had transferred control of the goods to the customer. Based on the acceptance by the customer of the liability for the goods sold, management is satisfied that the control has been transferred and the recognition of the revenue is appropriate.

4.2 Key sources of estimation uncertainty

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

Calculation of loss allowance

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

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

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

Impairment of investments

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

5. Investment in subsidiaries

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

Name of the subsidiary	**No of shares**	**Legal ownership**	**Controlling ownership**	**Amount AED (2024)**	Amount AED (2023)	**Principal activities**
Kalyan Jewellers L.L.C., U.A.E	**300**	**100%**	**100%**	**300,000**	300,000	Trading in jewellery
Kalyan Jewellers S.PC., Oman	**250,000**	**100%**	**100%**	**2,375,670**	2,375,670	Trading in jewellery
Kalyan Jewellers Bahrain W.L.L	**-**	**-**	**100%**	**-**	97,600	Trading in jewellery
Kalyan Jewellers Procurement S.P.C, Oman	**10,000**	**100%**	**100%**	**95,608**	-	Trading in jewellery
Kalyan Jewellers Procurement L.L.C., UAE	**300**	**100%**	**100%**	**300,000**	-	Trading in jewellery
				3,071,278	2,773,270	

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

The share capital of Kalyan Jewellers L.L.C is United Arab Emirates Dirham 1,000 (AED 1,000) divided into 300 shares of AED 1,000 each. During the current year, 51% shareholding held by Mr. Mohammed Hamza Mustafa Mohammed Ahli for the beneficial interest of the Establishment has been transferred fully to Kalyan Jewellers FZE.

The share capital of Kalyan Jewellers S.P.C Oman is Omani Rial 1 (AED 9.50) divided into 250,000 shares of Omani Riyal 1 each (AED 9.50). During the current year, 30% shareholding held by a shareholder for the beneficial interest of Kalyan Jewellers S.P.C Oman has been transferred fully to Kalyan Jewellers S.P.C Oman.

.

The share capital of Kalyan Jewelers Bahrain WLL as at 31 March 2023 is Bahraini Dinar 100 (AED 9.76) divided into 100 shares of Bahraini Dinar 100 each (AED 9.76). The Establishment has not proceeded with starting the operations and during the current year has liquidated the investment made in Kalyan Jewelers Bahrain WLL.

The share capital of Kalyan Jewelers Procurement S.P.C, Oman is Omani Rial 1 (AED 9.5) divided into 10,000 shares of Omani Rial 1 each (AED 9.5).

The share capital of Kalyan Jewellers Procurement L.L.C is United Arab Emirates Dirham 1,000 (AED 1,000) divided into 300 shares of AED 1,000 each.

5. Investment in subsidiaries (continued)

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

	2024 AED	2023 AED
Kalyan Jewellers L.L.C., U.A.E	**260,000,000**	335,000,000
Kalyan Jewellers S.P.C., Oman	**47,624,330**	47,624,330
	307,624,330	382,624,330

6. Cash and cash equivalents

	2024 AED	2023 AED
Bank balance - current account	**9,694**	63,673

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

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

7. Trade and other receivables

	2024 AED	2023 AED
Trade receivables	**-**	85,318
Advances to suppliers	**869,925**	2,610,565
Interest receivable on margin deposits	**1,007,036**	584,684
Prepayments	**308,331**	-
Less: Provision for doubtful debts	**(80,000)**	(133,300)
	2,105,292	3,147,267

The average credit period for receivables from third parties is 30 days (2023: 30 days).

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

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

7. Trade and other receivables (continued)

Movement in the expected credit loss:

	2024 AED	2023 AED
Balance at 1 January	**133,300**	133,300
Reversal during the year (refer note 16)	**(53,300)**	-
	80,000	133,300

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

	Expected credit loss rate	Gross carrying amount AED	Loss allowance AED	Net receivables AED
31 March 2023				
Low risk	3%	85,318	-	85,318

Ageing of trade receivables:

	Gross carrying amount AED	Loss allowance AED	Net receivables AED
31 March 2023			
Past due by:			
0 - 90 days	85,318	-	85,318

8. Related party transactions

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

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

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

The Establishment 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 Establishment 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 the 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 2024, the Establishment has recorded Nil impairment of amounts due from related parties (2023: Nil).

8. Related party transactions (continued)

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

	2024 AED	2023 AED
(a) Due from related parties		
Subsidiaries		
Kalyan Jewellers L.L.C., U.A.E.	**22,053,705**	18,767,853
Kalyan Jewellers L.L.C., Oman	**3,529,533**	4,521,488
Kalyan Jewellers Bahrain W.L.L.	**-**	-
	25,583,238	23,289,341
(b) Due to related parties		
Parent Company		
Kalyan Jewellers India Ltd.	**-**	4,101,204
Entities under common control		
Kalyan Jewelers for Golden Jewelries W.L.L., Kuwait	**-**	813,070
Kalyan Jewellers W.L.L., Qatar		-
	-	4,914,274

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

	2024 AED	2023 AED
(c) Loan to a related party		
Subsidiaries		
Kalyan Jewellers L.L.C., UAE		
- Gold loan (Note 14)	**228,259,801**	147,052,542
Kalyan Jewellers L.L.C., Oman [Note 8(c)(ii)]	**48,605,226**	50,564,177
Total loan	**276,865,027**	197,616,719

(i) Other loans carry an interest rate of 6.25% per annum [2023: 6% per annum], the loan is repayable within a period of 12 months from the reporting date.

(ii) The Company has extended loan to its related party Kalyan Jewellers L.L.C., Oman at an interest rate of 6.25% per annum [2023:6% per annum] and the loan is repayable within 12 months from the reporting date.

	2024 AED	2023 AED
(d) Loan from a shareholder		
Parent		
Kalyan Jewellers India Ltd.	**41,174,537**	61,774,537

This amount carries interest at the rate of 6.5% as a result of regulatory requirements from India. The loan has no fixed repayment term and repayment is at the discretion of the Establishment.

8. Related party transactions (continued)

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

	2024 AED	2023 AED
Parent company/subsidiary		
Interest expense (Note 17)	**3,364,156**	3,621,204
Subsidiary		
Revenue	**32,362**	9,326,674
Interest income on loan to a related party (Note 15)	**9,631,818**	9,009,478
Interest income on gold loan to a related party (Note 15)	**12,677,896**	11,861,722
Loan arrangement and letter of credit income (Note 15)	**3,273,524**	2,418,141

The bank borrowings (Note 14) are subject to certain securities which include the personal guarantees of certain shareholders of the Parent Company, corporate guarantees of the Parent Company and subsidiaries.

Key management remuneration:

	2024 AED	2023 AED
Salaries and other short-term benefits	**1,009,500**	240,000
Long-term benefits	**9,349**	10,400

9. Margin deposits

	2024 AED	2023 AED
Margin deposits	**102,591,198**	71,803,399

Margin deposits earn interest at a rate of between 2.8% to 5.4% per annum (2023: 0.6% to 3% per annum).

The margin deposits are used to secure bank borrowings as disclosed in Note 15. Margin deposits held in banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the United Arab Emirates. Accordingly, the management of the Establishment estimates the loss allowance on deposits at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the banks, the management of the Establishment have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

10. Share capital

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

	Percent of ownership %	**Number of Shares**	**Amount AED**
31 March 2024			
Kalyan Jewellers India Ltd.	**100**	**385**	**385,000,000**
31 March 2023			
Kalyan Jewellers India Ltd.	100	385	385,000,000

11. Loan from a shareholder

The loan from a shareholder as at 31 March 2024 represents an amount of AED 41.17 million (2023: AED 61.77 million), which is due to the shareholder (Kalyan Jewellers India Ltd). This amount carries interest at the rate of 6.5% as per regulatory requirements in India.

12. Provision for employees' end of service indemnity

	2024 AED	2023 AED
As at beginning of the year	**109,209**	98,809
Charge for the year	**9,349**	10,400
As at end of the year	**118,558**	109,209

13. Trade and other payables

	2024 AED	2023 AED
Trade payables	**29,397**	16,831
Interest payable on gold loans	**979,837**	5,342,860
	1,009,234	5,359,691

The average credit period for trade payables from third parties is 60 days (2023: 60 days).

14. Bank borrowings

	2024 AED	2023 AED
Gold loans [Note 8 (c) & 14 (a)]	**273,234,773**	244,280,660
Bank overdraft [Note 14 (b)]	**70,598,374**	36,781,579
Term loan [Note 14 (c)]	**3,472,222**	11,805,557
	347,305,369	292,867,796
Less: non-current portion of term loan	**-**	(3,472,225)
	347,305,369	289,395,571

a) The Establishment has obtained gold loan facilities with a total limit of AED 287.5 million (2023: AED 247.5 million) of which AED 273 million (2023: AED 244 million) was utilized as at the end of the reporting period. The interest rate on the gold loans availed, ranges from 3.3% to 6.1% (2023: from 3.5% to 6.5%) per annum and the tenure of gold loan is between 30 days to 12 months (2023: 30 days to 12 months) and the loans are guaranteed by standby letters of credit issued by the Bank of the Parent Company.

   The Establishment has transferred 100% (2024: 100%) gold loans availed from bullion banks to its subsidiaries, Kalyan Jewellers L.L.C. UAE, Kalyan Jewelers for Golden Jewelries W.L.L, Kuwait, Kalyan Jewelers W.L.L., Qatar and Kalyan Jewellers L.L.C. Oman, on similar terms and conditions as the banks [note 8 (c)]. At 31 March 2024, gold quantity of 1,050 Kgs (2023: 1,050 Kgs) has been obtained as a loan from bullion banks on an unfixed basis and a gold quantity of 1,050 Kgs (2023: 1,050 Kgs) has been given to related parties on an unfixed basis and has been revalued on the reporting date at the spot rate of AED 260.3 per gram (2023: AED 233 per gram) [Note 8(c)].

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

14. Bank borrowings (continued)

b) The Establishment has availed overdraft facilities against postdated cheques to finance the upfront security cash margin to be held against drawdowns under Unfixed Gold Facilities. The interest rate on these loans availed, ranges from 3.5% to 7.0% (2023: from 3.5% to 7.0%) per annum.

c) The Establishment has availed point of sale term loans for funding inventories in its subsidiaries existing/new outlets. The term loan is repayable in 30 equal monthly installments.

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

Reconciliation of liabilities arising from financing activities:

	1 April 2023 AED	Financing cash flows Proceeds AED	Financing cash flows Repayments AED	Other changes AED	**31 March 2024 AED**
Bank borrowings	(292,867,796)	(955,168,764)	900,731,191	-	**(347,305,369)**

15. Finance income

	2024 AED	2023 AED
Interest income on other loans to a related party [note 8 (e)]	**9,631,818**	9,009,478
Interest income on gold loan to a related party [note 8 (e)]	**12,677,896**	11,861,722
Interest income on margin deposits [note 7 (a)]	**1,649,733**	787,909
Loan arrangement and letter of credit income recharged to related party [note 8 (e)]	**3,273,524**	2,418,141
	27,232,971	24,077,250

16. General and administrative expenses

	2024 AED	2023 AED
Salaries and benefits	**1,447,111**	252,440
Professional fees	**1,822,364**	511,485
Bank charges	**4,885**	29,103
Rent expense	**121,091**	121,091
Provision for loss allowance on trade and other receivables	**(53,300)**	-
Write-off of other receivable	**-**	13,363,389
	3,342,151	14,277,508

17. Finance costs

	2024 AED	2023 AED
Interest expense on gold loan	**12,677,896**	11,861,722
Interest expense on loan from a related party	**3,364,156**	3,621,204
Interest expense on term loan and bank overdraft	**6,267,662**	5,388,275
Loan arrangement and letter of credit fee	**3,273,524**	2,418,141
	25,583,238	23,289,342

18. Foreign exchange (loss)/gain

	2024 AED	2023 AED
Foreign exchange (loss)/gain	**(13,414)**	446,734

19. Revenue

	2024 AED	2023 AED
Revenue	**32,362**	15,097,062
Sales other than Intercompany Sales	**-**	(5,770,388)
	32,362	9,326,674

20. Cost of sales

	2024 AED	2023 AED
Inventories at the beginning of the year	**-**	1,538,516
Purchases	**32,362**	13,558,485
Sales other than Intercompany Sales	**-**	(5,770,388)
Other direct costs	**-**	17,336
	32,362	9,343,949

21. Hedging activities and derivatives

Derivative financial assets

	2024 AED	2023 AED
Held for trading derivatives not designated in hedge accounting:		
Forward contracts	**-**	18,486,683
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Forward contracts	**-**	-
Swap contracts	**-**	-
	-	18,486,683
Forward foreign exchange purchase contracts (notional amounts) – financial assets	**-**	243,579,486

Derivative financial liabilities

	2024 AED	2023 AED
Held for trading derivatives not designated in hedge accounting:		
Forward contracts	**-**	951,896
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Swap contracts	**-**	-
	-	951,896
Forward foreign exchange purchase contracts (notional amounts) – financial liabilities	**-**	233,297,041

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

	2024 AED	2023 AED
Net loss on derivative financial instruments not designated as hedging instruments	**(3,907,792)**	17,534,787
	(3,907,792)	17,534,787

22. Financial instruments

a) Material accounting policy information

Details of the material accounting policy information 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

	2024 AED	2023 AED
Financial assets:		
At amortised cost	**357,370,967**	221,506,435
At fair value	**-**	18,486,683
Financial liabilities:		
At amortised cost	**389,489,140**	364,916,298
At fair value	**-**	951,896

c) Fair value of financial instruments

Financial instruments comprise financial assets, financial liabilities and derivative financial instruments.

Financial assets consist of cash and cash equivalents, due from related parties, trade and other receivables (excluding prepaid expenses), loan to a related party, derivative finance instruments and other financial assets.

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

The Establishment uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique described below:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

	Level I AED'000	**Level II AED'000**	**Level III AED'000**	**Total AED'000**
2024				
Financial assets				
Derivative Financial instruments				
Forward contracts	-	-	-	-
	-	-	-	-

22. Financial instruments (continued)

c) Fair value of financial instruments (continued)

	Level I AED'000	**Level II AED'000**	**Level III AED'000**	**Total AED'000**
2023				
Financial assets				
Derivative Financial instruments				
Forward contracts	-	18,486,683	-	18,486,683
	-	18,486,683	-	18,486,683
2024				
Financial liabilities				
Derivative Financial instruments	**-**	**-**	**-**	**-**
Forward contracts	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**
2023				
Financial liabilities				
Derivative Financial instruments				
Forward contracts	-	951,896	-	951,896
	-	951,896	-	951,896

The following table gives information how the fair values of these financial assets and financial liabilities are determined (in particular the valuation techniques and inputs used):

Financial assets/ (Financial liabilities)	**Fair value hierarchy** **2024**	2023	**Valuation techniques and key inputs**	
Forward and swap contracts- net	**-**	17,534,787	Level II	***Discounted cash flow method*** Future cash flows are estimated based on forward exchange rates at the end of the reporting period and contract rates, discounted at a rate that reflects the credit risk of the counterparty.

23. Financial risk management

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

(a) Credit risk management

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

23. Financial risk management (continued)

(a) Credit risk management (continued)

The Establishment'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 Establishment has no realistic prospect of recovery.	Amount is written off

The Establishment's principal financial assets are cash and cash equivalents, trade and other receivables, due from related parties, loan to a related party, derivative financial assets and margin deposits. The credit risk on bank balances, other receivables and margin deposits is limited because the counterparties are financial institutions registered in the United Arab Emirates.

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

(b) Exchange rate risk management

At the reporting date, there were no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in U.A.E. Dirhams or U.S. Dollars, to which the Dirham is pegged.

(c) Liquidity risk management

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

Kalyan Jewellers FZE

Notes to the separate financial statements
for the year ended 31 March 2024 (continued)

23. Financial risk management (continued)

(c) Liquidity risk management (continued)

Liquidity risk tables

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

	Average interest rate %	**Less than 1 month AED**	**1-3 months**	**3 months - 1 year**	**Total AED**	**Carrying amount AED**
31 March 2024						
Variable interest rate instrument	**6%**	348,995,895	**-**	**-**	348,995,895	**347,305,369**
Non-interest bearing instruments	-	42,183,771	**-**	**-**	42,183,771	**42,183,771**
		391,179,666	**-**	**-**	**391,179,666**	**389,489,140**
31 March 2023						
Variable interest rate instrument	6%	294,293,345	-	-	294,293,345	292,867,796
Non-interest bearing instruments	-	72,048,502	-	-	72,048,502	72,048,502
		366,341,847	-	-	366,341,847	364,916,298

23. Financial risk management (continued)

(c) Liquidity risk management (continued)

Liquidity risk tables (continued)

The following table details the Establishment's liquidity analysis for its derivative financial instruments- liabilities based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis.

	Less than 1 month AED	**1-3 months**	**3 months - 1 year**	**Between 2 to 5 years AED**	**Total AED**
31 March 2024					
Derivative used for hedge accounting:					
Foreign exchange forward contracts	-	-	-	-	-
	-	-	-	-	-

	Less than 1 month AED	1-3 months	3 months - 1 year	Between 2 to 5 years AED	Total AED
31 March 2023					
Derivative used for hedge accounting:					
Foreign exchange forward contracts	951,896	-	-	-	951,896
	951,896	-	-	-	951,896

Kalyan Jewellers FZE

Notes to the separate financial statements
for the year ended 31 March 2024 (continued)

23. Financial risk management (continued)

(c) Liquidity risk management (continued)

Liquidity risk tables (continued)

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

	Average interest rate %	**Less than 1 month AED**	**1-3 months**	**3 months - 1 year**	**Between 2 to 5 years AED**	**Total AED**	**Carrying amount AED**
31 March 2024							
Fixed interest rate instruments	**6%**	229,370,867	**-**	**-**	**-**	229,370,867	**228,259,801**
Variable interest rate instrument	**2.5%**	102,802,519	**-**	**-**	**-**	102,802,519	**102,591,198**
Non-interest bearing instruments		26,519,968	**-**	**-**	**-**	26,519,968	**26,519,968**
		358,693,354	**-**	**-**	**-**	**358,693,354**	**357,370,967**
31 March 2023							
Fixed interest rate instruments	6%	147,768,328	-	-	-	147,768,328	147,052,542
Variable interest rate instrument	2.5%	71,951,302	-	-	-	71,951,302	71,803,399
Non-interest bearing instruments		23,889,716	-	-	-	23,889,716	23,889,716
		243,609,346	-	-	-	243,609,346	242,745,657

23. Financial risk management (continued)

(c) Liquidity risk management (continued)

Liquidity risk tables (continued)

The following table details the Establishment's expected maturity for its derivative financial instruments (assets). The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis.

	Less than 1 month AED	**1-3 months**	**3 months - 1 year**	**Between 2 to 5 years AED**	**Total AED**
31 March 2024					
Derivatives used for hedging:	-	-	-	-	-
Foreign exchange forward contracts	-	-	-	-	-
	-	-	-	-	-

	Less than 1 month AED	1-3 months	3 months - 1 year	Between 2 to 5 years AED	Total AED
31 March 2023					
Derivatives used for hedging:					
Foreign exchange forward contracts	18,486,683	-	-	-	18,486,683
	18,486,683	-	-	-	18,486,683

23. Financial risk management (continued)

(d) Interest rate risk management

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

If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Establishment's profit for the year ended 31 March 2024 would increase/decrease by AED 82,272 (2023: increase/decrease by AED 370,059). The interest rate risk is attributable to increase in variable margin and benchmark rate of borrowings.

(e) Commodity risk management

The Establishment is exposed to price risk on its gold borrowings. The increased volatility in gold price over the past 12 months has led to decision to enter into derivative contracts. These contracts are expected to reduce the volatility attributable to price fluctuation of gold.

24. Capital risk management

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

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

25. Approval of the separate financial statements

The separate financial statements were approved by the management and authorised for issue on 20 June 2024.