

**KALYAN JEWELLERS LLC**

**Report and financial statements  
for the year ended 31 March 2022**

# **KALYAN JEWELLERS LLC**

## **Report and financial statements for the year ended 31 March 2022**

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## **Independent auditor's report to the Shareholders of Kalyan Jewellers LLC**

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### **Opinion**

We have audited the financial statements of **Kalyan Jewellers LLC** (the "Company"), which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Sultanate of Oman, 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 financial statements**

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

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

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

## Independent auditor's report to the Shareholders of Kalyan Jewellers LLC (continued)

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### Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Deloitte & Touche*  
Deloitte & Touche (M.E.) & Co. LLC  
Muscat, Sultanate of Oman  
25 July 2022



# Kalyan Jewellers LLC

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## Statement of financial position as at 31 March 2022

	Notes	2022 RO	2021 RO
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	1,653,612	1,731,932
Right-of-use assets	6	3,267,172	3,274,684
Deferred tax asset - net	18	222,756	190,411
<b>Total non-current assets</b>		<b>5,143,540</b>	<b>5,197,027</b>
<b>Current assets</b>			
Inventories	7	6,287,450	4,560,781
Trade and other receivables	8	185,617	192,788
Margin deposit	9	-	380,000
Cash and cash equivalents	9	304,424	255,588
<b>Total current assets</b>		<b>6,777,491</b>	<b>5,389,157</b>
<b>Total assets</b>		<b>11,921,031</b>	<b>10,586,184</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	10	250,000	250,000
Capital contribution		3,000,000	3,000,000
Legal reserve	10	14,083	14,083
Accumulated losses		(1,356,002)	(1,154,363)
<b>Total equity</b>		<b>1,908,081</b>	<b>2,109,720</b>
<b>Non-current liabilities</b>			
Long-term loan	11 (a)	-	210,000
Lease liabilities	6	95,414	21,747
End of service benefits	13	12,807	11,437
<b>Total non-current liabilities</b>		<b>108,221</b>	<b>243,184</b>
<b>Current liabilities</b>			
Trade and other payables	12	808,090	639,670
Short-term borrowings	11 (b)	-	1,560,517
Due to related parties	19	954,119	5,714,857
Loan from parent company	19	8,050,168	-
Current portion of lease liabilities	6	92,352	198,236
Current portion of long-term loan	11 (a)	-	120,000
<b>Total current liabilities</b>		<b>9,904,729</b>	<b>8,233,280</b>
<b>Total liabilities</b>		<b>10,012,950</b>	<b>8,476,464</b>
<b>Total equity and liabilities</b>		<b>11,921,031</b>	<b>10,586,184</b>

*N. R. Venkatarao*  
Director

*V. Venkatarao*  
Financial Controller

The accompanying notes forms an integral part of these financial statements.



**Statement of profit or loss and other comprehensive income  
for the year ended 31 March 2022**

	Notes	2022 RO	2021 RO
Revenue	14	8,073,418	7,647,650
Cost of sales	15	(6,931,369)	(6,413,488)
<b>Gross profit</b>		<b>1,142,049</b>	1,234,162
General and administrative expenses	16	(964,024)	(986,507)
Loss on write-off of right-of-use assets and property and equipment		-	(1,232,634)
Other income		88,975	80,383
Finance cost	17	(500,984)	(237,927)
<b>Loss before taxation</b>		<b>(233,984)</b>	(1,142,523)
Taxation	18	32,345	166,363
<b>Loss for the year and total comprehensive loss</b>		<b>(201,639)</b>	(976,160)

The accompanying notes forms an integral part of these financial statements.

## Kalyan Jewellers LLC

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### Statement of changes in equity for the year ended 31 March 2022

	Share capital RO	Capital contribution RO	Legal reserve RO	Accumulated losses RO	Total RO
At 1 April 2020	250,000	3,000,000	14,083	(178,203)	3,085,880
Loss for the year and total comprehensive loss	-	-	-	(976,160)	(976,160)
At 1 April 2021	250,000	3,000,000	14,083	(1,154,363)	2,109,720
Loss for the year and total comprehensive loss	-	-	-	(201,639)	(201,639)
At 31 March 2022	250,000	3,000,000	14,083	(1,356,002)	1,908,081

The accompanying notes forms an integral part of these financial statements.

**Statement of cash flows  
for the year ended 31 March 2022**

	2022 RO	2021 RO
<b>Cash flows from operating activities</b>		
Loss before tax	(233,984)	(1,142,523)
Adjustment for:		
Depreciation of property and equipment (note 5)	159,603	165,598
Depreciation of right-of-use assets (note 6)	184,549	164,162
Loss allowance on trade and other receivables (note 8)	-	10,690
Finance cost	500,984	244,426
End of service benefits (note 13)	2,251	4,853
Loss on write-off for right-of-use-assets (note 6)	-	939,203
Loss on write-off of property, plant and equipment (note 5)	-	293,431
	<u>613,403</u>	<u>679,840</u>
<b>Operating cash flow before changes in working capital</b>		
Changes in working capital:		
Trade and other receivables	7,171	44,294
Inventories	(1,726,669)	1,502,802
Trade and other payables	184,293	(1,794,692)
	<u>(921,802)</u>	<u>432,244</u>
<b>Cash flow (used in) / generated from operating activities</b>		
Payment for end of service benefits (note 13)	(881)	(1,636)
	<u>(922,683)</u>	<u>430,608</u>
<b>Net cash (used in) / from operating activities</b>		
<b>Cash flows from investing activities</b>		
Acquisition of right of use assets - key money (note 6)	(177,037)	-
Payment for purchase of property and equipment (note 5)	(81,283)	-
	<u>(258,320)</u>	<u>-</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Repayment of long term loan [note 11(c)]	(330,000)	(120,000)
Short term borrowings received / (repaid) from bank [note 11(c)]	(1,560,517)	(1,419,579)
Decrease/ (increase) in margin deposits	380,000	(120,000)
Repayment of the lease liabilities	(48,437)	(195,623)
Due to related parties	954,119	1,711,987
Proceeds from related party loan	2,335,311	-
Finance cost paid	(500,637)	(207,224)
	<u>1,229,839</u>	<u>(350,439)</u>
<b>Net cash from / (used in) financing activities</b>		
<b>Net change in cash and cash equivalents</b>	48,836	80,169
Cash and cash equivalents at the beginning of the year	255,588	175,419
	<u>304,424</u>	<u>255,588</u>
<b>Cash and cash equivalents at the end of the year [(note 9 (b))]</b>		

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

Transfer of RO 5,714,857 from “Due to related parties” to “Loan from the Parent Company”.

The accompanying notes forms an integral part of these financial statements.



## Notes to the financial statements for the year ended 31 March 2022

### 1. General

Kalyan Jewellers LLC (the "Company") is a Limited Liability Company registered in Muscat, Sultanate of Oman on 10 August 2017 as per commercial registration certificate No. 1300194 issued by the Ministry of Commerce and Industry. The Company's registered office is at Building No. 4282, First Floor, Ruwi High Street, Ruwi, Sultanate of Oman.

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

The principal activities of the Company include retail sales and wholesale of jewellery, watches, cosmetics and perfumes.

These financial statements are presented in Rial Omani (RO) since that is the currency of the country in which the majority of the Company's transactions are denominated.

#### 1.1 Going concern

As at 31 March 2022, the Company has the accumulated losses amounted to RO 1,356,002 (2021: RO 1,154,363) and as of that date the current liabilities exceeded current assets by RO 3,127,238 (2021: RO 2,844,123). The Company will be able to continue as a going concern with the continuing financial support of its shareholders and profitable operations. The shareholders have confirmed to the management of the Company that they will provide adequate financial support to the Company to meet its obligations as they fall due and the management believes that the Company will be able to make profitable operations in the future. Accordingly, these financial statements have been prepared on a going concern basis.

### 2. Application of New and Revised International Financial Reporting Standards (IFRSs)

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS recently issued by the IASB and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective as of 1 January 2021:

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these financial statements.

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<i>Impact of the initial application of COVID-19-Related Rent Concessions beyond June 30, 2021 - Amendment to IFRS 16</i>	Beginning on or after June 1, 2020
<i>Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)</i>	1 January 2021

**Notes to the financial statements  
for the year ended 31 March 2022 (continued)**

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

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

The Company has not early adopted the following new and amended standards and interpretations that have been issued but are not yet effective.

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<i>Amendments to IFRS 3 – Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract</i>	1 January 2022 with early application permitted
<i>Annual Improvements to IFRS Standards 2018–2020</i>	1 January 2022. Early application permitted.
The Annual Improvements include amendments to four Standards.	
- <i>IFRS 1 First-time Adoption of International Financial Reporting Standards</i>	
- <i>IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition on financial liabilities</i>	
- <i>IFRS 16 Leases</i>	
- <i>IAS 41 Agriculture</i>	
<i>Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use</i>	1 January 2022. Early application permitted.
<i>IFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to IAS 8 – Definition of Accounting Estimates</i>	1 January 2023
<i>Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)</i>	1 January 2023
<i>Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
<i>Amendments to IAS 1 – Classification of Liabilities as Current or Non-current</i>	1 January 2023. Early application is permitted.
<i>Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Available for optional adoption/ effective date deferred indefinitely

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

## Notes to the financial statements for the year ended 31 March 2022 (continued)

### 3. Summary of significant accounting policies

#### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), the interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB.

#### Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

These policies have been consistently applied to all the years presented, except for changes in accounting policies as stated below:

#### Revenue recognition

The Company recognises revenue from the sale of Jewellery goods. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

The Company sells Jewellery goods directly to customers through its own retail outlets. In respect of sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

#### *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 Company;
- the Company has transferred control of the goods to the customer;
- the Company has transferred the significant risks and rewards related to the ownership of the goods to the customer;
- the Company has a present right to payment for the goods delivered;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

## Notes to the financial statements for the year ended 31 March 2022 (continued)

### 3. Summary of significant accounting policies (continued)

#### Revenue recognition (continued)

##### *Sale of goods (continued)*

- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### *Other income*

Other income is recognized when the Company's right to receive payments is established.

#### Foreign currencies

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

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

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

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

#### Inventories

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

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

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

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

**Notes to the financial statements  
for the year ended 31 March 2022 (continued)**

**3. Summary of significant accounting policies (continued)**

**Property, plant and equipment**

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

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

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

	<b>Years</b>
Computer equipment	3
Electrical equipment	10
Motor vehicles	10
Plant and machinery	15
Furniture and fixtures	15

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

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

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

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

**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.

## Notes to the financial statements for the year ended 31 March 2022 (continued)

### 3. Summary of significant accounting policies (continued)

#### 3.9 Leasing

##### *The Company as lessee*

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

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

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease;
- The lease liability is presented as a separate line in the statement of financial position;
- The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made;
- The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever;
- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); 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.

## Notes to the financial statements for the year ended 31 March 2022 (continued)

### 3. Summary of significant accounting policies (continued)

#### 3.9 Leasing (continued)

##### *The Company as lessee (continued)*

The above adjustments do not effect the periods presented.

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

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

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

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

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

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

#### **Impairment of tangible and right-of-use assets**

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

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

**Notes to the financial statements  
for the year ended 31 March 2022 (continued)****3. Summary of significant accounting policies (continued)****Impairment of tangible and right-of-use assets (continued)**

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

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

**Financial instruments**

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

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

**Financial assets***Classification of financial assets*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

Business model test: The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes).

Cash flow characteristics test: 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.

The Company's financial assets are classified as financial assets at amortized cost. The Company has no financial assets which are classified as financial assets measured at fair value through other comprehensive income or fair value through profit and loss.



**Notes to the financial statements  
for the year ended 31 March 2022 (continued)****3. Summary of significant accounting policies (continued)****Financial instruments (continued)****Financial liabilities**

All financial liabilities are classified as “amortised cost” other than negative fair value of derivatives which are carried at “fair value through profit or loss”.

*Recognition / derecognition*

A financial asset or a financial liability is recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (in whole or in part) is derecognized when the contractual rights to receive cash flows from the financial asset has expired or the Company has transferred substantially all risks and rewards of ownership and has not retained control. If the Company has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the statement of profit or loss or in the statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

**Measurement**

All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as “at fair value through profit or loss”.

## Notes to the financial statements for the year ended 31 March 2022 (continued)

### 3. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

#### Financial liabilities (continued)

#### Measurement (continued)

##### *Financial assets at amortised cost*

A financial asset is measured at amortised cost if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Cash and cash equivalents, trade and other receivables, due from associates and other assets are classified as financial assets at amortised cost.

##### *Financial liabilities*

Financial liabilities “other than at fair value through profit or loss” are subsequently measured and carried at amortized cost using the effective yield method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

##### *Impairment of financial assets*

The Company recognises a loss allowance for expected credit losses (“ECL”) on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

## Notes to the financial statements for the year ended 31 March 2022 (continued)

### 3. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

#### Measurement (continued)

#### *Impairment of financial assets (continued)*

##### (i) Significant increase in credit risk

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

Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

**Notes to the financial statements  
for the year ended 31 March 2022 (continued)****3. Summary of significant accounting policies (continued)****Financial instruments (continued)****Measurement (continued)****(i) Significant increase in credit risk (continued)**

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

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

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

**(ii) Definition of default**

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## Notes to the financial statements for the year ended 31 March 2022 (continued)

### 3. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

#### Measurement (continued)

#### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

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

#### (iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 365 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### (vi) 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, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used. The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

**Notes to the financial statements  
for the year ended 31 March 2022 (continued)****3. Summary of significant accounting policies (continued)****Financial instruments (continued)****Measurement (continued)***Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, all cash and bank balances and overdraft including short-term deposits with a maturity of three months or less from the date of placement, are considered to be cash and cash equivalents.

**Contingent liabilities**

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

**Provisions**

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

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

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

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

## Notes to the financial statements for the year ended 31 March 2022 (continued)

### 3. Summary of significant accounting policies (continued)

#### Taxation

Income tax is calculated as per the fiscal regulations of the Sultanate of Oman.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially at the reporting date, and any adjustment to income tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The carrying amount of deferred tax assets is reviewed at reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or benefit in the statement of profit or loss and other comprehensive income except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

#### Employee benefits

Liabilities recognised in respect of employee benefits are measured at their nominal value using the current remuneration. End of service benefit for Omani employees are contributed in accordance with the terms of the Social Securities Law 1991 and Civil Service Employees Pension Fund Law

Provision for employee benefits is accrued having regard to the requirements of the Oman Labour Law 2003 as amended or in accordance with the terms and conditions of the employment contract with the employees, whichever is higher. Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

## Notes to the financial statements for the year ended 31 March 2022 (continued)

### 4. Critical accounting judgments and key sources of estimation

While applying the accounting policies as stated in note 3, management of the Company has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgement in applying accounting policies

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

##### *Determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

##### *Residual value of right-of-use assets*

The Company's management has determined that the residual value of the right-of-use assets is equivalent to the key money paid at the commencement of the lease amounting to RO 3,037,673 (2021: RO 2,918,982). On an annual basis, the management reviews the residual values to determine whether they are recoverable or have been impaired.

##### *Contribution from shareholder*

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



**Notes to the financial statements  
for the year ended 31 March 2022 (continued)****4. Critical accounting judgments and key sources of estimation (continued)****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.

*Impairment of right-of-use asset*

As at 31 March 2022, management assessed whether there are indications that right-of-use assets which are included in its statement of financial position at 31 March 2022 at RO 3,267,172 (2021: RO 3,274,684) are not impaired. The management considers the recoverable amount of right-of-use assets to be most sensitive to the achievement of the forecasted budget. Budgets comprise forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the management. Whilst the Company is able to manage most of the costs, the revenue projections are inherently uncertain due to the short-term nature of the business and unstable market conditions. Revenue of the CGUs is most sensitive to change in the market price of gold as the CGUs products are used by companies operating in that marketplace. The sensitivity analysis in respect of the recoverable amount of right-of-use assets is presented in note 6.

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

The Company has leased show rooms, office premises and warehouse for a period ranging from 1 to 5 years. Management determined the lease contract considering the remaining lease term. Accordingly, management considers the estimated useful life of the right-of-use assets for the remaining lease term.

*Incremental borrowing rate*

The Company's management determines the present value of future lease payments by discounting using incremental borrowing rate. Incremental borrowing rate is set at 6.5% (2021: 6.5%). Management assumes that the Company can obtain borrowings at a rate equivalent to 6.5% (2021: 6.5%) for a similar amounts, terms and security.

Information on the carrying amount of right-of-use asset and lease liabilities and sensitivity of those amounts to changes in discount rates are provided in note 6.

*Useful lives and depreciation of property, plant and equipment*

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

**Notes to the financial statements  
for the year ended 31 March 2022 (continued)****4. Critical accounting judgments and key sources of estimation (continued)****Key sources of estimation uncertainty (continued)***Leasehold improvements*

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

*Impact of COVID-19*

The outbreak of Novel Coronavirus continues to disrupt business operations and economic activity globally. The extent and duration of the impacts depend highly on future events that cannot be accurately predicted. As the situation is rapidly evolving, the impact on the Company's activities and operations is uncertain and accordingly management estimates in the measurement of amounts reported in these financial statements remain sensitive to market fluctuations.

Expected Credit Losses ("ECL") and impairment of financial assets: The uncertainties caused by COVID-19 have required the Company to reassess the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at March 31, 2022. The Company has updated the relevant forward-looking information with respect to the weightage of the relevant macroeconomic scenarios of the market; increase in credit risk; and assessing the indicators of impairment for the exposures in potentially affected sectors.

Commitments and contingent liabilities: The Company has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Company entities, customers and suppliers, to determine if there is any potential increase in contingent liabilities and commitments.

Going concern: The Company has performed an assessment of whether going concern assumption is appropriate in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The Company will continue to closely monitor the impact of COVID-19 as the situation progresses to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance in 2022.

**Notes to the financial statements  
for the year 31 March 2022 (continued)**

**5. Property and equipment**

	<b>Furniture and fixtures RO</b>	<b>Electrical equipment RO</b>	<b>Computer and software RO</b>	<b>Plant and machinery RO</b>	<b>Total RO</b>
<b>Cost</b>					
At 1 April 2020	2,327,482	217,571	12,401	14,506	2,571,960
Write-offs	(324,463)	-	-	-	(324,463)
<b>At 1 April 2021</b>	<b>2,003,019</b>	<b>217,571</b>	<b>12,401</b>	<b>14,506</b>	<b>2,247,497</b>
Additions	69,885	9,367	500	1,531	81,283
<b>At 31 March 2022</b>	<b>2,072,904</b>	<b>226,938</b>	<b>12,901</b>	<b>16,037</b>	<b>2,328,780</b>
<b>Accumulated depreciation</b>					
At 1 April 2020	329,736	41,492	8,221	1,306	380,755
Charge for the year	139,195	21,698	3,734	971	165,598
Write-offs	(30,788)	-	-	-	(30,788)
<b>At 1 April 2021</b>	<b>438,143</b>	<b>63,190</b>	<b>11,955</b>	<b>2,277</b>	<b>515,565</b>
Charge for the year	135,966	22,123	522	992	159,603
<b>At 31 March 2022</b>	<b>574,109</b>	<b>85,313</b>	<b>12,477</b>	<b>3,269</b>	<b>675,168</b>
<b>Carrying amount</b>					
<b>At 31 March 2022</b>	<b>1,498,795</b>	<b>141,625</b>	<b>424</b>	<b>12,768</b>	<b>1,653,612</b>
At 31 March 2021	1,564,876	154,381	446	12,229	1,731,932

**Notes to the financial statements  
for the year 31 March 2022 (continued)**

**6. Right-of-use assets and related lease liabilities**

	2022 RO	2021 RO
<b>Cost</b>		
At 1 April	3,725,121	4,699,227
Additions	177,037	29,287
Write-off on early termination	(95,775)	(1,003,393)
<b>At 31 March</b>	<u>3,806,383</u>	<u>3,725,121</u>
<b>Amortization</b>		
At 1 April	450,437	341,465
During the year (note 15)	184,549	164,162
Write-off on early termination	(95,775)	(55,190)
<b>At 31 March</b>	<u>539,211</u>	<u>450,437</u>
<b>Net book value at 31 March</b>	<u>3,267,172</u>	<u>3,274,684</u>

The Company leases office space and showrooms for its operations in Oman. The lease term ranges from 1 to 5 years. Lease terms are normally negotiated on an individual basis. Leases in respect of office space and showrooms are recognised as a right-of-use asset with a corresponding liability at which the related asset is available for use by the Company.

Each showroom of the Company is considered as a cash-generating unit and the recoverable amount of the key money for each cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the management covering a five-year period, and a discount rate of 12.1% (2021: 12.4%) per annum.

Cash flow projections during the budget period are based on the same expected gross margins and price inflation throughout the budget period. Cash flows beyond that five-year period have been extrapolated using a steady 2.5% (2021: 5%) per annum growth rate. The growth rate is estimated by the management based on performance of the cash-generating unit and their expectations of market development. The management estimate that a decrease in growth rate by 5% to 10% (2021: 5% to 10%) would reduce the headroom in the cash-generating unit but would not result in an impairment charge.

*Sensitivity analysis*

The Company has conducted an analysis of the sensitivity of the impairment test by changing in the key assumptions used to determine the recoverable amount for each of the group of CGUs to which key money deposit is allocated. The management believes that any reasonably possible change in the key assumptions on which the recoverable amount of the key money deposit is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

## Notes to the financial statements for the year 31 March 2022 (continued)

### 6. Right-of-use asset and related lease liabilities (continued)

#### *Budgeted sales:*

Underperformance of 1% against budgeted sales for each show room is considered reasonably possible based on recent experience and would lead to no impairment charge at the CGU level.

#### *Weighted average cost of capital:*

A 1% change in weighted average cost of capital for each shop is considered reasonably possible based on recent experience and would lead to no impairment charge at the CGU level.

#### *Terminal growth rates:*

A 1% change in terminal growth rates for each shop is considered reasonably possible based on recent experience and would lead to no impairment charge at the CGU level.

#### *Sensitivity analysis of incremental borrowing rate*

If the incremental borrowing rate has been 1% higher/lower and all variables were held constant, the Company's carrying amount of lease liabilities would decrease/increase by RO 1,877 (2021: RO 2,199).

#### **Lease liabilities**

	2022 RO	2021 RO
Gross lease liability related to right-of-use assets	204,240	228,494
Future finance charges on finance leases	(16,474)	(8,511)
<b>Present value of lease liabilities</b>	<b>187,766</b>	<b>219,983</b>
The maturity of finance lease liabilities is as follows		
Not later than 1 year	92,352	198,236
Later than 1 year and not later than 5 years	95,414	21,747
	<b>187,766</b>	<b>219,983</b>

### 7. Inventories

Gold jewellery - unfixed (a)	4,322,003	2,019,043
Gold jewellery - fixed	-	744,760
Scrape gold	26,375	19,877
Diamond jewellery	1,504,270	1,483,166
Direct cost	233,168	166,570
Making charges on gold jewellery	201,634	127,365
	<b>6,287,450</b>	<b>4,560,781</b>

## Notes to the financial statements for the year 31 March 2022 (continued)

### 7. Inventories (continued)

- a) The Company purchases gold jewellery by exchanging equivalent bullion for the value of gold used in those jewelleryes and the related making charges are paid as per credit terms.

Unfixed gold jewellery represents 195,651 grams (2021: 97,108) of gold amounting to RO 4.32 million (2021: RO 2.76 million), which is valued at a bullion price of RO 23.85 per gram (2021: RO 20.8 per gram) prevailing as at 31 March 2022.

The corresponding liability for unfixed gold has been recognised at the closing bullion rate as at 31 March 2022.

### 8. Trade and other receivables

	2022 RO	2021 RO
Trade receivables	15,228	24,593
Deposits	152,976	152,976
Less: loss allowance on trade receivables and deposits	<u>(10,690)</u>	<u>(10,690)</u>
	157,514	166,879
Prepayments	8,651	6,498
Advance to suppliers	<u>19,452</u>	<u>19,411</u>
	<u>185,617</u>	<u>192,788</u>

Trade receivables represents amounts receivable from third parties. The average credit period for receivables from third parties is 30 days. The Company's trade receivable balances from third parties are neither past due nor impaired. No interest is charged on outstanding trade receivables.

The Company always measures the loss allowance for trade and other receivables at an amount equal to lifetime ECL using the simplified approach. The Company has not recognised a loss allowance as the effect of such allowance is not significant.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	Collectively assessed OR	Individually assessed OR	Total OR
Balance as at 1 April 2020	-	-	-
Net re-measurement of loss allowance (Note 23)	10,690	-	10,690
	<u>10,690</u>	<u>-</u>	<u>10,690</u>
Balance as at 31 March 2021	10,690	-	10,690
Net re-measurement of loss allowance (Note 23)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance as at 31 March 2022</b>	<u>10,690</u>	<u>-</u>	<u>10,690</u>

**Notes to the financial statements  
for the year 31 March 2022 (continued)**

**8. Trade and other receivables (continued)**

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

	Expected credit loss rate	Gross carrying amount OR	Carrying amount of receivables at default OR	Net carrying amount OR
<i>31 March 2022</i>				
Low risk	6%	168,204	(10,690)	157,514
		<u>168,204</u>	<u>(10,690)</u>	<u>157,514</u>
		<u><u>168,204</u></u>	<u><u>(10,690)</u></u>	<u><u>157,514</u></u>
<i>31 March 2021</i>				
Low risk	6%	177,569	(10,690)	166,879
		<u>177,569</u>	<u>(10,690)</u>	<u>166,879</u>
		<u><u>177,569</u></u>	<u><u>(10,690)</u></u>	<u><u>166,879</u></u>

**9. Margin deposits and cash and cash equivalents**

**(a) Margin deposits**

Margin deposits amounting to RO Nil (2021: RO 380,000) have been maintained against the borrowings during the year (note 11). Margin deposits earn interest at a rate of 1.5% (2021: 1.5%) per annum and will mature within one year from the date of placement.

**(b) Cash and cash equivalents**

	2022 RO	2021 RO
Bank balances	285,589	235,121
Cash in hand	18,835	20,467
	<u>304,424</u>	<u>255,588</u>
	<u><u>304,424</u></u>	<u><u>255,588</u></u>

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

**Notes to the financial statements  
for the year 31 March 2022 (continued)**

**10. Share capital and legal reserve**

**Share capital**

The authorized, issued and fully paid up share capital of the Company comprise RO 250,000 shares of RO 1 each. The shareholding of the Company at 31 March 2021 is given below:

	<b>Ownership %</b>	<b>Number of shares No.</b>	<b>Amount RO</b>
Kalyan Jewellers FZE	70	175,000	175,000
Puthan N C Menon	30	75,000	75,000
	<u>100</u>	<u>250,000</u>	<u>250,000</u>

During the year there was no movement in the share capital.

**Legal reserve**

In accordance with the Commercial Companies Law of Sultanate of Oman, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one third of the value of the share capital. This reserve is not available for distribution.

**11. Borrowings**

**(a) Long-term loan**

	<b>2022 RO</b>	<b>2021 RO</b>
At 1 April	<b>330,000</b>	450,000
Loan repaid during the year	<b>(330,000)</b>	(120,000)
At 31 March	-	330,000
Current portion of long-term loan	-	(120,000)
Non-current portion of long-term loan	-	210,000

During 2018, the Company entered into a Facility Agreement with a bank for a long-term loan. Entire loan has been settled in the current year. This facility carried interest at 6.25% (2021: 6.25%) per annum.



**Notes to the financial statements  
for the year 31 March 2022 (continued)**

**11. Borrowings (continued)**

**(b) Short term borrowings**

	2022 RO	2021 RO
Bank overdraft	-	472,517
Short-term loan	-	1,088,000
	<u>-</u>	<u>1,560,517</u>

**Short term loan**

In 2021, the Company had availed facility of short term loan from a Bank amounted to RO 2,500,000 of which RO 1,412,000 remained unutilized as of 31 March 2022. This facility was availed for meeting the general working capital expenses and should not exceed 180 days. The facility carries interest at 6.5% per annum. During the current year, the Company has repaid its short-term loan.

**Securities on borrowings**

All above borrowings are secured by way of the following:

- Commercial mortgage over all assets of the Company.
- Corporate guarantee from the Ultimate Parent Company and the Parent Company.
- Lien on the deposits.
- Assignment over insurance of current and fixed assets.
- One postdated cheque each drawn on another bank in support of working capital limits and term loan.

**(c) Reconciliation of liabilities arising from financing activities**

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

	At 1 April RO	Financing cash flows RO	At 31 March RO
<b>2022</b>			
Long term loan	330,000	(330,000)	-
Short term borrowings	1,560,517	(1,560,517)	-
	<u>1,890,517</u>	<u>(1,890,517)</u>	<u>-</u>
<b>2021</b>			
Long term loan	450,000	(120,000)	330,000
Short term borrowings	2,980,096	(1,419,579)	1,560,517
	<u>3,430,096</u>	<u>(1,539,579)</u>	<u>1,890,517</u>

**Notes to the financial statements  
for the year 31 March 2022 (continued)**

**12. Trade and other payables**

	2022 RO	2021 RO
Trade payables	176,918	147,755
Advance from customers	583,350	453,587
Other payables	47,822	38,328
	<u>808,090</u>	<u>639,670</u>

**13. End of service benefits**

	2022 RO	2021 RO
At 1 April	11,437	8,220
Charge during the year	2,251	4,853
Payment during the year	(881)	(1,636)
<b>At 31 March</b>	<u>12,807</u>	<u>11,437</u>

**14. Revenue**

	2022 RO	2021 RO
Sale of gold	7,040,616	6,501,219
Sale of diamond	1,032,802	1,146,431
	<u>8,073,418</u>	<u>7,647,650</u>

**15. Cost of sales**

	2022 RO	2021 RO
Inventories at 1 January	4,560,781	6,063,583
Purchase of gold and diamond jewellery	8,284,432	4,714,455
Packing materials	26,631	2,573
Other direct cost	346,975	193,658
Less: Inventories at 31 March	(6,287,450)	(4,560,781)
	<u>6,931,369</u>	<u>6,413,488</u>

**Notes to the financial statements  
for the year 31 March 2022 (continued)**

**16. General and administrative expenses**

	<b>2022</b>	2021
	<b>RO</b>	RO
Salaries and other benefits	<b>223,826</b>	212,165
Rent expense	<b>39,197</b>	58,405
Bank charges	<b>13,245</b>	11,525
Depreciation on property and equipment (note 5)	<b>159,603</b>	165,598
Amortisation for right-of-use assets (note 6)	<b>184,549</b>	164,162
Travelling and communication charges	<b>188,552</b>	162,491
Loss allowance on trade and other receivables	-	10,690
Legal and professional fees	<b>2,656</b>	1,362
Sponsorship fee	<b>14,937</b>	4,245
Sales promotion expenses	<b>90,729</b>	115,834
Advertisement expense	<b>9,836</b>	30,564
Other expenses	<b>36,894</b>	49,466
	<b>964,024</b>	986,507

**17. Finance cost**

	<b>2022</b>	2021
	<b>RO</b>	RO
Interest expense on:		
- related party loan	<b>458,717</b>	-
- short term borrowings	<b>19,335</b>	169,240
- term loan	<b>6,458</b>	31,225
Finance cost in respect of lease liabilities	<b>16,474</b>	17,636
Others	-	19,826
	<b>500,984</b>	237,927

**18. Taxation**

The tax rate applicable to the Company is 15% (2021:15%). Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices. In the current year after the adjustment of expenses as per tax law, the Company is in a tax loss position; accordingly, no current tax has been recorded in the current year. Accordingly, the applicable tax rate is nil and the average effective tax rate cannot be determined in view of no tax charge for the current year.

**Notes to the financial statements  
for the year 31 March 2022 (continued)**

**18. Taxation (continued)**

a) Credit in the statement of profit and loss and other comprehensive income is as follows:

	<b>2022</b>	2021
	<b>RO</b>	RO
Deferred tax:		
Current year	<b>32,345</b>	166,363

**b) Tax reconciliation**

The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rate with the income tax expense for the year. The reconciliation of the accounting profit with the taxation charge in the financial statements is as follows:

	<b>2022</b>	2021
	<b>RO</b>	RO
Loss before tax	<b>(233,984)</b>	(1,142,523)
Taxation @ 15% [(2021: 15%)]	<b>35,098</b>	171,378
<b>Add / (less) Tax effect of:</b>		
Non-deductible expenses	<b>(2,753)</b>	(5,016)
Tax income	<b>32,345</b>	166,363

**c) Deferred taxation**

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2021: 15%). The Company is of the view that it will be able to utilise its taxable carried forward losses within five years from the year of incurrence. Deferred tax calculations are adjusted on annual basis based on the assessment carried by management.

Net deferred tax asset in statement of financial position and the net deferred tax credit in the profit or loss are attributable to the following items:

<b>31 March 2022</b>	<b>At 1 April</b>	<b>Credit to</b>	<b>At 31 March</b>
	<b>RO</b>	<b>profit or loss</b>	<b>RO</b>
		<b>RO</b>	
Taxable temporary difference	<b>(147,892)</b>	<b>(13,665)</b>	<b>(161,557)</b>
Deductible temporary difference	<b>338,303</b>	<b>46,010</b>	<b>384,313</b>
	<b>190,411</b>	<b>32,345</b>	<b>222,756</b>

**Notes to the financial statements  
for the year 31 March 2022 (continued)**

**18. Taxation (continued)**

**c) Deferred taxation (continued)**

31 March 2021	At 1 April RO	Credit to profit or loss RO	At 31 March RO
Taxable temporary difference	(167,012)	19,120	(147,892)
Deductible temporary difference	191,060	147,243	338,303
	<u>24,048</u>	<u>166,363</u>	<u>190,411</u>

**d) Tax status**

As of 31 March 2022, the Company's tax assessments for the year ended 31 March 2018 has been completed by the Taxation Authority. Management of the Company believes that additional taxes, if any, in respect of open tax years, would not be significant to the Company's financial position as at 31 March 2022.

**19. Related party transactions**

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

(a) As of the reporting date balances with the related parties are as follows:

*(i) Due to related parties*

	2022 RO	2021 RO
Due to related parties – affiliates	497,133	-
Due to the Parent Company	<u>456,986</u>	<u>5,714,857</u>
	<u>954,119</u>	<u>5,714,857</u>

*(iii) Loan from the Parent Company*

	2022 RO	2021 RO
Loan from the Parent Company	<u>8,050,168</u>	<u>-</u>

## Notes to the financial statements for the year 31 March 2022 (continued)

### 19. Related party transactions (continued)

During the current year due from the Parent Company amounting to RO 5,714,857 has been classified as Loan from the Parent Company and remaining amount has been received as a refund from Kalyan Jewellers FZE. This loan carries interest at the rate of 6.5% per annum (2021: Nil) and is unsecured. The fair value of the loan approximates its carrying value as the loan is payable on demand and is short term in nature.

(a) The following is a summary of transactions with related party:

	2022 RO	2021 RO
Purchase of goods from the Parent Company	1,004,405	1,289,776
Payment made to the Parent Company for goods and services	507,272	2,306,325
<b>Key management personnel</b>		
Salaries and other short-term benefits	14,602	13,464

(c) The following is a summary of fund received from related party:

Funds received from parent company	8,547,301	1,711,986
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### 20. Operating lease arrangements

	2022 RO	2021 RO
Minimum lease payments under operating leases recognized as expenses for the year (note 16)	39,197	58,405

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

	2022 RO	2021 RO
Not later than one year	21,681	20,738

### 21. Financial instruments

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

## Notes to the financial statements for the year 31 March 2022 (continued)

### 21. Financial instruments (continued)

#### Categories of financial instruments

	<b>2022</b>	2021
	<b>RO</b>	RO
<i>Financial assets (at amortised cost)</i>		
Trade and other receivables	<b>157,514</b>	166,879
Margin deposits	-	380,000
Cash and cash equivalents	<b>304,424</b>	255,588
	<b>461,938</b>	802,467
<i>Financial liabilities (at amortized cost)</i>		
Due to the Parent Company	<b>8,050,168</b>	5,714,857
Borrowings	-	1,890,517
Lease liabilities	<b>187,766</b>	219,983
Trade and other payables	<b>224,740</b>	186,083
	<b>8,462,674</b>	8,011,440

#### *Fair value of financial instruments*

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

### 22. Financial risk management

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

#### **Financial risk factors**

##### **Market risk**

Market risk is the risk that changes in market prices, such as foreign currency rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**Notes to the financial statements  
for the year 31 March 2022 (continued)****22. Financial risk management (continued)****Financial risk factors (continued)****Market risk (continued)***Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign currency risk arising from currency exposures primarily with respect to the AED Dirhams.

*Interest rate risk*

The Company is exposed to interest rate risk as it borrows funds. Further, the Company is exposed to interest rate risk on its interest bearing assets (margin deposits) and borrowings. The Company manages and analyses its interest rate exposure on a dynamic basis.

*Sensitivity analysis for fixed rate instruments*

The Company does not account for any fixed rate financial instruments at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss.

**Credit risk**

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

The Company's principal financial assets are cash & cash equivalents, trade and other receivables. The credit risk on bank balances is limited because the counterparties are banks registered in the Oman.

The carrying amount of financial assets as disclosed in note 20 (after excluding the cash in hand) represents the maximum credit exposure.

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



**Notes to the financial statements  
for the year 31 March 2022 (continued)**

**22. Financial risk management (continued)**

**Financial risk factors (continued)**

**Credit risk (continued)**

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

	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Net carrying amount
<b>2022</b>					
Bank balances	Ba3	-	12 months	149,480	149,480
Bank balances	Ba2	-	12 months	136,109	136,109
Trade and other receivables	-	-	12 months	168,204	157,514
				<u>453,793</u>	<u>443,103</u>
<b>2021</b>					
Bank balances	Ba3	-	12 months	235,121	235,121
Margin deposit	Ba3	-	12 months	380,000	380,000
Trade and other receivables	-	-	12 months	177,569	166,879
				<u>792,690</u>	<u>782,000</u>

As at reporting date none of balances of financial assets were past due. The exposure to credit risk for trade and other receivables at the reporting date relates to Oman only.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the management. The Company manages liquidity risk by maintaining adequate reserves, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company has access to loans from related parties to further reduce liquidity risk.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities and the interest rate risk profile of the Company's interest bearing financial instrument at the reporting position. The tables have been drawn up based on the discounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

**Notes to the financial statements  
for the year 31 March 2022 (continued)**

**22. Financial risk management (continued)**

**Financial risk factors (continued)**

**Liquidity risk (continued)**

The tables comprise principal cash flows.

2022	Average interest rate %	Carrying amount RO	Less than one year RO	More than one year RO	Total RO
<i>Fixed interest rate liabilities</i>					
Lease liabilities	6.5	187,766	92,352	95,414	187,766
Loan from the Parent Company	6.5	8,050,168	8,050,168	-	8,050,168
<i>Non-interest bearing liabilities</i>					
Due to related parties		954,119	954,119	-	954,119
Trade payables		176,918	176,918	-	176,918
Other payables		25,176	25,176	-	25,176
		<u>9,394,147</u>	<u>9,298,733</u>	<u>95,414</u>	<u>9,394,147</u>
2021					
<i>Fixed interest rate liabilities</i>					
Long term loan	6.25	330,000	350,625	-	350,625
Lease liabilities	6.50	219,983	169,534	58,960	228,494
Short term borrowings	6.50	1,560,517	1,661,951	-	1,661,951
<i>Non-interest bearing liabilities</i>					
Due to the Parent Company		5,714,857	5,714,857	-	5,714,857
Trade payables		147,755	147,755	-	147,755
Other payables		38,328	38,328	-	38,328
		<u>8,011,440</u>	<u>8,083,050</u>	<u>409,585</u>	<u>8,142,010</u>

**Commodity risk management**

The Company is exposed to price risk on both sales and purchases of gold inventory.

The Group enters into forward contracts designated as cash flow hedges to manage the price risk volatility of the company's gold inventory. These contracts are entered into in accordance with the Group's risk management and hedging policies for a period of 2-4 months.

## Notes to the financial statements for the year 31 March 2022 (continued)

### 23. Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the shareholders through the optimization of the debt and equity balances. The management monitors the return on equity and also monitors the level of distribution to ordinary shareholders. There were no changes in the Company's approach to capital management during the year.

The capital structure of the Company consists of equity comprising issued share capital, member contribution and losses as disclosed in the statement of changes in equity. The Company is not subject to externally imposed capital requirements other than the requirements of the Commercial Companies Law of 2019.

The Company has a target gearing ratio of 80% determined as the proportion of net debt to equity. The gearing ratio as of the reporting date of 80% (2021: 33%) was in line with the target range. The gearing ratio at year end was as follows:

	2022 RO	2021 RO
Total borrowings [note 18/ 11(c)]	8,050,168	1,890,517
Less: margin deposits and cash and bank balances [note 9 (a)/(b)]	(304,424)	(635,588)
Net debt	<u>7,745,744</u>	<u>1,332,948</u>
Total equity	<u>1,908,081</u>	<u>2,109,720</u>
Total capital employed	<u>9,653,825</u>	<u>4,000,237</u>
Gearing ratio	<u>80%</u>	<u>33%</u>

- (i) Debt is defined as short term borrowings and long-term debt and loan from related party (excluding lease liabilities) as detailed in notes 19 and 11.
- (ii) Equity includes capital, capital contribution, legal reserve and losses of the Company that are managed as capital.

### 24. Non-cash financing and investing activities

The right-of-use asset and related lease liabilities recognised in the current and prior year were non-cash financing and investing activities and therefore not presented in the statement of cash flows.

### 25. Approval of financial statements

The financial statements were approved by the management and authorised for issue on 25 July 2022.