Financial Statements and Independent Auditor's Report

Ion Exchange and Company LLC

31 March 2022

Contents

Abu Timam
Grant Thornton

أبـــو تـمـــام
محاسبون قانونيون

Abu Timam
Chartered Certified Accountants

الطابق الاول الرميلة ١٠٦
ص.ب ٥٧
الرمز البريدي ١١٨
سلطنة عمان

1st Floor Rumaila 106
P.O. Box 57
Postal Code 118
Sultanate of Oman

ت. ٢٤٥٧١٣٢٠ / ٢٤٥٧١٣٢١ ٩٦٨+
ف. ٢٤٥٧١٣٢٤ ٩٦٨+
E: info@om.gt.com
www.grantthornton.om

T +968 24571320, 24571321
F +968 24571324
E-mail: info@om.gt.com
www.grantthornton.om

رقم البطاقة الضريبية : ٨١٢٣٨١٥

Tax Card No. : 8123815

Independent Auditor's Report

To the Members of
Ion Exchange and Company LLC
P.O. Box 69
Postal Code 112
Sultanate of Oman

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Ion Exchange and Company 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, except for the effects of matters described in the *Basis for Qualified Opinion* section in our audit report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of Qualified Opinion

The Company was awarded a concession agreement by Petroleum Development Oman (PDO) for the development and operation of the water treatment plant in the PDO sites for a period of 7 years commencing from August 2009, which has later been extended for further period of 5 years. Therefore, this agreement falls under the scope of "IFRIC 12 - *Service concession arrangements*". However, management has recognised related plant and water treatment "IAS 16 – *Property, Plant and Equipment*". It constitutes a departure from International Financial Reporting Standards. We are unable to determine the impact on assets and retained earnings, had the Company implemented the provisions of IFRIC 12.

Independent Auditor's Report (continued)

Basis of Qualified Opinion (continued)

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 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 the Commercial Companies Law of the Sultanate of Oman, 2019, as amended, and for such internal controls 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.

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 judgment and maintain professional scepticism 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 for 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.

Independent Auditor's Report (continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 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 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements of the Company for the year ended 31 March 2022 comply, in all material respects, with the relevant requirements of Commercial Companies Law of the Sultanate of Oman, 2019, as amended.

Nasser Al Mugheiry
Licence No. L1024587
ABU TIMAM
(Chartered Certified Accountants)

أبو تمام محاسبون قانونيون
س.ت رقم: ١٠٩٨٩٧٧
Abu Timam
Grant Thornton
C.R. No. 1098977
Abu Timam - Chartered Certified Accountants

28 April 2022

Statement of financial position
as at 31 March 2022

	Notes	31 March 2022 RO	31 March 2021 RO
ASSETS			
Non-current assets:			
Plant and equipment	5	**28,847**	78,781
Investment in bonds	6	**186,913**	-
Total non-current assets		**215,760**	78,781
Current assets:			
Trade and other receivables	7	**284,804**	362,703
Amounts due from related parties	8.3	**13,208**	11,764
Inventories	9	**23,449**	40,758
Cash and cash equivalents	10	**275,304**	349,432
Total current assets		**596,765**	764,657
Total assets		**812,525**	843,438
EQUITY AND LIABILITIES			
Equity:			
Share capital	11	**300,000**	300,000
Legal reserve	12	**100,000**	100,000
Retained earnings		**195,542**	199,801
Total equity		**595,542**	599,801
LIABILITIES			
Non-current liabilities:			
Staff terminal benefits	13	**35,858**	31,440
Total non-current liabilities		**35,858**	31,440
Current liabilities:			
Amounts due to related parties	8.3	**46,784**	58,779
Trade and other payables	14	**130,708**	117,359
Provision for income tax	20(a)	**3,633**	36,059
Total current liabilities		**181,125**	212,197
Total liabilities		**216,983**	243,637
Total equity and liabilities		**812,525**	843,438

These financial statements on pages 4 to 26 were approved by the Members on 28 April 2022 and were signed on their behalf by:

VIJAY CHINTALAPUDI
DIRECTOR

ALI SAID AL HARTHY
DIRECTOR

ايون اكسشينج وشركائهم ش.م.م
ص.ب: ٦٩، الرمز البريدي: ١١٢ روي
س.ت رقم: ١٠٠٨٧٢٦
C.R. NO.:1008726
P.O.Box 69, 112 Ruwi
ION EXCHANGE & COMPANY LLC

The accompanying notes on pages 8 to 26 form an integral part of these financial statements.

The report of the Auditor is set forth on page 1.

Statement of profit or loss and other comprehensive income

for the year ended 31 March 2022

	Notes	Year ended 31 March 2022 RO	Year ended 31 March 2021 RO
Revenue	15	**845,834**	939,025
Cost of sales	16	**(575,432)**	(565,431)
Gross profit		**270,402**	373,594
Other income	17	**124,453**	258,223
General and administrative expenses	18	**(288,639)**	(396,009)
Selling and marketing expenses		**(2,005)**	-
Other operating expenses	19	**(78,659)**	(87,220)
Profit from operations		**25,552**	148,588
Finance costs		**(3,390)**	(1,027)
Profit before income tax		**22,162**	147,561
Income tax credit/(expense)	20(a)	**3,579**	(36,059)
Profit for the year		**25,741**	111,502
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**25,741**	111,502

The accompanying notes on pages 8 to 26 form an integral part of these financial statements.

The report of the Auditor is set forth on page 1.

Statement of changes in equity

for the year ended 31 March 2022

	Share capital RO	Legal reserve RO	Retained earnings RO	Total RO
At 1 April 2021	300,000	100,000	208,299	608,299
Dividends paid during the year	-	-	(120,000)	(120,000)
Transactions with the Owners	-	-	*(120,000)*	*(120,000)*
Profit for the year	-	-	111,502	111,502
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	*111,502*	*111,502*
At 31 March 2021	300,000	100,000	199,801	599,801
At 1 April 2021	**300,000**	**100,000**	**199,801**	**599,801**
Dividends paid during the year	-	-	(30,000)	(30,000)
Transactions with the Owners	-	-	***(30,000)***	***(30,000)***
Profit for the year	-	-	25,741	25,741
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	***25,741***	***25,741***
At 31 March 2022	**300,000**	**100,000**	**195,542**	**595,542**

The accompanying notes on pages 8 to 26 form an integral part of these financial statements.

The report of the Auditor is set forth on page 1.

Statement of cash flows

for the year ended 31 March 2022

	Notes	Year ended 31 March 2022 RO	Year ended 31 March 2021 RO
Cash flow from operating activities:			
Profit for the year before income tax		**22,162**	147,561
Adjustments for:			
Depreciation on plant and equipment	5	**51,289**	67,318
(Reversal)/allowance for expected credit losses	21.2	**(14,771)**	63,546
Provision for staff terminal benefits	13	**5,910**	5,376
Allowance for expected credit losses on Investment in bonds	21.2	**1,837**	-
Finance costs		**3,390**	1,027
Operating profit before working capital changes		**69,817**	284,828
Changes in working capital:			
Inventories		**17,309**	(21,186)
Trade and other receivables		**92,671**	(65,987)
Amounts due from related parties		**(1,444)**	(3,161)
Trade and other payables		**13,349**	(33,366)
Amounts due to related parties		**(11,995)**	(56,449)
Cash flow generated from operations		**179,707**	104,679
Staff terminal benefits paid	13	**(1,492)**	(998)
Income tax paid		**(28,848)**	(25,310)
Finance costs paid		**(3,390)**	(1,027)
Net cash generated from operating activities		**145,977**	77,344
Cash flow from investing activities:			
Investment in bonds		**(188,750)**	-
Purchases of plant and equipment	5	**(1,355)**	(1,302)
Net cash used in investing activities		**(190,105)**	(1,302)
Cash flow from financing activities:			
Dividends paid during the year		**(30,000)**	(120,000)
Net cash used in financing activities		**(30,000)**	(120,000)
Net decrease in cash and cash equivalents		**(74,128)**	(43,958)
Cash and cash equivalents at the beginning of the year		**349,432**	393,390
Cash and cash equivalents at the end of the year	10	**275,304**	349,432

The accompanying notes on pages 8 to 26 form an integral part of these financial statements.

The report of the Auditor is set forth on page 1.

Notes

(forming part of the financial statements)

1 Nature of operations

Ion Exchange and Company LLC (the "Company") is primarily engaged in the supplying and installation of sewage and water treatment plants in the Sultanate of Oman.

2 General information and statement of compliance with IFRSs

The Company is a limited liability company incorporated and registered with registration number 1008762 in the Sultanate of Oman on 20 November 2006 in accordance with the Commercial Companies Law of the Sultanate of Oman, 2019, as amended.

The address of the Company is P.O. Box 69, Postal Code 112, Ruwi, the Sultanate of Oman, which is also the registered office of the Company.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in conformity with Commercial Companies Law of the Sultanate of Oman, 2019, as amended.

Ion Exchange (India) limited located in India (the "Parent Company") holds 51% of the share capital of the Company.

3 New or revised Standards or Interpretations

3.1 New Standards adopted as at 1 April 2021

Some accounting pronouncements which have become effective from 1 April 2021 have therefore been adopted do not have a significant impact on the Company's financial results or position.

3.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, several new, but not effective Standards and amendments to existing Standards, and Interpretations have been published by the IASB. The Company has adopted none of these Standards or amendments to existing Standards early.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed, as they are not expected to have a material impact on the Company's financial statements.

4 Summary of accounting policies

4.1 Overall considerations

The financial statements have been prepared using the measurement bases specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below:

4.2 Presentation of financial statements

The financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements*.

Notes

(forming part of the financial statements)

4 Summary of accounting policies

4.3 Foreign currency translation and transactions

Functional and presentation currency

The financial statements are presented in the Rial Omani (RO) which is also the functional currency of Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the presentation currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items of statement of financial position at year-end exchange rates are recognised in the statement of profit or loss and other comprehensive income under 'other income' or 'other expenses'.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Company's financial statements, all items and transactions of the Company with a transaction currency other than the Rial Omani (the Company's presentation currency) were translated into the presentation currency. Assets and liabilities have been translated into the Rial Omani at the closing rate at the reporting date.

4.4 Revenue recognition

The Company is in the business of providing technical services to petroleum and gas companies. To determine whether to recognize revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The Company often enters into transactions involving a range of the Company's products and services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

Sale of chemicals and machinery

The Company's contracts with customers for the sale of goods generally include one performance obligation. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, being when the customer takes undisputed delivery of the goods. A receivable is also recognised as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Technical services

Revenue from rendering of services is recognised over time, when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.5 Operating expenses

Operating expenses are recognised in the statement of profit or loss and other comprehensive income upon utilisation of the service or at the date of their origin.

4.6 Financial instruments

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

The Company classifies its financial assets as follows:

- Financial assets at amortized cost;
- Financial assets at Fair value through other comprehensive income (FVOCI); and
- Financial assets at Fair value through profit or loss (FVTPL).

The Company determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

The Company determines its business model at the level that best reflects how it manages group of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model and how those risks are managed; and
- The frequency, volume and timing of sale in prior periods, the reasons for such sales and its expectations about future sales activity.

Contractual cash flow characteristics test

The Company assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. The Company reclassifies a financial asset when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.6 Financial instruments (continued)

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The Company's cash and cash equivalents, trade and other receivables, investment in bonds and amounts due from related parties fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses requires the Company to consider a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include trade and other payables and amounts due to related parties. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of profit or loss and other comprehensive income under its line items 'finance costs' or 'finance income'.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank which are subject to insignificant risk of changes in value.

4.8 Staff terminal benefits

The provision for staff terminal benefits is based upon the liability accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law, 2003 and the Social Security Law, 1991.

Government of Oman Social Insurance Scheme (the "Scheme")

The Company contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The Company and Omani employees are required to make monthly contributions to the Scheme at prescribed rates, of gross salaries.

Non-Omani employee terminal benefits

The provision for staff terminal benefits for non-Omani employees is made in accordance with the requirements of the Oman Labour Law of 2003. Employees are entitled to staff terminal benefits calculated at the rate of 15 days basic salary for each of the first three years of continuous service and at a rate of 30 days basic salary for each year of continuous service following the first three years. This is an unfunded defined benefits retirement plan. Accrued non-Omani staff terminal benefits are payable on termination of employment.

4.9 Plant and equipment

Plant and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company. Plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is calculated straight-line to write down the cost and valuation less estimated residual value of plant and equipment other than freehold land. The estimated useful lives are:

- Motor vehicles — 5 years
- Furniture and fixtures — 3 years
- Site and office equipment — 3-10 years
- Hardware and software — 3 years

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

Gains and losses on disposal of plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recognised within 'other income' in the statement of profit or loss and other comprehensive income.

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

4.10 Impairment test on non-financial assets

For the purpose of assessing impairment, assets are compared at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. The management of the Company has reviewed the assets of the Company and is of the opinion that no impairment has occurred to any of the Company's assets.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.10 Impairment test on non-financial assets (continued)

Individual assets or cash-generating units with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets' or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements.

4.11 Equity

Share capital is determined using the nominal value of shares that have been issued.

Retained earnings include all current and prior period results as disclosed in the statement of changes in equity.

All transactions with the Members of the Company are separately recorded in the statement of changes in equity.

4.12 Leases

The Company as a lessee

The Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.12 Leases (continued)

Measurement and recognition of leases as a lessee (continued)

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The Company as a lessor

As a lessor the Company classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

4.13 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Company and they can be estimated reliably. Timing or amount of the outflow may still be uncertain.

A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Long term provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.14 Income tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from Tax Authorities relating to the current or prior reporting period, that are unpaid at the reporting date.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases.

In addition, tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income.

4.15 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

Significant management judgements

During the year, there were no judgements made by management in applying the accounting policies of the Company that had a significant effect on the financial statements.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At 31 March 2022 management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are mentioned in Note 5.

Income tax

Uncertainties exist with respect to interpretation of the tax regulations and the amount of timing of future taxable income. Given the wide range of business relationship and nature of existing contractual agreements, differences arising between the actual result and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimate, for possible consequences of the finalisation of the tax assessment of the Company. The amount of such provision is based on various factors, such as experience of previous assessment and differing interpretations of tax regulations by the taxable entity and the responsible Tax Authority.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.15 Significant management judgement in applying accounting policies and estimation uncertainty (continued)

Provision for expected credit losses on trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector in which the customers of the Company operate, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 21.2.

5 Plant and equipment

	Site	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Hardware and software RO	Total RO
Cost:						
At 1 April 2021	703,610	136,032	22,036	21,218	4,128	887,024
Additions	-	-	-	1,355	-	1,355
At 31 March 2022	**703,610**	**136,032**	**22,036**	**22,573**	**4,128**	**888,379**
Accumulated depreciation:						
At 1 April 2021	657,939	104,826	21,903	19,447	4,128	808,243
Provided during the year	31,893	18,533	66	797	-	51,289
At 31 March 2022	**689,832**	**123,359**	**21,969**	**20,244**	**4,128**	**859,532**
Net book value:						
At 31 March 2022	**13,778**	**12,673**	**67**	**2,329**	**-**	**28,847**

The carrying amounts for comparative year can be shown as follows:

	Site	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Hardware and software RO	Total RO
Cost:						
At 1 April 2020	703,610	136,032	22,036	19,916	4,128	885,722
Additions	-	-	-	1,302	-	1,302
At 31 March 2021	703,610	136,032	22,036	21,218	4,128	887,024
Accumulated depreciation:						
At 1 April 2020	611,579	84,456	21,836	18,926	4,128	740,925
Provided during the year	46,360	20,370	67	521	-	67,318
At 31 March 2021	657,939	104,826	21,903	19,447	4,128	808,243
Net book value:						
At 31 March 2021	45,671	31,206	133	1,771	-	78,781

Notes

(forming part of the financial statements)

6 Investment in bonds

	31 March 2022 RO	31 March 2021 RO
Investment in bonds	**188,750**	-
Less: Allowance for expected credit losses	**(1,837)**	-
	186,913	-

Note 21.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

7 Trade and other receivables

	31 March 2022 RO	31 March 2021 RO
Financial assets:		
Trade receivables	**380,667**	468,755
Less: Allowance for expected credit losses	**(113,727)**	(128,498)
	266,940	340,257
Non-financial assets:		
Advances and prepayments	**17,864**	22,446
	284,804	362,703

All amounts are short-term. The carrying values of trade and other receivables are considered to be a reasonable approximation of fair values.

Note 21.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

8 Related party transactions and balances

A party is considered to be related to the Company if the party has the ability, directly or indirectly, to exercise significant influence in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or significant influence.

The Company's related parties include the Members, key management personnel and other business entities held under common control as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

8.1 Transactions with key management personnel

There are no transactions with key management personnel during the year.

8.2 Transactions and balances with other business entities held under common control

The Company in the normal course of business carries on transactions with other business enterprises that fall within the definition of a related party are as follows:

	Year ended 31 March 2022 RO	Year ended 31 March 2021 RO
Transactions with related parties:		
Sales/services provided	**102,209**	154,464
Purchases/services received	**35,902**	88,423

Notes

(forming part of the financial statements)

8 Related party transactions and balances (continued)

8.3 Balances with related parties

	31 March 2022 RO	31 March 2021 RO
Amounts due from related parties:		
Hofincons and Company LLC, Oman	**11,266**	11,764
Ion Exchange (India) Ltd, India	**1,942**	-
	13,208	11,764

	31 March 2022 RO	31 March 2021 RO
Amounts due to related parties:		
Rusayl Chemicals, Oman	**32,998**	-
Ion Exchange Ltd, UAE	**13,786**	18,972
Ion Exchange (India) Ltd, India	**-**	39,807
	46,784	58,779

Amounts due from/to related parties are unsecured, interest free and have no fixed repayment terms.

9 Inventories

Inventories pertains to chemicals used in water desalination process. The inventories amounted to RO 23,449 (2021: RO 40,758) as at 31 March 2022.

10 Cash and cash equivalents

	31 March 2022 RO	31 March 2021 RO
Cash at bank	**274,856**	349,110
Cash in hand	**448**	322
	275,304	349,432

There are no restrictions on bank balances at the time of approval of these financial statements.

11 Share capital

	31 March 2022 RO	31 March 2021 RO
300,000 authorised, issued and fully paid up shares of RO 1 each	**300,000**	300,000

The Members of the Company as at 31 March 2022 and 2021 and the number of shares they held were as follows:

	Number of shares	% Holding	RO
Ion Exchange (India) Ltd, India	**153,000**	**51%**	**153,000**
Hofincons and Company LLC, Oman	**147,000**	**49%**	**147,000**
	300,000	**100%**	**300,000**

12 Legal reserve

In accordance with the Commercial Companies Law of the Sultanate of Oman, 2019, as amended, annual appropriations of 10% of the net 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 Company's paid-up share capital. This reserve is not available for distribution to the Members. During the year ended 31 March 2022, no transfer has been made to the legal reserve as the Company has reached its statutory limit (2021: RO Nil).

Notes

(forming part of the financial statements)

13 Staff terminal benefits

	31 March 2022 RO	31 March 2021 RO
At 1 April	**31,440**	27,062
Provided during the year	**5,910**	5,376
Paid during the year	**(1,492)**	(998)
At 31 March	**35,858**	31,440

14 Trade and other payables

	31 March 2022 RO	31 March 2021 RO
Financial liabilities:		
Trade payables	**82,751**	63,469
Accrued expenses	**38,184**	49,480
Non-financial liabilities:		
Advance from customers	**9,773**	4,410
	130,708	117,359

All amounts are short-term. The carrying values of trade and other payables are considered to be a reasonable approximation of fair values.

15 Revenue

	Year ended 31 March 2022 RO	Year ended 31 March 2021 RO
Services transferred over time:		
Revenue from services	**798,667**	882,604
Goods transferred at a point in time:		
Sale of chemicals	**39,233**	45,653
Sale of spare parts	**7,934**	10,768
	845,834	939,025

16 Cost of sales

	Year ended 31 March 2022 RO	Year ended 31 March 2021 RO
Salaries and related costs	**293,647**	277,857
Purchases of materials	**119,223**	117,971
Site expenses	**106,748**	103,620
Subcontracting charges	**24,000**	24,000
Project expenses	**22,630**	36,925
Custom charges	**9,184**	5,058
	575,432	565,431

17 Other income

	Year ended 31 March 2022 RO	Year ended 31 March 2021 RO
Revenue from secondment services	**97,342**	152,975
Reversal of old payables	**18,552**	62,278
Interest on bonds	**8,559**	1,990
Final settlement from subcontractor	**-**	37,077
Profit on sale of investments	**-**	3,851
Miscellaneous income	**-**	52
	124,453	258,223

Notes

(forming part of the financial statements)

18 General and administrative expenses

	Year ended 31 March 2022 RO	Year ended 31 March 2021 RO
Salaries and related costs	**212,901**	270,365
Rent expenses	**23,479**	22,950
Visa and immigration charges	**9,229**	3,961
Insurance expenses	**8,922**	9,075
Staff training expenses	**6,336**	6,520
Communication charges	**5,907**	6,882
Professional and legal fees	**5,897**	4,164
Utilities expenses	**5,661**	5,189
Allowance for expected credit losses	**1,837**	63,546
Printing and stationery expenses	**1,068**	1,331
Membership and subscription expenses	**1,023**	1,100
Donations	**100**	-
Miscellaneous expenses	**6,279**	926
	288,639	396,009

19 Other operating expenses

	Year ended 31 March 2022 RO	Year ended 31 March 2021 RO
Depreciation on plant and equipment (Note 5)	**51,289**	67,318
Travelling expenses	**16,946**	12,815
Repairs and maintenance expenses	**10,424**	7,087
	78,659	87,220

20 Income tax

a) Recognised in the statement of profit or loss and other comprehensive income and presented in the statement of financial position

The Company is subject to income tax at the rate of 12% of the taxable income in accordance with the Income Tax law of the Sultanate of Oman (2021: 15%).

	Year ended 31 March 2022 RO	Year ended 31 March 2021 RO
Recognised in the statement of profit or loss and other comprehensive income:		
Income tax expense	**3,633**	36,059
Less: excess provision for prior year	**(7,212)**	-
Income tax (credit)/expense	**(3,579)**	36,059
Presented in the statement of financial position:		
Provision for income tax	**3,633**	36,059

Movement in tax provision during the year is as follows:

	Year ended 31 March 2022 RO	Year ended 31 March 2021 RO
At 1 April	**36,059**	25,310
Provided during the year	**(3,579)**	36,059
Paid during the year	**(28,847)**	(25,310)
At 31 March	**3,633**	36,059

Notes

(forming part of the financial statements)

20 Income tax (continued)

b) Reconciliation of income tax expense

The relationship between the expected tax income based on the tax rates of 12% (2021: 15%) and the reported tax expense in the statement of profit or loss can be reconciled as follows:

	Year ended 31 March 2022 RO	Year ended 31 March 2021 RO
Profit before income tax	**22,162**	147,561
Add:		
Accounting depreciation	**51,289**	67,318
Allowance for expected credit losses	**1,837**	63,546
Tax consultancy fees	**300**	300
Donations	**100**	-
	75,688	278,725
Deduct:		
Reversal of provision for expected credit loss	**(14,771)**	-
Tax depreciation	**(30,638)**	(38,329)
Taxable income	**30,277**	240,396
Tax rate	**12%**	15%
Income tax	**3,633**	36,059
Excess provision for prior year	**(7,212)**	-
	(3,579)	36,059

c) Deferred tax asset/(liability)

At 31 March 2022, no deferred tax on the excess of deductible temporary difference has been recognised in these financial statements due to uncertainty regarding the timing of availability of adequate future taxable profits.

d) Current status of tax assessments

The Company's tax assessments have been finalised with the Tax Authority till the year ended 31 March 2019. At the end of the reporting date, management considers that the amount of additional taxes, if any, that may become payable on finalisation of the unassessed tax years would not be material to the Company's financial position.

21 Financial instruments risk

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

21.1 Market risk analysis

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating activities.

Notes

(forming part of the financial statements)

21 Financial instruments risk (continued)

Risk management objectives and policies (continued)

21.1 Market risk analysis (continued)

Foreign currency sensitivity

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The majority of the Company's foreign currency transactions are either in the US Dollar or in currencies that are linked to the US Dollar. The rate of exchange between the Rial Omani and the US Dollar are pegged.

To mitigate the Company's exposure to foreign currency risk, non-Rial Omani cash flows are monitored.

Interest rate sensitivity

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Company's policy is to minimize interest rate risk exposures on financial instruments. The Company is not exposed to the risk for changes in market interest rates since the Company has fixed interest bearing financial assets.

21.2 Credit risk analysis

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables, amount due from a related party and cash at bank.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	31 March 2022 RO	31 March 2021 RO
Non-interest bearing:		
Trade receivables	**266,940**	340,257
Amounts due from related parties	**13,208**	11,764
Cash at bank	**274,856**	349,110
Interest bearing:		
Investment in bonds	**188,750**	-
	743,754	701,131

Credit risk management

Credit risk is managed through Company risk management policies and procedures. For banks, only independently rated parties with a rating from reputed credit rating agency are accepted.

The Company has following types of financial assets that are subject to the expected credit loss model:

- Investment in bonds;
- Cash at bank;
- Amounts due from a related parties; and
- Trade receivables.

Notes

(forming part of the financial statements)

21 Financial instruments risk (continued)

Risk management objectives and policies (continued)

21.2 Credit risk analysis (continued)

Credit risk management (continued)

Expected credit loss on investment in bonds

The expected credit loss on investment in bonds is calculated based on the credit ratings given by the external credit rating agency. The Probability of Default (PD) is considered based on the historical data of the credit ratings. Should a case of default occur the Company is exposed to 100% amount held; therefore, the Loss Given Default (LGD) reflects the same assumption.

Expected credit loss on investment in bonds (continued)

31 March 2022 Credit rating	Exposure at year end RO	PD %	LGD %	ECL RO
Fair risk Ba1 to Caa3	**188,750**	**0.9732**	**100**	**1,837**

Movement in allowances for expected credit losses on investment in bonds are as follows:

	31 March 2022 RO	31 March 2021 RO
At 1 April	-	-
Allowance for expected credit losses	1,837	-
At 31 March	1,837	-

Credit risk on cash at bank

Although cash at bank is subject to the impairment requirement of IFRS 9, but the identified impairment loss was immaterial.

Expected credit loss on amounts due from related parties

The Company applies General Model approach to measure expected credit losses which uses 3 stage model to recognise expected credit loss depending upon the credit risk of the counter party.

To measure the expected credit loss, the Company assess the probability of default by the counter as a result of default event that are possible within 12 months after reporting date. The Company also assess the financial position of the counter party if it has sufficient liquid asset to pay off the balance if repayment is made on demand. In addition, the Company also determines the loss given default of the amount due from related parties.

Amounts due from related parties are neither past due nor impaired and are estimated as collectible based on historical experience. There has been no impairment assessed on amount due from a related party and accordingly no allowance for credit losses against these dues has been considered necessary.

Notes

(forming part of the financial statements)

21 Financial instruments risk (continued)

Risk management objectives and policies (continued)

21.2 Credit risk analysis (continued)

Credit risk management (continued)

Expected credit loss on trade receivables

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics.

Loss rates are based on actual credit loss experience over the past two years. These are then adjusted for the current economic outlook of the geographical region to which the receivables belong.

The movement in the allowance for expected credit losses on trade receivables can be reconciled as follows:

	31 March 2022 RO	31 March 2021 RO
Opening balance	**128,498**	64,952
Provided during the year	**-**	63,546
Reversed during the year	**(14,771)**	-
Closing balance	**113,727**	128,498

31 March 2022	Expected credit loss rate %	Gross carrying amount RO	Loss Allowance RO	Credit impaired
Not past due	8.7	291,183	25,347	No
1-60 days past due	53.88	2,394	1,290	No
More than 60 days	100.00	87,090	87,090	No
		380,667	**113,727**	

31 March 2021	Expected credit loss rate %	Gross carrying amount RO	Loss Allowance RO	Credit impaired
Not past due	1.62	344,945	5,576	No
1-60 days past due	82.31	5,019	4,131	No
More than 60 days	100.00	118,791	118,791	No
		468,755	128,498	

21.3 Liquidity risk analysis

Liquidity risk referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Notes

(forming part of the financial statements)

21 Financial instruments risk (continued)

Risk management objectives and policies (continued)

21.3 Liquidity risk (continued)

The Company's maximum exposure to liquidity risks is limited to the carrying amount of financial liabilities recognised at the reporting date, as summarised below:

	Year ended 31 March 2022 RO	Year ended 31 March 2021 RO
Financial liabilities:		
Trade and other payables	**120,935**	112,949
Amounts due to related parties	**46,784**	58,779
	167,719	171,728

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 March 2021, based on contractual payment dates and current market interest rates.

	Less than 3 months RO	3 to 12 months RO	More than 1 year RO	Total RO
Non-interest bearing:				
Trade payables	82,751	-	-	82,751
Accrued expenses	38,184	-	-	38,184
Amounts due to related parties	46,784	-	-	46,784
	167,719	**-**	**-**	**167,719**

This compares to the maturities of the Company's financial liabilities in the previous reporting periods as follows:

	Less than 3 months RO	3 to 12 months RO	More than 1 year RO	Total RO
Non-interest bearing:				
Trade payables	63,469	-	-	63,469
Accrued expenses	49,480	-	-	49,480
Amounts due to related parties	58,779	-	-	58,779
	171,728	-	-	171,728

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business.

22 Contingent assets and other contingent liabilities

22.1 Contingent liabilities

The Company's has payment guarantee amounting to RO 10,131 as at 31 March 2022 (2021: RO 2,400).

22.2 Commitments

At the reporting date, the Company does not have any outstanding commitments (2021: RO Nil).

23 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to the Members by pricing services commensurately with the level of risk.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions.

Notes

(forming part of the financial statements)

24 Dividend

During the year, the Company declared dividend amounting to RO 30,000 (2021: RO 120,000) and paid dividend amounting to RO 30,000 (2021: RO 120,000).

25 Comparative figures

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. Such reclassifications do not impact the Company's previous year reported profit or equity.