Financial Statements and Independent Auditor's Report

Ion Exchange and Company LLC

31 March 2023

Contents

أبـو تـمـام
محاسبون قانونيون

Abu Timam
Chartered Certified Accountants

الطابق الخامس والسادس من
عمارة تجارية في الخوير
(خلف مول زاخر)
ص.ب ٥٧ ، الرمز البريدي ١١٨
سلطنة عمان

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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 2023, 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 matter 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 2023, 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 7 years. Therefore, this agreement falls under the scope of "IFRIC 12 - *Service concession arrangements*". However, management has recognised related water treatment plant under "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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the 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 qualified 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 their preparation in compliance with the applicable provisions of the Commercial Companies Law of 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 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 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 2023 comply, in all material respects, with the relevant provisions of the Commercial Companies Law of 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

8 May 2023

Statement of financial position

as at 31 March 2023

	Notes	31 March 2023 RO	31 March 2022 RO
ASSETS			
Non-current assets:			
Plant and equipment	5	17,374	28,847
Investment in bonds	6	186,913	186,913
Total non-current assets		204,287	215,760
Current assets:			
Trade and other receivables	7	444,915	284,804
Amounts due from related parties	8.3	39,191	13,208
Inventories	9	42,800	23,449
Cash and cash equivalents	10	120,131	275,304
Total current assets		647,037	596,765
Total assets		851,324	812,525
EQUITY AND LIABILITIES			
Equity:			
Share capital	11	300,000	300,000
Legal reserve	12	100,000	100,000
Retained earnings		166,575	195,542
Total equity		566,575	595,542
Non-current liabilities:			
Staff terminal benefits	13	36,430	35,858
Total non-current liabilities		36,430	35,858
Current liabilities:			
Amounts due to related parties	8.3	102,153	46,784
Trade and other payables	14	144,539	130,708
Provision for income tax	20(a)	1,627	3,633
Total current liabilities		248,319	181,125
Total liabilities		284,749	216,983
Total equity and liabilities		851,324	812,525

These financial statements on pages 4 to 26 were approved by the Members on 8 May 2023 and were signed on their behalf by:

VIJAY CHINTALAPUDI
DIRECTOR

ION EXCHANGE & COMPANY LLC
C.R. NO. 1008726
P.O.Box 69, 112 Ruwi

ALI SAID AL HARTHY
DIRECTOR

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 1-3.

Statement of profit or loss and other comprehensive income

for the year ended 31 March 2023

	Notes	Year ended 31 March 2023 RO	Year ended 31 March 2022 RO
Revenue	15	**993,806**	845,834
Cost of sales	16	**(718,598)**	(575,432)
Gross profit		**275,208**	270,402
Other income	17	**114,594**	124,453
General and administrative expenses	18	**(313,341)**	(288,639)
Selling and marketing expenses		**(601)**	(2,005)
Other operating expenses	19	**(55,424)**	(78,659)
Profit from operations		**20,436**	25,552
Finance costs		**(1,867)**	(3,390)
Profit before income tax		**18,569**	22,162
Income tax (expense) / credit	20(a)	**(2,536)**	3,579
Profit for the year		**16,033**	25,741
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**16,033**	25,741

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

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Statement of changes in equity

for the year ended 31 March 2023

	Share capital RO	Legal reserve RO	Retained earnings RO	Total RO
At 1 April 2021	300,000	100,000	199,801	599,801
Transactions with the Owners:				
Dividends paid during the year	-	-	(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
At 1 April 2022	**300,000**	**100,000**	**195,542**	**595,542**
Transactions with the Owners:				
Dividends paid during the year	-	-	(45,000)	**(45,000)**
Profit for the year			16,033	16,033
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	***16,033***	***16,033***
At 31 March 2023	**300,000**	**100,000**	**166,575**	**566,575**

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 1-3.

Statement of cash flows

for the year ended 31 March 2023

	Notes	Year ended 31 March 2023 RO	Year ended 31 March 2022 RO
Cash flows from operating activities:			
Profit before income tax		**18,569**	22,162
Adjustments for:			
Depreciation on plant and equipment	5	**21,567**	51,289
Reversal for expected credit loss on trade receivables	21.2	**(723)**	(14,771)
Provision for staff terminal benefits	13	**3,698**	5,910
Allowance for expected credit losses on Investment in bonds	21.2	**-**	1,837
Finance costs		**1,867**	3,390
Operating profit before working capital changes		**44,978**	69,817
Working capital changes:			
Inventories		**(19,351)**	17,309
Trade and other receivables		**(159,388)**	92,671
Amounts due from related parties		**(25,983)**	(1,444)
Trade and other payables		**13,831**	13,349
Amounts due to related parties		**55,369**	(11,995)
Cash (used in) / generated from operations		**(90,544)**	179,707
Staff terminal benefits paid	13	**(3,126)**	(1,492)
Income tax paid		**(4,542)**	(28,848)
Finance costs paid		**(1,867)**	(3,390)
Net cash (used in) / generated from operating activities		**(100,079)**	145,977
Cash flows from investing activities:			
Investment in bonds		**-**	(188,750)
Purchases of plant and equipment	5	**(10,094)**	(1,355)
Net cash used in investing activities		**(10,094)**	(190,105)
Cash flows from financing activities:			
Dividends paid during the year		**(45,000)**	(30,000)
Net cash used in financing activities		**(45,000)**	(30,000)
Net decrease in cash and cash equivalents		**(155,173)**	(74,128)
Cash and cash equivalents at the beginning of the year		**275,304**	349,432
Cash and cash equivalents at the end of the year	10	**120,131**	275,304

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 1-3.

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.

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.

Ion Exchange Limited, incorporated and registered in India, holds 51% of the share capital of the Company and is the Parent 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.

3 Adoption of new or revised Standards or Interpretations

3.1 New Standards, amendments and Interpretations that are effective for the annual periods beginning on or after 1 April 2022

Some accounting pronouncements which have become effective from 1 April 2022 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

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB and IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Company and no Interpretations have been issued that are applicable and need to be taken into consideration by the Company at the reporting date.

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 significant accounting policies

4.1 Overall considerations

The significant accounting policies applied in the preparation of these financial statements are fully described below. These accounting policies have been applied consistently by the Company to all period presented in these financial statements.

Notes
(forming part of the financial statements)

4 Summary of significant accounting policies (continued)

4.2 Basis of preparation
These financial statements have been prepared under the historical cost convention basis.

4.3 Foreign currency translation and transactions

Functional and presentation currency
These financial statements are presented in the Rial Omani (RO) which is also the functional currency of the Company. All amounts have been recorded to nearest Rial Omani, unless otherwise indicated.

Foreign currency transaction 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'.

At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated into Rial Omani at the rate of exchange prevailing at the reporting date.

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.

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 significant 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 as incurred.

4.6 Financial instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are not recognised unless one of the parties has performed its part of the contract or a contract is a derivative contract.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. Transaction cost that are directly attributable to the acquisition or issue of the financial assets and liabilities (other than financial assets or financials liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial assets or liabilities, as appropriate, on initial recognition.

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 of financial assets

The Company classifies its financial assets as follows:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVTOCI).

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 sales 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 significant 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. Gains or losses are also recognised in the statement of profit or loss when financial assets carried at amortised cost are de-recognised or impaired.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of the business model used, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in the statement of profit or loss.

Financial assets at fair value through other comprehensive income (FVTOCI)

The Company accounts for financial assets at FVTOCI if the assets meet the following conditions (and is not designated as FVTPL):

- they are held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

FVTOCI financial assets are subsequently measured at fair value with gains and losses arising due to change in fair value recognised in OCI.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses the 'expected credit loss (ECL) model'. Instruments within the scope of ECL requirements included loans and other debt-type financial assets measured at amortised cost and FVTOCI, contract 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.

The Company considers 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.

Notes

(forming part of the financial statements)

4 Summary of significant accounting policies (continued)

4.6 Financial instruments (continued)

Impairment of financial assets (continued)
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 and third 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.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This include both quantitative and qualitative information analysis based on the Company's historical experience and informed credit assessment and including forward-looking information.

Classification and subsequent measurement of financial liabilities
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'.

4.7 Cash and cash equivalents
Cash and cash equivalent comprises of cash at bank and in hand which are subject to an insignificant risk of changes in value and are held for the purpose of meeting short term cash commitments.

4.8 Equity and reserves
Share capital is determined using the nominal value of shares that have been issued.

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

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

4.9 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.

Notes

(forming part of the financial statements)

4 Summary of significant accounting policies (continued)

4.9 Staff terminal benefits (continued)

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.

4.10 Plant and equipment

Plant and equipment are initially recognised at acquisition cost, including any costs directly attributable to bring the asset 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 accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value. The estimated useful lives are:

• Plant and equipment	10 years
• Motor vehicles	5 years
• Furniture and fixtures	3 years
• Office equipment	4 years
• Hardware and software	3 years

Material residual value estimates and estimated useful lives are assessed as required, but at least annually.

Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of profit or loss.

4.11 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right-of- use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Notes

(forming part of the financial statements)

4 Summary of significant accounting policies (continued)

4.11 Leases (continued)

Company as a lessee (continued)

b) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in - substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., a change in future payments resulting from a change in index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

c) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.12 Impairment of non-financial assets

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are 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.

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 asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. All non-financial assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the assets or cash-generating units recoverable amount exceeds its carrying amount.

4.13 Income taxes

Current income tax liabilities and /or assets comprise those obligations to, or claim from, Tax Authorities relating to the current or prior reporting period, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Notes

(forming part of the financial statements)

4 Summary of significant accounting policies (continued)

4.13 Income taxes (continued)

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

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 by the end of the reporting period. 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 utilised against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same Tax Authority.

4.14 Provisions, contingent liabilities and contingent assets

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

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 value, where the time value of money is material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of the Company's management.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Probable inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.15 Inventories

Inventories are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow-moving items. The cost of inventories is based on weighted average principle and includes, expenditure incurred in acquiring the inventories and bring them to their existing location and condition. The net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

4.16 Significant management judgement in applying accounting policies and estimation uncertainty

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

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The actual results may differ from the judgement, estimates and assumptions made by management.

Estimates and associated assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the year in which the estimates are revised and in future period effected.

Notes

(forming part of the financial statements)

4 Summary of significant accounting policies (continued)

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

Significant management judgments

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected usage of the assets. At 31 March 2023, management assesses that, the useful lives represent the expected usage of the assets to the Company. The carrying amounts are analysed in Note 5.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future events or other market-driven changes that may reduce future selling prices.

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.

Measurement of expected credit loss allowance

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 21.2 to the financial statements.

Notes

(forming part of the financial statements)

5 Plant and equipment

	Plant and equipment RO	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Hardware and software RO	Total RO
Cost:						
At 1 April 2022	703,610	136,032	22,036	22,573	4,128	888,379
Additions	-	9,000	-	1,094	-	10,094
At 31 March 2023	**703,610**	**145,032**	**22,036**	**23,667**	**4,128**	**898,473**
Accumulated depreciation:						
At 1 April 2022	689,832	123,359	21,969	20,244	4,128	859,532
Charge for the year	13,424	7,245	67	831	-	21,567
At 31 March 2023	**703,256**	**130,604**	**22,036**	**21,075**	**4,128**	**881,099**
Net book value:						
At 31 March 2023	**354**	**14,428**	**-**	**2,592**	**-**	**17,374**

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

	Plant and equipment RO	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
Charge for 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

6 Investment in bonds

	31 March 2023 RO	31 March 2022 RO
At amortised cost:		
Investment in bonds	**188,750**	188,750
Less: Allowance for expected credit losses	**(1,837)**	(1,837)
	186,913	186,913

Bonds carry interest at the rate of 6.5% per annum (2022: 6.5% per annum) with maturity in March 2047.

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 2023 RO	31 March 2022 RO
Financial assets:		
Trade receivables	**486,900**	380,667
Less: Allowance for expected credit losses (Note 21.2)	**(111,981)**	(113,727)
	374,919	266,940
Other receivables	**41,015**	-
Non-financial assets:		
Advances and prepayments	**28,981**	17,864
	444,915	284,804

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.

Notes

(forming part of the financial statements)

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 2023 RO	Year ended 31 March 2022 RO
Transactions with related parties:		
Sales / services provided	**106,440**	102,209
Purchases / services received	**54,557**	35,902

8.3 Balances with related parties

	31 March 2023 RO	31 March 2022 RO
Amounts due from related parties:		
Hofincons and Company LLC, Oman	**39,191**	11,266
Ion Exchange Limited, India	**-**	1,942
	39,191	13,208

	31 March 2023 RO	31 March 2022 RO
Amounts due to related parties:		
Rusayl Chemicals, Oman	**88,367**	32,998
Ion Exchange Limited, UAE	**13,786**	13,786
	102,153	46,784

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 42,800 (2022: RO 23,449) as at 31 March 2023.

10 Cash and cash equivalents

	31 March 2023 RO	31 March 2022 RO
Cash at bank	**119,328**	274,856
Cash in hand	**803**	448
	120,131	275,304

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

Notes

(forming part of the financial statements)

11 Share capital

	31 March 2023 RO	31 March 2022 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 2023 and 2022 and the number of shares they held were as follows:

	Number of shares	% Holding	RO
Ion Exchange Limited, 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 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 2023, no transfer has been made to the legal reserve as the Company has reached its statutory limit (2022: Nil).

13 Staff terminal benefits

	31 March 2023 RO	31 March 2022 RO
At 1 April	35,858	31,440
Provided during the year	3,698	5,910
Paid during the year	(3,126)	(1,492)
At 31 March	36,430	35,858

14 Trade and other payables

	31 March 2023 RO	31 March 2022 RO
Financial liabilities:		
Trade payables	122,821	82,751
Accrued expenses	17,307	38,184
Non-financial liabilities:		
Advance from customers	4,411	9,773
	144,539	130,708

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 2023 RO	Year ended 31 March 2022 RO
Services transferred over time:		
Revenue from services	896,611	798,667
Goods transferred at a point in time:		
Sale of chemicals	90,644	39,233
Sale of spare parts	6,551	7,934
	993,806	845,834

Notes

(forming part of the financial statements)

16 Cost of sales

	Year ended 31 March 2023 RO	Year ended 31 March 2022 RO
Salaries and related costs	**336,131**	293,647
Materials consumed	**194,780**	119,223
Site expenses	**115,296**	106,748
Subcontracting charges	**24,000**	24,000
Project expenses	**44,082**	22,630
Custom charges	**4,309**	9,184
	718,598	575,432

17 Other income

	Year ended 31 March 2023 RO	Year ended 31 March 2022 RO
Revenue from secondment services	**101,371**	101,123
Reversal of provision for expected credit loss (Note 21.2)	**723**	14,771
Interest on bonds	**12,500**	8,559
	114,594	124,453

18 General and administrative expenses

	Year ended 31 March 2023 RO	Year ended 31 March 2022 RO
Salaries and related costs	**216,680**	212,901
Rent expenses	**20,830**	23,479
Communication charges	**20,643**	5,907
Insurance expenses	**9,232**	8,922
Staff training expenses	**8,604**	6,336
Visa and immigration charges	**8,528**	9,229
Utilities expenses	**5,758**	5,661
Professional and legal fees	**4,764**	5,897
Printing and stationery expenses	**1,557**	1,068
Membership and subscription expenses	**901**	1,023
Allowance for expected credit losses (Note 21.2)	**-**	1,837
Donations	**-**	100
Miscellaneous expenses	**15,844**	6,279
	313,341	288,639

19 Other operating expenses

	Year ended 31 March 2023 RO	Year ended 31 March 2022 RO
Depreciation on plant and equipment (Note 5)	**21,567**	51,289
Travelling expenses	**21,972**	16,946
Repairs and maintenance expenses	**11,885**	10,424
	55,424	78,659

Notes

(forming part of the financial statements)

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 15% of the taxable income in accordance with the Income Tax law of the Sultanate of Oman (2022: 12%).

	Year ended 31 March 2023 RO	Year ended 31 March 2022 RO
Recognised in the statement of profit or loss and other comprehensive income:		
Current tax – current year	**1,627**	3,633
Current tax – prior year	**909**	(7,212)
Income tax (credit) / expense	**2,536**	(3,579)

	31 March 2023 RO	31 March 2022 RO
Presented in the statement of financial position:		
Provision for income tax	**1,627**	3,633

b) Reconciliation of income tax expense

The relationship between the expected tax income based on the tax rates of 15% (2022: 12%) and the reported tax expense in the statement of profit or loss can be reconciled as follows:

	Year ended 31 March 2023 RO	Year ended 31 March 2022 RO
Profit before income tax	**18,569**	22,162
Add:		
Accounting depreciation	**21,567**	51,289
Allowance for expected credit losses	**-**	1,837
Tax consultancy fees	**300**	300
Donations	**-**	100
	40,436	75,688
Deduct:		
Reversal of provision for expected credit loss	**(1,746)**	(14,771)
Tax depreciation	**(27,841)**	(30,638)
Taxable income	**10,849**	30,279
Tax rate	**15%**	12%
Income tax	**1,627**	3,633
Prior year adjustment	**-**	(7,212)
	1,627	(3,579)

c) Deferred tax

At 31 March 2023, 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.

Notes

(forming part of the financial statements)

21 Financial instruments risk

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. Main type of risks is market risk, credit risk and liquidity risk.

The management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and maintaining the Company's risk management policies.

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 to 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.

Foreign currency sensitivity

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

Most of the Company's transactions are carried out in the Rial Omani. Exposure to currency exchange rates arise from the Company's overseas transactions, which are primarily denominated in the US Dollar (USD), or currencies pegged to the US Dollar. The rate of exchange between the Rial Omani and the US Dollar is pegged and there has been no material impact of the same.

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 only fixed interest bearing financial assets.

Other price risk sensitivity

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market prices (other than those arising from interest rate risk or current risk). As at reporting date, the Company does not have financial instrument exposed to price risk.

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.

Notes

(forming part of the financial statements)

21 Financial instruments risk (continued)

Risk management objectives and policies (continued)

21.2 Credit risk analysis (continued)

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 2023 RO	31 March 2022 RO
Non-interest bearing:		
Trade receivables	**486,900**	380,667
Amounts due from related parties	**39,191**	13,208
Cash at bank	**119,328**	274,856
Interest bearing:		
Investment in bonds	**188,750**	188,750
	834,169	857,481

Credit risk management

Credit risk is managed through Company risk management policies and procedures.

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.

Expected credit loss on investment in bonds

The expected credit loss on investment on 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.

	31 March 2023		31 March 2022	
	Exposure at year end RO	ECL RO	Exposure at year end RO	ECL RO
Investment in bonds	**188,750**	**1,837**	188,750	1,837

Expected credit loss on cash at bank

The credit risk in respect of cash balances held with bank is managed via keeping it with reputable financial institution.

The cash at bank is considered to be a low-risk item. The determination of the risk is based on the credit rating of the bank from the reputable credit rating agencies. The Company believes that the Expected Credit Loss (ECL) on cash at bank is immaterial and therefore has not been considered in the financial statements.

Expected credit loss on amounts due from related parties

Amounts due from related parties are neither past due nor impaired and are estimated as collectable based on historical experience. There has been no impairment assessed on amounts due from related parties and accordingly no allowance for credit losses against these dues has been recognised.

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 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 recorded based on the days past due.

The expected losses rate is based on the payment profile as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

Movement in allowances for expected credit losses are as follows:

	31 March 2023 RO	31 March 2022 RO
Opening balance	113,727	128,498
Reversed during the year	(723)	(14,771)
Written off	(1,023)	-
Closing balance	111,981	113,727

The table below summarises the ageing analysis of the trade receivables at 31 March 2023:

	Gross carrying amount RO	Allowance for expected credit losses RO
Within 6 months	387,422	12,503
Within 6 to 12 months	99,478	99,478
	486,900	111,981

The figures for the comparative year are shown as follows:

	Gross carrying amount RO	Allowance for expected credit losses RO
Within 6 months	293,577	26,637
Within 6 to 12 months	87,090	87,090
	380,667	113,727

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 analysis (continued)

As at 31 March 2023, the Company's liabilities have contractual maturities as summarised below:

	Within 12 months RO	Above 12 months RO	Total RO
Non-interest bearing:			
Trade payables	122,821	-	**122,821**
Accrued expenses	17,307	-	**17,307**
Amounts due to related parties	102,153	-	**102,153**
	242,281	-	**242,281**

The figures for the comparative year are shown as follows:

	Within 12 months RO	Above 12 months RO	Total RO
Non-interest bearing:			
Trade payables	82,751	-	82,751
Other payables and accruals	38,184	-	38,184
Amounts due to related parties	46,784	-	46,784
	167,719	-	167,719

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 97,230 as at 31 March 2023 (2022: RO 10,131).

22.2 Commitments

At the reporting date, the Company does not have any outstanding commitments (2022: 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.

24 Dividend

During the year, the Company paid dividend amounting to RO 45,000 (2022: 30,000) to the shareholders. This represents a payment of RO 0.15 per share (2022: 0.1). The dividend was approved in a Board meeting held on 2 March 2023.

Notes

(forming part of the financial statements)

25 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying value and the fair value estimates.

Underlying the definition of fair value is the assumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted)/price in active market for identical assets or liabilities.

Level 2: Input other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Input for the asset or liability that are not based on observable market data (observable input).

As at the reporting date Company doesn't have any asset carried at fair value and fair value of financial assets and liabilities approximate their carrying amount in the statement of financial position.

26 Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. However, such reclassification does not affect previously reported retained profit/(accumulated losses) or equity.