Financial Statements and Independent Auditor's Report

Ion Exchange and Company LLC

31 March 2021

Contents

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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 2021, and the statement of profit or loss and other comprehensive income, statement of changes in Members' 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 2021, 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 equipment 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' *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, 2019 of the Sultanate of Oman, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 Ion Exchange and Company LLC as of and for the year ended 31 March 2021 comply, in all material respects, with the relevant requirements of Commercial Companies Law, 2019 of the Sultanate of Oman.

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

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11 May 2021

Statement of financial position

as at 31 March 2021

	Notes	31 March 2021 RO	31 March 2020 RO
ASSETS			
Non-current assets:			
Plant and equipment	5	**78,781**	144,797
Total non-current assets		**78,781**	144,797
Current assets:			
Trade and other receivables	6	**362,703**	360,262
Amount due from a related party	7.2	**11,764**	8,603
Inventories	8	**40,758**	19,572
Cash and cash equivalents	9	**349,432**	393,390
Total current assets		**764,657**	781,827
Total assets		**843,438**	926,624
MEMBERS' EQUITY AND LIABILITIES			
Members' equity:			
Share capital	10	**300,000**	300,000
Legal reserve	11	**100,000**	100,000
Retained earnings		**199,801**	208,299
Total Members' equity		**599,801**	608,299
Non-current liabilities:			
Staff terminal benefits	12	**31,440**	27,062
Total non-current liabilities		**31,440**	27,062
Current liabilities:			
Amounts due to related parties	7.2	**58,779**	115,228
Trade and other payables	13	**117,359**	150,725
Provision for income tax	19(a)	**36,059**	25,310
Total current liabilities		**212,197**	291,263
Total liabilities		**243,637**	318,325
Total Members' equity and liabilities		**843,438**	926,624

These financial statements on pages 4 to 27 were approved by the Members on 11 May 2021 and were signed on their behalf by:

VIJAY CHINTALAPUDI
DIRECTOR

ALI SAID AL HARTHY
DIRECTOR

The accompanying notes on pages 8 to 27 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 2021

	Notes	Year ended 31 March 2021 RO	Year ended 31 March 2020 RO
Revenue	14	**939,025**	1,083,156
Cost of sales	15	**(565,431)**	(641,249)
Gross profit		**373,594**	441,907
Other income	16	**258,223**	153,185
General and administrative expenses	17	**(396,009)**	(357,798)
Other operating expenses	18	**(87,220)**	(99,246)
Profit from operations		**148,588**	138,048
Finance costs		**(1,027)**	(842)
Profit before tax		**147,561**	137,206
Income tax	19(a)	**(36,059)**	(25,096)
Profit for the year		**111,502**	112,110
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**111,502**	112,110

The accompanying notes on pages 8 to 27 form an integral part of these financial statements.

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

Statement of changes in Members' equity

for the year ended 31 March 2021

	Share capital RO	Legal reserve RO	Retained earnings RO	Total RO
At 1 April 2019	300,000	100,000	216,189	616,189
Dividends paid during the year	-	-	(120,000)	(120,000)
Transactions with the Owners	-	-	*(120,000)*	*(120,000)*
Profit for the year	-	-	112,110	112,110
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	*112,110*	*112,110*
At 31 March 2020	300,000	100,000	208,299	608,299
At 1 April 2020	**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**

The accompanying notes on pages 8 to 27 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 2021

	Notes	Year ended 31 March 2021 RO	Year ended 31 March 2020 RO
Cash flow from operating activities:			
Profit for the year before tax		**147,561**	137,206
Adjustments for:			
Depreciation	5	**67,318**	69,962
Provision for staff terminal benefits	12	**5,376**	7,842
Finance costs		**1,027**	842
Operating profit before working capital changes		**221,282**	215,852
Changes in working capital:			
Inventories		**(21,186)**	(15,589)
Trade and other receivables		**(2,441)**	(60,172)
Amount due from a related party		**(3,161)**	4,374
Trade and other payables		**(33,366)**	22,970
Amounts due to related parties		**(56,449)**	36,576
Cash flow generated from operations		**104,679**	204,011
Staff terminal benefits paid	12	**(998)**	(3,468)
Income tax paid	19(a)	**(25,310)**	(20,429)
Finance costs paid		**(1,027)**	(842)
Net cash generated from operating activities		**77,344**	179,272
Cash flow from investing activities:			
Purchases of plant and equipment	5	**(1,302)**	(8,063)
Net cash used in investing activities		**(1,302)**	(8,063)
Cash flow from financing activities:			
Dividends paid during the year		**(120,000)**	(120,000)
Net cash used in financing activities		**(120,000)**	(120,000)
Net (decrease)/increase in cash and cash equivalents		**(43,958)**	51,209
Cash and cash equivalents at the beginning of the year		**393,390**	342,181
Cash and cash equivalents at the end of the year	9	**349,432**	393,390

The accompanying notes on pages 8 to 27 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 Company 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.

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 the requirements of the Commercial Companies Law, 2019 of the Sultanate of Oman.

2.1 Impact of Covid-19

The existence of novel coronavirus (Covid-19) was confirmed in early 2020. World Health Organisation characterised Covid-19 as a pandemic on 11 March 2020, thus negatively impacting global markets, disrupting supply chains, and changing social behaviours. Currently it is uncertain if Covid-19 will continue to disrupt global markets and what impact it will have on the Company's operation. As the situation is fluid and rapidly evolving, management does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company's financial statements.

3 New or revised Standards or Interpretations

3.1 New Standards adopted as at 1 January 2020

Some accounting pronouncements, which have become effective from 1 January 2020 and have therefore been adopted are as follows:

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to references to the Conceptual Framework (Various Standards)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16)

These amendments do not have a significant impact on the Company's financial results or position.

Notes

(forming part of the financial statements)

3 New or revised Standards or Interpretations (continued)

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.*

4.3 Foreign currency translation

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.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

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.

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.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.6 Financial instruments (continued)

Classification and initial measurement of financial assets (continued)

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.

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.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.6 Financial instruments (continued)

Financial assets at amortised cost (continued)
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 receivables and amount due from a related party 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 is no longer dependent on the Company first identifying a credit loss event. Instead 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.

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

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 employees' 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 accounting policies (continued)

4.8 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 11.5% and 7% respectively up till December 2020 and 12.5% and 8% respectively from January 2021, 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 and reserves

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 Members' equity.

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

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 2021 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 20.2.

Covid-19

Due to the dynamic and evolving nature of Covid-19, limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Company's assets and liabilities may arise in the future.

5 Plant and equipment

	Motor vehicles RO	Furniture and fixtures RO	Site and office equipment RO	Hardware and software RO	Total RO
Cost:					
At 1 April 2020	136,032	22,036	723,526	4,128	885,722
Additions	-	-	1,302	-	1,302
At 31 March 2021	**136,032**	**22,036**	**724,828**	**4,128**	**887,024**
Depreciation:					
At 1 April 2020	84,456	21,836	630,505	4,128	740,925
Provided during the year	20,370	67	46,881	-	67,318
At 31 March 2021	**104,826**	**21,903**	**677,386**	**4,128**	**808,243**
Net book value:					
At 31 March 2021	**31,206**	**133**	**47,442**	**-**	**78,781**

Notes

(forming part of the financial statements)

5 Plant and equipment (continued)

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

	Motor vehicles RO	Furniture and fixtures RO	Site and office equipment RO	Hardware and software RO	Total RO
Cost:					
At 1 April 2019	128,237	22,036	723,258	4,128	877,659
Additions	7,795	-	268	-	8,063
At 31 March 2020	136,032	22,036	723,526	4,128	885,722
Depreciation:					
At 1 April 2019	61,262	21,769	583,804	4,128	670,963
Provided during the year	23,194	67	46,701	-	69,962
At 31 March 2020	84,456	21,836	630,505	4,128	740,925
Net book value:					
At 31 March 2020	51,576	200	93,021	-	144,797

6 Trade and other receivables

	31 March 2021 RO	31 March 2020 RO
Financial assets:		
Trade receivables	**468,755**	394,290
Less: Allowance for expected credit losses	**(128,498)**	(64,952)
	340,257	329,338
Non-financial assets:		
Advances and prepayments	**22,446**	30,924
	362,703	360,262

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

Note 20.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

7 Related party transactions and balances

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.

7.1 Transactions with key management personnel

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

7.2 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. 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.

Notes

(forming part of the financial statements)

7 Related party transactions and balances (continued)

7.2 Transactions and balances with other business entities held under common control (continued)

The nature of significant related party transactions and the amounts involved during the year were as follows:

	31 March 2021 RO	31 March 2020 RO
Transactions with related parties:		
Sales made to Hofincons and Company LLC	**152,975**	153,186
Services received from Hofincons and Company LLC	**39,193**	38,942
Services provided to Hofincons and Company LLC	**1,489**	1,896
Purchases from Ion Exchange (India) Ltd, India	**34,021**	62,432
Purchases from Ion Exchange Ltd, UAE	**15,209**	-

	31 March 2021 RO	31 March 2020 RO
Amount due from a related party:		
Hofincons and Company LLC, Oman	**11,764**	8,603

	31 March 2021 RO	31 March 2020 RO
Amounts due to related parties:		
Ion Exchange (India) Ltd, India	**39,807**	89,819
Ion Exchange Ltd, UAE	**18,972**	25,409
	58,779	115,228

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

8 Inventories

Inventories pertains to chemicals used in water desalination process. The inventories amounted to RO 40,758 (2020: RO 19,572) as at 31 March 2021.

9 Cash and cash equivalents

	31 March 2021 RO	31 March 2020 RO
Cash at bank	**349,110**	392,992
Cash in hand	**322**	398
	349,432	393,390

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

10 Share capital

	31 March 2021 RO	31 March 2020 RO
300,000 authorised, issued and fully paid up shares of RO 1 each	**300,000**	300,000

Notes

(forming part of the financial statements)

10 Share capital (continued)

The Members of the Company as at 31 March 2021 and 2020 and the number of shares they held are 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

11 Legal reserve

In accordance with the Commercial Companies Law, 2019 of the Sultanate of Oman, 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 2021 RO Nil has been transferred to legal reserve as the Company has reached its statutory limit (2020: RO Nil).

12 Staff terminal benefits

	31 March 2021 RO	31 March 2020 RO
Opening balance	27,062	22,688
Provided during the year	5,376	7,842
Paid during the year	(998)	(3,468)
Closing balance	31,440	27,062

13 Trade and other payables

	31 March 2021 RO	31 March 2020 RO
Financial liabilities:		
Trade payables	63,469	74,143
Accrued expenses	49,480	65,104
Non-financial liabilities:		
Advance from customers	4,410	11,478
	117,359	150,725

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

14 Revenue

	Year ended 31 March 2021 RO	Year ended 31 March 2020 RO
Services transferred over time:		
Revenue from services	882,604	952,109
Goods transferred at a point in time:		
Sale of chemicals	45,653	72,083
Sale of spare parts	10,768	39,964
Sale of machinery	-	19,000
	939,025	1,083,156

Notes

(forming part of the financial statements)

15 Cost of sales

	Year ended 31 March 2021 RO	Year ended 31 March 2020 RO
Salaries and related costs	**277,857**	285,695
Purchases of materials	**117,971**	175,249
Site expenses	**103,620**	107,936
Project expenses	**36,925**	35,572
Subcontracting charges	**24,000**	24,000
Custom charges	**5,058**	12,797
	565,431	641,249

16 Other income

	Year ended 31 March 2021 RO	Year ended 31 March 2020 RO
Revenue from secondment services	**152,975**	153,185
Reversal of old payables	**62,278**	-
Final settlement from subcontractor	**37,077**	-
Profit on sale of Investments	**3,851**	-
Interest on bonds	**1,990**	-
Miscellaneous income	**52**	-
	258,223	153,185

17 General and administrative expenses

	Year ended 31 March 2021 RO	Year ended 31 March 2020 RO
Salaries and related costs	**270,365**	275,570
Allowance for expected credit losses	**63,546**	9,839
Rent expenses*	**22,950**	23,310
Insurance expenses	**9,075**	9,634
Communication charges	**6,882**	7,096
Staff training expenses	**6,520**	7,806
Utilities expenses	**5,189**	8,753
Professional and legal fees	**4,164**	4,769
Visa and immigration charges	**3,961**	6,151
Printing and stationery expenses	**1,331**	2,129
Membership and subscription expenses	**1,100**	1,319
Miscellaneous expenses	**926**	1,422
	396,009	357,798

* The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less). Payments made under such leases are expensed on a straight-line basis.

At 31 March 2021 the Company was committed to short-term leases and the total commitment at that date was RO 7,630 (2020: RO 9,490).

Notes

(forming part of the financial statements)

18 Other operating expenses

	Year ended 31 March 2021 RO	Year ended 31 March 2020 RO
Depreciation	**67,318**	69,962
Travelling expenses	**12,815**	18,400
Repairs and maintenance	**7,087**	10,884
	87,220	99,246

19 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 (2020: 15%).

	Year ended 31 March 2021 RO	Year ended 31 March 2020 RO
Recognised in the statement of profit or loss and other comprehensive income:		
Income tax	**36,059**	25,310
Less: Excess provision reversed	**-**	(214)
	36,059	25,096
Presented in the statement of financial position:		
Provision for income tax	**36,059**	25,310

Movement in tax provision during the year is as follows:

	Year ended 31 March 2021 RO	Year ended 31 March 2020 RO
At 1 April	**25,310**	20,643
Provided during the year	**36,059**	25,096
Paid during the year	**(25,310)**	(20,429)
At 31 March	**36,059**	25,310

b) Reconciliation of income tax expense

The relationship between the expected tax income based on the tax rates of 15% (2020: 15%) and the reported tax expense in the statement of profit or loss can be reconciled as follows:

	Year ended 31 March 2021 RO	Year ended 31 March 2020 RO
Profit before tax	**147,561**	137,206
Add:		
Accounting depreciation	**67,318**	69,962
Allowance for expected credit losses	**63,546**	9,839
Tax consultancy fees	**300**	300
	278,725	217,307
Deduct:		
Tax depreciation	**(38,329)**	(48,572)
Taxable income	**240,396**	168,735
Tax rate	**15%**	15%
Income tax	**36,059**	25,310
Excess provision reversed	**-**	(214)
	36,059	25,096

Notes

(forming part of the financial statements)

19 Income tax (continued)

c) Available tax losses

The Company does not have any accumulated taxable losses available as at 31 March 2021 (2020: RO Nil) which can be utilised within a period of next five years.

d) Deferred tax asset/(liability)

Management has decided not to recognise any deferred tax during the year as the amounts are not material.

e) Current status of tax assessments

The Company's tax assessments have been finalised with the Tax Authority till the year ended 31 March 2017. 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.

20 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.

20.1 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.

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 is not exposed to interest rate risk.

Notes

(forming part of the financial statements)

20 Financial instruments risk (continued)

20.2 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 2021 RO	31 March 2020 RO
Trade receivables	**340,257**	329,338
Amount due from a related party	**11,764**	8,603
Cash at bank	**349,110**	392,992
	701,131	730,933

Credit risk on cash at bank

The credit risk in respect of cash balances held with banks are managed via diversification of balances held with major reputable financial institutions.

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.

Credit rating	31 March 2021 RO	31 March 2020 RO
Low to fair risk	**349,110**	392,992

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 can be reconciled as follows:

	31 March 2021 RO	31 March 2020 RO
Opening balance	**64,952**	55,113
Provided during the year	**63,546**	9,839
Closing balance	**128,498**	64,952

Notes

(forming part of the financial statements)

20 Financial instruments risk (continued)

20.2 Credit risk (continued)

Expected credit loss on trade receivables (continued)

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**	

31 March 2020	Expected credit loss rate %	Gross carrying amount RO	Loss allowance RO	Credit impaired
Not past due	0.73	327,971	2,397	No
1-60 days past due	58.70	7,230	3,466	No
More than 60 days	100.00	59,089	59,089	No
		394,290	64,952	

20.3 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.

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 2021 RO	Year ended 31 March 2020 RO
Financial liabilities:		
Trade and other payables	**112,949**	139,247
Amounts due to related parties	**58,779**	115,228
	171,728	254,475

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	63,469	-	-	63,469
Accrued expenses	49,480	-	-	49,480
Amounts due to related parties	58,779	-	-	58,779
	171,728	-	-	**171,728**

Notes

(forming part of the financial statements)

20 Financial instruments risk (continued)

20.3 Liquidity risk analysis (continued)

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	74,143	-	-	74,143
Accrued expenses	65,104	-	-	65,104
Amounts due to related parties	115,228	-	-	115,228
	254,475	-	-	**254,475**

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.

20.4 Fair value measurement and fair value hierarchy

Financial instruments measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

None of the Company's financial instruments and non-financial assets and non-financial liabilities as at the reporting date are measured at fair value.

Management considers that the carrying amounts of financial assets and financial liabilities, which are stated at amortised cost, approximate their fair values.

21 Contingent assets and other contingent liabilities

21.1 Contingent liabilities

The Company's has payment guarantee and bid bonds amounting to RO 2,400 as at 31 March 2021 (2020: RO 26,500).

21.2 Legal commitments

At the reporting date, the Company does not have any outstanding litigation (2020: RO Nil).

Notes

(forming part of the financial statements)

22 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.

23 Dividend

During the year, the Company declared dividend amounting to RO 120,000 (2020: RO 120,000) and paid dividend amounting to RO 120,000 (2020: RO 120,000).