Financial Statements and Independent Auditor's Report

Ion Exchange and Company LLC

31 March 2020

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 2020, 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 2020, 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.

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.

Ion Exchange and Company LLC

Independent Auditor's Report (continued)

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

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the Commercial Companies Law of Sultanate of Oman 2019 and for such internal control as the Management determine 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, the Management are 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 the Management either intend to liquidate the Company or to cease operations, or have 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 the directors.

Ion Exchange and Company LLC

Independent Auditor's Report (continued)

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

- Conclude on the appropriateness of the managements' 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 as of and for the year ended 31 March 2020, in all material respects, have been prepared in accordance with the Commercial Companies Law of Sultanate of Oman 2019.

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

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27 May 2020

Ion Exchange and Company LLC

Statement of financial position

as at 31 March 2020

	Notes	2020 RO	2019 RO
ASSETS			
Non-current assets:			
Plant and equipment	5	**144,797**	206,696
Total non-current assets		**144,797**	206,696
Current assets:			
Trade receivable and prepayments	6	**360,070**	300,090
Amount due from a related party	7.2	**8,603**	12,977
Inventories	8	**19,572**	3,983
Cash and cash equivalents	9	**393,390**	342,181
Total current assets		**781,635**	659,231
Total assets		**926,432**	865,927
MEMBERS' EQUITY AND LIABILITIES			
Members' equity:			
Share capital	10	**300,000**	300,000
Legal reserve	11	**100,000**	100,000
Retained earnings		**208,299**	216,189
Total Members' equity		**608,299**	616,189
Non-current liabilities:			
Staff terminal benefits	12	**27,062**	22,688
Total non-current liabilities		**27,062**	22,688
Current liabilities:			
Amounts due to related parties	7.2	**115,228**	78,652
Trade payable and accruals	13	**150,533**	127,755
Provision for tax	20(a)	**25,310**	20,643
Total current liabilities		**291,071**	227,050
Total liabilities		**318,133**	249,738
Total Members' equity and liabilities		**926,432**	865,927

The financial statements on pages 4 to 24 were approved by the Members on 27 May 2020 and were signed on the Company's 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 24 form an integral part of these financial statements.

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

Ion Exchange and Company LLC

Statement of profit or loss and other comprehensive income

for the year ended 31 March 2020

	Notes	Year ended 31 March 2020 RO	Year ended 31 March 2019 RO
Revenue	14	**1,083,156**	1,138,883
Cost of sales	15	**(641,249)**	(707,381)
Gross profit		**441,907**	431,502
Other income	16	**153,185**	103,218
General and administrative expenses	17	**(357,638)**	(309,681)
Selling and marketing expenses	18	**(160)**	(3,238)
Other operating expenses	19	**(99,246)**	(88,458)
Profit from operations		**138,048**	133,343
Finance costs		**(842)**	(617)
Profit before tax		**137,206**	132,726
Income tax	20(a)	**(25,096)**	(20,787)
Profit for the year		**112,110**	111,939
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**112,110**	111,939

The accompanying notes on pages 8 to 24 form an integral part of these financial statements.

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

Ion Exchange and Company LLC

Statement of changes in Members' equity

for the year ended 31 March 2020

	Share capital RO	Legal reserve RO	Retained earnings RO	Total RO
At 1 April 2018	**300,000**	**100,000**	**250,789**	**650,789**
Impact from adoption of IFRS 9	-	-	(56,539)	(56,539)
Adjusted balance at 1 April 2018	**300,000**	**100,000**	**194,250**	**594,250**
Net movement	-	-	-	-
Dividends paid during the year	-	-	(90,000)	(90,000)
Transactions with the Owners	-	-	***(90,000)***	***(90,000)***
Profit for the year	-	-	111,939	111,939
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	***111,939***	***111,939***
At 31 March 2019	**300,000**	**100,000**	**216,189**	**616,189**
At 1 April 2019	**300,000**	**100,000**	**216,189**	**616,189**
Net movement	-	-	-	-
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**

The accompanying notes on pages 8 to 24 form an integral part of these financial statements.

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

Ion Exchange and Company LLC

Statement of cash flows

for the year ended 31 March 2020

	Notes	2020 RO	2019 RO
Cash flow from operating activities:			
Profit for the year before tax		137,206	132,726
Adjustments for:			
Impact from adoption of IFRS 9		-	(56,539)
Depreciation	5	69,962	64,619
Staff terminal benefits	12	7,842	4,705
Profit on disposal of non-current assets	16	-	(1,260)
Finance costs		842	617
Operating profit before working capital changes		215,852	144,868
Changes in working capital:			
Inventories		(15,589)	(3,983)
Accounts receivable and prepayments		(59,980)	188,320
Amounts due from a related party		4,374	(10,573)
Trade payable and accruals		22,778	7,200
Amounts due to related parties		36,576	(34,465)
Cash flow generated from operations		204,011	291,367
Staff terminal benefits paid	12	(3,468)	(3,707)
Tax paid	20(a)	(20,429)	(16,803)
Finance costs paid		(842)	(617)
Net cash flow generated from operating activities		179,272	270,240
Cash flow from investing activities:			
Purchases of non-current assets	5	(8,063)	(27,307)
Proceeds from disposal of non-current assets		-	1,260
Net cash used in investing activities		(8,063)	(26,047)
Cash flow from financing activities			
Dividends paid during the year		(120,000)	(90,000)
Net cash used in financing activities		(120,000)	(90,000)
Net increase in cash and cash equivalents		51,209	154,193
Cash and cash equivalents at the beginning of the year		342,181	187,988
Cash and cash equivalents at the end of the year	9	393,390	342,181

The accompanying notes on pages 8 to 24 form an integral part of these financial statements.

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

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 Sultanate of Oman, 1974, as amended, superseded by Commercial Company Law 2019 Promulgated by the Royal Decree No.18/2019 "The Commercial Companies Law of the Sultanate of Oman". The Law was issued on 13 February 2019 which has replaced the Commercial Companies Law. As per the Articles of the Royal Decree No. 18/2019, the new Commercial Companies Law has come into force on 17 April 2019 and the companies should comply with the new law within 1 year from 17 April 2019.

The Company is a limited liability company incorporated and domiciled in the Sultanate of Oman. The address of the Company registered office is P.O. Box 69, Postal Code 112, Ruwi, the Sultanate of Oman.

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).

3 Change in accounting policies

3.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2019

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2019. Information on these new standards is presented below.

- *IFRS 9 Financial Instruments*;
- *IFRS 15 Revenue from Contracts with Customers*;
- *IFRIC 22 Foreign Currency Translations and Advance Consideration;*
- *Amendments to IFRS 2 classification and Measurement of Share-based payment Transactions;*
- *Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;*
- *Amendments to IAS 40: Transfers of Investment Property;*
- *Annual Improvements to IFRS Standards 2014-2016 cycle dealing with matters in IFRS 1 First-time; and*
- *Adoption and IAS 28 Investments in Associates and Joint Ventures.*

3.2 New Standards adopted as at 1 April 2019

The Company has adopted the new accounting pronouncements which have become effective this year, and are as follows:

IFRS 16 Leases

IFRS 16 will replace IAS 17 and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Management has assessed the impact and the Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application on 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, the comparatives are not restated.

Ion Exchange and Company LLC

Notes

(forming part of the financial statements)

3 Change in accounting policies (continued)

3.2 New Standards adopted as at 1 April 2019 (continued)

Nature of effect of adoption of IFRS 16:
Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as operating lease.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. For the leases previously classified as operating leases, the lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Practical expedients:
The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 April 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Impact on transition:
As at 1 April 2019, the Company did not record any right of use asset and finance liability because their agreement is of 12 months which falls in exception of IFRS 16.

3.3 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, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Company. Information on those expected to be relevant to the financial statements is provided below.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but 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 Statement.*

Ion Exchange and Company LLC

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

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'.

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

4.4 Revenue recognition

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

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

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Company's revenue is measured by reference to the price fixed within contracts or as per purchase order and therefore the amount of revenue to be earned from each customer is determined by reference to those fixed prices consideration received or receivable. Company records revenue at the amount it expects to receive net of discounts/rebates at average expected price per unit. Revenue is recognized net of refund liability deduction for any expected returns, simultaneously recognizing an asset for the right to recover the expected return goods from customers reducing the cost of sales of the Company.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

4 Summary of accounting policies (continued)

4.4 Revenue recognition (continued)

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 4.6.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

4.5 Operating expenses

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

4.6 Financial instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

The Company classifies its financial assets as follows:

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

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

Business model assessment

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

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

Ion Exchange and Company LLC

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)

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.

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, accounts receivables and amounts 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'. This replaces IAS 39's 'incurred loss 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.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.6 Financial instruments (continued)

Impairment of financial assets (continued)
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.

4.8 Post-employment benefits and short-term employee 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.

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, of gross salaries.

Non-Omani employee terminal benefits
The provision for end of service benefits for non-Omani employees is made in accordance with the requirements of the Oman Labour Law of 2003. Employees are entitled to end of service 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.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.10 Impairment testing

The assets are subject to impairment testing. For the purpose of assessing impairment, assets are grouped 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 plant and equipment.

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 assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

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 Leased assets

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and comprehensive income on a straight-line basis over the period of the lease.

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.

4 Summary of accounting policies (continued)

4.13 Provisions, contingent liabilities and contingent assets (continued)

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.

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 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.

Information about significant judgements, estimates and assumptions that 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 the useful lives of depreciable assets at each reporting date. At 31 March 2020 management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are mentioned in Note 5.

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 21.2.

Ion Exchange and Company LLC

Notes

(forming part of the financial statements)

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 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

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 2018	123,415	21,769	721,068	4,128	870,380
Additions	23,350	267	3,690	-	27,307
Disposals	(18,528)	-	(1,500)	-	(20,028)
At 31 March 2019	128,237	22,036	723,258	4,128	877,659
Depreciation:					
At 1 April 2018	61,620	21,769	538,855	4,128	626,372
Provided during the year	18,170	-	46,449	-	64,619
Disposals	(18,528)	-	(1,500)	-	(20,028)
At 31 March 2019	61,262	21,769	583,804	4,128	670,963
Net book value:					
At 31 March 2019	66,975	267	139,454	-	206,696

In the opinion of the management, there is no objective evidence that, the above assets are impaired as at 31 March 2020 (2019: RO Nil).

6 Trade receivable and prepayments

	31 March 2020 RO	31 March 2019 RO
Financial assets:		
Accounts receivables	394,290	341,748
Less: Provision for ECL	(64,952)	(55,113)
	329,338	286,635
Non-financial assets:		
Advances and prepayments	30,732	13,455
	360,070	300,090

6.1 Allowance for expected credit losses

	31 March 2020 RO	31 March 2019 RO
Opening balance	55,113	-
Adjustment on 1 April on adoption of IFRS 9	9,839	56,539
Reversal of excess provision for expected credit loss	-	(1,426)
Closing balance	64,952	55,113

At the end of the reporting period, the Company's trade receivables amounting to RO 64,952 (2018: RO 55,113) assessed as impaired by the management, for which allowance for credit losses is provided.

Ion Exchange and Company LLC

Notes

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7 Related party transactions

The Company's related parties include 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 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.

These transactions are entered with related parties.

	31 March 2020 RO	31 March 2019 RO
Transactions with related parties:		
Sales made to Hofincons Company LLC	**153,186**	98,532
Amounts paid to Hofincons Company LLC	**58,800**	-
Dividends to Hofincons Company LLC	**58,800**	44,100
Amounts received from Hofincons Company LLC	**120,714**	-
Services received from Hofincons Company LLC	**38,742**	2,209
Services provided to Hofincons Company LLC	**1,896**	-
Dividends to others	**61,200**	45900
Amounts received from others	**87,056**	14,534
Purchases	**62,432**	37,654

	31 March 2020 RO	31 March 2019 RO
Amount due from a related party:		
Hofincons Company LLC, Oman	**8,603**	12,977

	31 March 2020 RO	31 March 2019 RO
Amounts due to related parties:		
Ion Exchange Ltd, India	**89,819**	62,755
Ion Exchange Ltd, UAE	**25,409**	15,897
	115,228	78,652

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

8 Inventories

The inventories amounted to OMR 19,572 (2019: RO 3,983) as at 31 March 2020. In the opinion of the management, there is no objective evidence that, the inventories are impaired as at 31 March 2020. (2019: RO Nil).

9 Cash and cash equivalents

	31 March 2020 RO	31 March 2019 RO
Cash at bank	**392,992**	341,980
Cash in hand	**398**	201
	393,390	342,181

Ion Exchange and Company LLC

Notes

(forming part of the financial statements)

10. Share capital

	31 March 2020 RO	31 March 2019 RO
300,000 shares fully paid up of RO 1 each	300,000	300,000

The Members of the Company as at 31 March 2020 and 2019 and the number of shares they hold 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 of Oman, 2019, 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 2020 RO Nil has been transferred to legal reserve as the Company has reached its statutory limit (2019: RO Nil).

12 Staff terminal benefits

	31 March 2020 RO	31 March 2019 RO
Opening balance	22,688	21,690
Provided during the year	7,842	4,705
Paid during the year	(3,468)	(3,707)
Closing balance	27,062	22,688

13 Trade payable and accruals

	31 March 2020 RO	31 March 2019 RO
Financial liabilities:		
Trade payables	78,554	53,786
Accrued expenses	64,912	39,935
Non-financial liabilities:		
Advance from customers	7,067	34,034
	150,533	127,755

14 Revenue

	Year ended 31 March 2020 RO	Year ended 31 March 2019 RO
Revenue from services	952,109	1,049,486
Sale of chemicals	72,083	6,514
Sale of spare parts	39,964	75,238
Sale of machinery	19,000	7,645
	1,083,156	1,138,883

Ion Exchange and Company LLC

Notes

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15 Cost of sales

	Year ended 31 March 2020 RO	Year ended 31 March 2019 RO
Salaries and related costs	285,695	226,240
Purchases of materials	175,249	284,948
Site expenses	107,936	119,396
Project expenses	35,572	48,393
Subcontracting charges	24,000	24,000
Custom charges	12,797	4,404
	641,249	707,381

16 Other income

	Year ended 31 March 2020 RO	Year ended 31 March 2019 RO
Revenue from secondment services	153,185	98,532
Reversal of allowance for expected credit losses	-	1,426
Profit on disposal of non-current assets	-	1,260
Miscellaneous income	-	2,000
	153,185	103,218

17 General and administrative expenses

	Year ended 31 March 2020 RO	Year ended 31 March 2019 RO
Salaries and related costs	275,570	239,294
Rent	23,310	21,360
Allowance for expected credit losses	9,839	-
Insurance	9,634	8,971
Utilities expenses	8,753	7,229
Staff training	7,806	6,565
Communication charges	7,096	7,086
Visa and immigration charges	6,151	8,509
Professional and legal fees	4,769	4,853
Printing and stationery	2,129	1,555
Membership and subscription expenses	1,319	1,000
Miscellaneous expenses	1,262	3,259
	357,638	309,681

18 Selling and marketing expenses

	Year ended 31 March 2020 RO	Year ended 31 March 2019 RO
Tender expenses	160	3,238

19 Other operating expenses

	Year ended 31 March 2020 RO	Year ended 31 March 2019 RO
Depreciation	69,962	64,619
Travelling expenses	18,400	16,451
Repairs and maintenance	10,884	7,388
	99,246	88,458

Ion Exchange and Company LLC

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 (2019: 15%).

	Year ended 31 March 2020 RO	Year ended 31 March 2019 RO
Recognised in statement of profit or loss and other comprehensive income:		
Current tax expense	25,310	20,643
Tax expense from prior year tax assessment	-	144
Less: Excess provision reversed	(214)	-
	25,096	20,787
Recognised in statement of financial position as liabilities:		
Current tax liability	25,310	20,643

Movement in tax provision during the year is as follows:

	Year ended 31 March 2020 RO	Year ended 31 March 2019 RO
At 1 April	20,643	16,659
Provided during the year	25,096	20,787
Paid during the year	(20,429)	(16,803)
At 31 December	25,310	20,643

b) Reconciliation of income tax expense

The relationship between the expected tax income based on the tax rates of 15% (2019: 15%) and the reported tax expense in the profit or loss can be reconciled as follows:

	Year ended 31 March 2020 RO	Year ended 31 March 2019 RO
Profit before tax	137,206	132,726
Add:		
Accounting depreciation	69,962	64,619
Allowance for expected credit losses	9,839	-
Tax consultancy fees	300	300
	217,307	197,645
Deduct:		
Tax depreciation	(48,572)	(58,763)
Profit on disposal	-	(1,260)
Taxable income	168,735	137,622
Tax rate	15%	15%
Income tax	25,310	20,643
Prior year tax assessment	-	144
Excess provision reversed	(214)	-
	25,096	20,787

c) Available tax losses

The Company has no accumulated taxable losses available as at 31 March 2020 (2019: RO Nil) which can be utilised within a period of next five years.

Ion Exchange and Company LLC

Notes

(forming part of the financial statements)

20 Income tax (continued)

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 has been finalised with the Secretariat General for Taxation till the year ended 31 March 2016. At the end of the reporting date, the Management consider that the amount of additional taxes, if any, that may become payable on finalisation of the unassessed tax years would not be material to the Company's financial position.

21 Financial instruments risk

Risk management objectives and policies

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

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

21.1 Market risk analysis

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 has remained constant since 1986.

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.

21.2 Credit risk

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 receivables from customers and cash at bank.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

The credit risk is managed on a group basis based on the Company's credit risk management policies and procedures.

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

Ion Exchange and Company LLC

Notes

(forming part of the financial statements)

21 Financial instrument risks (continued)

21.2 Credit risk (continued)

Credit risk management

The credit terms range between 30 and 60 days for trade receivable. The credit terms for customers as negotiated with customers are subject to an internal approval process. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Trade receivables consist of a large number of customers mostly operating in Engineering and construction Sector in Sultanate of Oman.

Security

The Company does not hold any security on the trade receivables balances.

In addition, the Company does not hold collateral relating to other financial assets such as cash and cash equivalents held with bank.

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.

Security name	31 March 2020 RO	31 March 2019 RO
Fair risk Ba1 to Caa3	392,992	341,980

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.

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	Yes
		394,290	64,952	

Ion Exchange and Company LLC

Notes

(forming part of the financial statements)

21 Financial instrument risk (continued)

21.2 Credit risk (continued)

Expected credit loss on trade receivables (continued)

31 March 2019	Expected credit loss rate %	Gross carrying amount RO	Loss allowance RO	Credit impaired
Not past due	0.43	287,192	1,246	No
1-60 days past due	68.44	2,185	1,496	No
More than 60 days	100.00	52,371	52,371	Yes
		341,748	55,113	

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.

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 2020 RO	Year ended 31 March 2019 RO
Financial liabilities:		
Trade payable and accruals	**143,466**	93,721
Amounts due to related parties	**115,228**	78,652
Staff terminal benefits	**27,062**	22,688
	285,756	195,061

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 March 2020, 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	78,554	-	-	**78,554**
Accrued expenses	64,912	-	-	**64,912**
Amounts due to related parties	115,228	-	-	**115,228**
Staff terminal benefits	-	-	27,062	**27,062**
	258,694	-	27,062	**285,756**

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	53,786	-	-	53,786
Accrued expenses	39,935	-	-	39,935
Amounts due to related parties	78,652	-	-	78,652
Staff terminal benefits	-	-	22,688	22,688
	172,373	-	22,688	195,061

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.

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Notes

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22 Contingent assets and other contingent liabilities

22.1 Contingent liabilities

The Company's has payment guarantee and bid bonds amounting to RO 26,500 as at 31 March 2020 (2019: RO 20,000).

22.2 Operating lease commitments

	31 March 2020 RO	31 March 2019 RO
Less than 1 year	**9,490**	2,600

During the year an amount of RO 23,310 (2019: RO 21,360) was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases of flat and office premises.

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.

24 Dividend

During the year, the Company declared dividend amounting to 120,000 (2019: 90,000) and paid dividend amounting to 120,000 (2019: RO 90,000).

25 Events after reporting period

The Covid-19 pandemic has resulted in a series of unprecedented measures being enforced by Global and Local governments which will significantly impact the business landscape of the Sultanate of Oman. At the time of signing of these financial statements, the rapidly evolving situation of the Covid-19 pandemic is expected to have a significant effect on the global economy and on the Company itself.

The Management is continuing to monitor, plan and act - whereas and as appropriate to this crisis in so far as it impacts the current and future obligations of the Company.

However, it is the view of the management that the going concern basis of preparation remains appropriate for the Company and that it has sufficient resources to meet its ongoing obligations and commitments.