Financial Statements and Independent Auditor's Report

Ion Exchange and Company LLC

31 March 2017

Contents

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Independent Auditor's Report

To the Members of
Ion Exchange LLC
P.O. Box 69
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Report on the Audit of the Financial Statements

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 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of matters described in the Basis for Qualified Opinion section in our audit report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Qualified Opinion

The Company does not accounts for the concession agreement with Petroleum Development Oman as per IFRIC 12 *"Service concession agreement"*. The related asset is recorded under plant and equipment with the income generated from this agreement is recorded as revenue.

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.

Independent Auditor's Report (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined there are no key audit matters to communicate in our report.

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 1974, as amended, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 2017, in all material respects, have been prepared in accordance with the Commercial Companies Law of 1974, as amended.

ABU TIMAM
(Chartered Certified Accountants)

3 May 2017

Ion Exchange and Company LLC

Statement of financial position

as at 31 March 2017

	Notes	2017 RO	2016 RO
ASSETS			
Non-current assets:			
Plant and equipment	5	293,819	292,504
Total non-current assets		293,819	292,504
Current assets:			
Inventories		-	950
Accounts receivable and prepayments	6	398,664	306,924
Amounts due from customers on contracts	7	-	-
Amounts due from a related party	8	-	75
Cash and cash equivalents	9	262,123	268,560
Total current assets		660,787	576,509
Total assets		954,606	869,013
MEMBERS' EQUITY AND LIABILITIES			
Members' equity:			
Share capital	10	300,000	300,000
Legal reserve	11	100,000	90,991
Retained earnings		245,448	256,917
Total Members' equity		645,448	647,908
Non-current liabilities:			
Staff terminal benefits	12	16,460	20,998
Total non-current liabilities		16,460	20,998
Current liabilities:			
Accounts payable and accruals	13	188,242	81,325
Amounts due to related parties	8	96,649	96,003
Provision for tax	18	7,807	22,779
Total current liabilities		292,698	200,107
Total liabilities		309,158	221,105
Total Members' equity and liabilities		954,606	869,013

The financial statements on pages 4 to 22 were approved by the Members on 3 May 2017 and were signed on the Company's behalf by:

VIJAY CHINTALAPUDI
DIRECTOR

ALI SAID AL HARTHY
DIRECTOR

The accompanying notes on pages 8 to 22 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 2017

	Notes	2017 RO	2016 RO
Revenue		1,111,157	1,081,159
Cost of sales	14	(740,900)	(580,749)
Gross profit		370,257	500,410
Other income		-	8,713
General and administrative expenses	15	(160,899)	(190,956)
Selling and marketing expenses	16	(10,924)	(3,693)
Other operating expenses	17	(79,207)	(74,480)
Profit from operations		119,227	239,994
Finance costs		(2,156)	(2,819)
Profit before tax		117,071	237,175
Income tax	18	(14,531)	(22,472)
Profit for the year		102,540	214,703
Other comprehensive income for the year		-	-
Total comprehensive income for the year		102,540	214,703

The accompanying notes on pages 8 to 22 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 2017

	Share capital RO	Legal reserve RO	Retained earnings RO	Total RO
At 1 April 2015	**300,000**	**69,521**	**243,684**	**613,205**
Net movement	-	-	-	-
Dividends paid during the year	-	-	(180,000)	(180,000)
Transactions with the Owners	-	-	***(180,000)***	***(180,000)***
Profit for the year	-	-	214,703	214,703
Transfer to legal reserve	-	21,470	(21,470)	-
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	***21,470***	**193,233**	***214,703***
At 31 March 2016	**300,000**	**90,991**	**256,917**	**647,908**
At 1 April 2016	**300,000**	**90,991**	**256,917**	**647,908**
Net movement	-	-	-	-
Dividends paid during the year	-	-	(105,000)	(105,000)
Transactions with the Owners	-	-	***(105,000)***	***(105,000)***
Profit for the year	-	-	102,540	102,540
Transfer to legal reserve	-	9,009	(9,009)	-
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	***9,009***	**93,531**	***102,540***
At 31 March 2017	**300,000**	**100,000**	**245,448**	**645,448**

The accompanying notes on pages 8 to 22 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 2017

	Note	2017 RO	2016 RO
Profit for the year before tax		117,071	237,175
Adjustments for:			
Depreciation		53,710	52,798
Profit on disposals of non-current assets		-	(534)
Finance costs		2,156	2,523
Operating profit before working capital changes		172,937	291,962
Changes in working capital:			
Inventories		950	(950)
Accounts receivable and prepayments		(91,740)	56,855
Amounts due from a related party		75	4,567
Amounts due from customers on contracts		-	260,080
Accounts payable and accruals		106,917	(4,976)
Amounts due to related parties		646	(190,291)
Cash flow from operations		189,785	417,247
Staff terminal benefits		(4,538)	6,186
Tax paid		(29,503)	(18,729)
Finance costs paid		(2,156)	(2,523)
Net cash flow from operating activities		153,588	402,181
Cash flow from investing activities:			
Purchases of non-current assets		(55,025)	(11,305)
Proceeds from disposals of non-current assets		-	1,000
Net cash used in investing activities		(55,025)	(10,305)
Cash flow from financing activities			
Dividends paid during the year		(105,000)	(180,000)
Net cash used in financing activities		(105,000)	(180,000)
Net (decrease)/increase in cash and cash equivalents		(6,437)	211,876
Cash and cash equivalents at the beginning of the year		268,560	56,684
Cash and cash equivalents at the end of the year	9	262,123	268,560

The accompanying notes on pages 8 to 22 form an integral part of these financial statements.

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

Ion Exchange and Company LLC

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 IFRS

The Company is a limited liability company incorporated and registered in the Sultanate of Oman on 20 November 2006 in accordance with the Commercial Companies Law of 1974, as amended.

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 (IFRS) 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 2016

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2016. Information on these new standards is presented below.

- *'Annual Improvements to IFRSs'* 2012-2014 cycle;
- *'Disclosure Initiative'* (Amendments to IAS 1);
- *'Clarification of Acceptable Methods of Depreciation and Amortisation'* (Amendments to IAS 16 and IAS 38);
- *'Accounting for Acquisitions of Interests in Joint Operations'* (Amendments to IFRS 11);
- *'Equity Method in Separate Financial Statements'* (Amendments to IAS 27); and
- *'Investment Entities: Applying the Consolidation Exception'* (Amendments to IFRS 10, IFRS 12 and IAS 27).

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, 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 Company's 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.

Notes

(forming part of the financial statements)

3 Change in accounting policies (continued)

IFRS 9 Financial Instruments

The IASB recently released IFRS 9 *Financial Instruments* (2014), representing the completion of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Company's management have yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2018. The Company's management have not yet assessed the impact of IFRS 15 on these financial statements.

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 is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information.

4 Summary of accounting policies

4.1 Overall considerations

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

The significant accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statements.

4.2 Presentation of financial statements

The financial statements are presented in accordance with IAS 1 *Presentation of Financial Statement (Revised 2007).*

IAS 1 requires two comparative periods to be presented for the statement of financial position in certain circumstances. The Company will only present the second comparative figure when the circumstances arise.

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.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.3 Foreign currency translation (continued)

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 Contract revenue

When the outcome can be assessed reliably, contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When the Company cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred. In either situation, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in the profit or loss.

A contract's stage of completion is assessed by management based on estimated cost to complete. The maximum amount of revenue recognised is determined by estimating relative contract fair values of each contract. Progress and related contract revenue is determined by comparing costs incurred to date with the total estimated costs estimated for the particular project (a procedure sometimes referred to as the cost-to-cost method).

The gross amount due from customers for contract work is presented in the statement of financial position as current assets for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented as current liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

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 Inventories

Inventories are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items. Cost is determined by the weighted average method. Net realisable value is the estimated selling prices in the ordinary course of business, less selling expenses.

4.7 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.7 Financial instruments (continued)

Recognition, initial measurement and derecognition (continued)

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.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Financial assets and financial liabilities are measured subsequently as described below.

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into 'receivables' upon initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets except for those at fair value through profit or loss are recognised in the statement of profit or loss and other comprehensive income and are presented within 'finance costs', 'finance income' or 'other financial items', except for impairment of trade receivables, which is presented within 'other expenses'.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Company's cash and cash equivalents, accounts receivable and prepayments, amounts due from a related party and amounts due from customers on contracts fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include accounts payable and accruals and amounts due to related parties which are measured at amortised cost.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of profit or loss and other comprehensive income are included within 'finance costs' or 'finance income'.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.8 Cash and cash equivalents

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

4.9 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.

4.10 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
• 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)

4.11 Impairment testing

Plant and equipment 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.

Trade receivables are provided against when objective evidence is received that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. An impairment loss in respect of receivable is reversed if the subsequent increase in recoverable amount can be related to an event occurring after the impairment loss was recognised.

4.12 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.

4.13 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.

4.14 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.

4 Summary of accounting policies (continued)

4.14 Provisions, contingent liabilities and contingent assets (continued)

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.

4.15 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.

4.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs'.

4.17 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 2017 management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are mentioned in note 5.

Notes

(forming part of the financial statements)

5 Plant and equipment

	Motor vehicles RO	Furniture and fixtures RO	Site and office equipment RO	Software RO	Total RO
Cost:					
At 1 April 2016	98,280	21,769	721,068	4,127	845,244
Additions	55,025	-	-	-	55,025
At 31 March 2017	**153,305**	**21,769**	**721,068**	**4,127**	**900,269**
Depreciation:					
At 1 April 2016	81,044	21,483	446,086	4,127	552,740
Provided during the year	6,924	286	46,500	-	53,710
At 31 March 2017	**87,968**	**21,769**	**492,586**	**4,127**	**606,450**
Net book value:					
At 31 March 2017	**65,337**	**-**	**228,482**	**-**	**293,819**

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

	Motor vehicles RO	Furniture and fixtures RO	Site and office equipment RO	Software RO	Total RO
Cost:					
At 1 April 2015	91,940	21,769	720,593	4,127	838,429
Additions	10,830	-	475	-	11,305
Disposals	(4,490)	-	-	-	(4,490)
At 31 March 2016	98,280	21,769	721,068	4,127	845,244
Depreciation:					
At 1 April 2015	79,211	21,020	399,608	4,127	503,966
Provided during the year	5,857	463	46,478	-	52,798
Disposals	(4,024)	-	-	-	(4,024)
At 31 March 2016	81,044	21,483	446,086	4,127	552,740
Net book value:					
At 31 March 2016	17,236	286	274,982	-	292,504

6 Accounts receivable and prepayments

	31 March 2017 RO	31 March 2016 RO
Trade receivables	379,810	286,606
Advances and prepayments	18,854	20,318
	398,664	306,924

7 Amounts due from customers on contracts

	31 March 2017 RO	31 March 2016 RO
Cost plus attributable profit	-	3,660,872
Less: Progress billings	-	(3,660,872)
Amounts due from customers on contracts	-	-

8 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.

Notes

(forming part of the financial statements)

8 Related party transactions (continued)

8.1 Transactions with key management personnel

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

8.2 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 into on terms, which the management considers correspond to terms on normal arm's length transactions with third parties.

Amounts due from/to related parties are at unsecured interest free and have no fixed repayment terms and will be paid when adequate funds are available.

	31 March 2017 RO	31 March 2016 RO
Transactions with related parties:		
Sales	-	12,037
Dividend paid	105,000	180,000
Purchases	93,091	115,111

	31 March 2017 RO	31 March 2016 RO
Amounts due from a related party:		
Hofincons Company LLC	-	75
	-	75

	31 March 2017 RO	31 March 2016 RO
Amounts due to related parties:		
Ion Exchange Ltd, India	64,270	62,627
Ion Exchange Ltd, UAE	27,671	19,982
Rusayl Chemicals LLC	3,789	13,394
Hofincons Company LLC	919	-
	96,649	96,003

9 Cash and cash equivalents

	31 March 2017 RO	31 March 2016 RO
Cash at bank	260,855	268,115
Cash in hand	1,268	445
	262,123	268,560

10 Share capital

	31 March 2017 RO	31 March 2016 RO
300,000 shares fully paid up of RO 1 each	300,000	300,000

Ion Exchange and Company LLC

Notes

(forming part of the financial statements)

10 Share capital (continued)

The Members of the Company as at 31 March 2017 and 2016 and the number of shares they hold are as follows:

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

11 Legal reserve

In accordance with the Commercial Companies Law of Oman, 1974, 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 2017 RO 9,009 has been transferred to legal reserve (2016: RO 21,470).

12 Staff terminal benefits

	31 March 2017 RO	31 March 2016 RO
Opening balance	20,998	14,812
Provided during the year	-	7,709
Excess provision written back during the year	(574)	-
Paid during the year	(3,964)	(1,523)
Closing balance	16,460	20,998

During the year the Company has standardised the salary structure for each employee, which gave rise to a write back of RO 574, after adjusting the amounts paid.

13 Accounts payable and accruals

	31 March 2017 RO	31 March 2016 RO
Trade payables	140,688	17,016
Accrued expenses	32,174	64,309
Advance from customers	15,380	-
	188,242	81,325

14 Cost of sales

	Year ended 31 March 2017 RO	Year ended 31 March 2016 RO
Purchases of materials	381,905	250,792
Salaries and related costs	204,831	191,668
Site expenses	101,461	94,175
Subcontracting charges	24,000	24,000
Project expenses	17,650	9,623
Custom charges	11,053	10,491
	740,900	580,749

Notes

(forming part of the financial statements)

15 General and administrative expenses

	Year ended 31 March 2017 RO	Year ended 31 March 2016 RO
Salaries and related costs	101,767	130,878
Rent	22,320	23,730
Staff training	10,028	9,436
Communication charges	7,339	8,611
Visa and immigration charges	6,072	5,171
Professional and legal fees	4,210	3,798
Vehicle insurance	2,527	2,289
Printing and stationery	2,369	2,236
Membership and subscription expenses	1,150	1,000
Utilities expenses	1,148	1,169
Miscellaneous expenses	1,969	2,638
	160,899	190,956

16 Selling and marketing expenses

	Year ended 31 March 2017 RO	Year ended 31 March 2016 RO
Tender expenses	6,965	3,075
Business development	3,959	618
	10,924	3,693

17 Other operating expenses

	Year ended 31 March 2017 RO	Year ended 31 March 2016 RO
Depreciation	53,710	52,798
Travelling expenses	15,274	11,793
Repairs and maintenance	10,223	9,847
Foreign exchange losses	-	42
	79,207	74,480

18 Income tax

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

The Company is subject to income tax at the rate of 12% of the taxable income in excess of RO 30,000 in accordance with the income tax law of the Sultanate of Oman (2016: 12%).

	Year ended 31 March 2017 RO	Year ended 31 March 2016 RO
Income tax expense comprises:		
Current tax expense	7,807	22,779
Tax expense from prior year tax assessment	6,724	-
Adjustment of tax provision for prior years	-	(307)
	14,531	22,472

Ion Exchange and Company LLC

Notes

(forming part of the financial statements)

18 Income tax (continued)

b) Reconciliation of income tax expense

The relationship between the expected tax income based on the tax rates of 12% (2016: 12%) and the reported tax expense in the profit or loss can be reconciled as follows:

	Year ended 31 March 2017 RO	Year ended 31 March 2016 RO
Profit before tax	117,071	237,175
Add:		
Accounting depreciation	53,710	52,798
Tax consultancy fees	300	300
	171,081	290,273
Deduct:		
Profit on disposal of non-current assets	-	(534)
Tax depreciation	(76,019)	(69,914)
Carried forward tax losses	-	-
Taxable base	95,062	219,825
Income exempt from tax	(30,000)	(30,000)
Taxable income	65,062	189,825
Tax rate	12%	12%
Income tax	7,807	22,779

c) Available tax losses

The Company has no taxable losses as at 31 March 2017 (2016: 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 has been finalised with the Secretariat General for Taxation till the year ended 31 March 2011.

19 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.

19.1 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.

Ion Exchange and Company LLC

Notes

(forming part of the financial statements)

19 Financial instruments risk (continued)

Risk management objectives and policies (continued)

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 borrows at interest rates on commercial terms. The Company manages the interest rate risk by constantly monitoring the changes in the interest rates and availing lower interest bearing facilities. The Company has no significant interest-bearing assets.

Other price risk sensitivity

The Company is not exposed to any price risk.

19.2 Credit risk analysis

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation.

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

	Year ended 31 March 2017 RO	Year ended 31 March 2016 RO
Accounts receivable and prepayments	398,664	306,924
Amounts due from a related party	-	75
Cash at bank and in hand	262,123	268,560
	660,787	575,559

The table below summarises the maturities of the Company's receivables at 31 March 2017:

	Less than 3 months RO	3 to 12 months RO	Total RO
Trade receivables	290,003	89,807	379,810
Advances and prepayments	18,854	-	18,854
	308,857	89,807	398,664

This compares to the maturities of the Company's receivables in the previous reporting period as follows:

	Less than 3 months RO	3 to 12 Months RO	Total RO
Trade receivables	221,410	65,196	286,606
Advances and prepayments	20,318	-	20,318
Amounts due from a related party	75	-	75
	241,803	65,196	306,999

Credit risk on receivables and bank balances is limited as the receivables are shown net of provision for bad and doubtful debt and cash balances are held with reputable local banks. The Company manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures.

Ion Exchange and Company LLC

Notes

(forming part of the financial statements)

19 Financial instrument risk (continued)

Risk management objectives and policies (continued)

19.3 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 2017 RO	Year ended 31 March 2016 RO
Accounts payable and accruals	188,242	81,325
Amounts due to related parties	96,649	96,003
Staff terminal benefits	16,460	20,998
	301,351	198,326

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 March 2017, 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
Trade payables	140,688	-	-	140,688
Accrued expenses	32,174	-	-	32,174
Advance from customers	15,380	-	-	15,380
Amounts due to related parties	96,649	-	-	96,649
Staff terminal benefits	-	-	16,460	16,460
	284,891	-	16,460	301,351

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
Trade payables	17,016	-	-	17,016
Accrued expenses	64,309	-	-	64,309
Amounts due to related parties	96,003	-	-	96,003
Staff terminal benefits	-	-	20,998	20,998
	177,328	-	20,998	198,326

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.

19.4 Fair value measurement

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).

Notes

(forming part of the financial statements)

19.4 Fair value measurement (continued)

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.

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.

There have been no transfers between any of the levels during the reporting period.

20 Contingent assets and other contingent liabilities

20.1 Contingent liabilities

The Company has advance bank guarantee amounting to RO 63,765 as at 31 March 2017 (2016: RO 95,648). There are no contingent assets as at 31 March 2017.

20.2 Operating lease commitments

	31 March 2017 RO	31 March 2016 RO
Less than 1 year	2600	5,330

During the year an amount of RO 22,320 (2016: RO 23,730) 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.

21 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 products and services commensurately with the level of risk.

22 Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

23 Comparative figures

The comparative figures have been regrouped to conform with current year's financial statements presentation. Such reclassification does not affect previously reported retained earnings, net assets or Members' equity.