Financial Statements and Independent Auditor's Report

**Ion Exchange and Company LLC**

31 March 2016

# Contents

Abu Timam
Grant Thornton
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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 FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Ion Exchange and Company LLC (the Company), which comprise the statement of financial position as at 31 March 2016, and the statement of profit or loss and the other comprehensive income, statement of changes in Members' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and Commercial Companies Law of 1974, as amended, and for such internal controls as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Abu Timam
Grant Thornton



**Ion Exchange and Company LLC**

## OPINION

In our opinion, the financial statements set out on pages 3 to 21 present fairly, in all material respects, the financial position of Ion Exchange and Company LLC as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements of Ion Exchange and Company LLC as of and for the year ended 31 March 2016, in all material respects, have been properly prepared and comply with the Commercial Companies Law of 1974, as amended.

**ABU TIMAM**
*(Chartered Certified Accountants)*

**28 April 2016**

# Statement of financial position

*as at 31 March 2016*

| | Notes | 2016 RO | 2015 RO |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets:** | | | |
| Plant and equipment | 5 | **292,604** | 334,463 |
| **Total non-current assets** | | **292,604** | 334,463 |
| **Current assets:** | | | |
| Inventories | | **950** | - |
| Accounts receivable and prepayments | 6 | **306,924** | 363,779 |
| Amounts due from customers on contracts | 7 | **-** | 260,080 |
| Amounts due from a related party | 8 | **75** | 4,642 |
| Cash and cash equivalents | 9 | **268,560** | 56,684 |
| **Total current assets** | | **576,509** | 685,185 |
| **Total assets** | | **869,013** | 1,019,648 |
| **MEMBERS' EQUITY AND LIABILITIES** | | | |
| **Members' equity:** | | | |
| Share capital | 10 | **300,000** | 300,000 |
| Legal reserve | 11 | **90,991** | 69,521 |
| Retained earnings | | **256,917** | 243,684 |
| **Total Members' equity** | | **647,908** | 613,205 |
| **Non-current liabilities:** | | | |
| Staff terminal benefits | 12 | **20,998** | 14,812 |
| **Total non-current liabilities** | | **20,998** | 14,812 |
| **Current liabilities:** | | | |
| Accounts payable and accruals | 13 | **81,325** | 86,301 |
| Amounts due to related parties | 8 | **96,003** | 286,294 |
| Provision for tax | 18 | **22,779** | 19,036 |
| **Total current liabilities** | | **200,107** | 391,631 |
| **Total liabilities** | | **221,105** | 406,443 |
| **Total Members' equity and liabilities** | | **869,013** | 1,019,648 |

The financial statements on pages 3 to 21 were approved by the Members on 28 April 2016 and were signed on the Company's behalf by:

| | |
|---|---|
| VIJAY CHINTALAPUDI<br>DIRECTOR | ALI SAID AL HARTHY<br>DIRECTOR |

The accompanying notes on pages 7 to 21 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 2016*

| | Notes | 2016 RO | 2015 RO |
|---|---|---|---|
| Revenue | | **1,081,159** | 1,202,480 |
| Cost of sales | 14 | **(389,081)** | (535,022) |
| **Gross profit** | | **692,078** | 667,458 |
| Other income | | **8,713** | 151 |
| General and administrative expenses | 15 | **(385,995)** | (354,945) |
| Selling and marketing expenses | 16 | **(618)** | (635) |
| Other operating expenses | 17 | **(74,480)** | (81,096) |
| **Profit from operations** | | **239,698** | 230,933 |
| Finance costs | | **(2,523)** | (4,932) |
| **Profit before tax** | | **237,175** | 226,001 |
| Income tax | 18 | **(22,472)** | (18,729) |
| **Profit for the year** | | **214,703** | 207,272 |
| Other comprehensive income for the year | | **-** | - |
| **Total comprehensive income for the year** | | **214,703** | 207,272 |

The accompanying notes on pages 7 to 21 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 2016*

| | Share capital RO | Legal reserve RO | Retained earnings RO | Total RO |
|---|---|---|---|---|
| **At 1 April 2014** | **300,000** | **48,794** | **177,139** | **525,933** |
| Net movement | - | - | - | - |
| Dividends paid during the year | - | - | (120,000) | (120,000) |
| ***Transactions with the Owners*** | - | - | *(120,000)* | *(120,000)* |
| Profit for the year | - | - | 207,272 | 207,272 |
| Transfer to legal reserve | - | 20,727 | (20,727) | - |
| Other comprehensive income for the year | - | - | - | - |
| ***Total comprehensive income for the year*** | - | *20,727* | **186,545** | *207,272* |
| **At 31 March 2015** | **300,000** | **69,521** | **243,684** | **613,205** |
| **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** |

The accompanying notes on pages 7 to 21 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 2016*

| | Note | 2016 RO | 2015 RO |
|---|---|---|---|
| Profit for the year before tax | | **237,175** | 226,001 |
| **Adjustments for:** | | | |
| Depreciation | | **52,798** | 51,211 |
| Profit on disposals of non-current assets | | **(534)** | - |
| Finance costs | | **2,523** | 4,932 |
| **Operating profit before working capital changes** | | **291,962** | 282,144 |
| **Changes in working capital:** | | | |
| Inventories | | **(950)** | - |
| Accounts receivable and prepayments | | **56,865** | 13,753 |
| Amounts due from a related party | | **4,567** | (4,642) |
| Amounts due from customers on contracts | | **260,080** | 70,438 |
| Accounts payable and accruals | | **(4,976)** | (97,511) |
| Amounts due to related parties | | **(190,291)** | (158,327) |
| **Cash flow from operations** | | **417,247** | 105,855 |
| Staff terminal benefits | | **6,186** | 3,632 |
| Tax paid | | **(18,729)** | - |
| Finance costs paid | | **(2,523)** | (4,932) |
| **Net cash flow from operating activities** | | **402,181** | 104,555 |
| **Cash flow from investing activities:** | | | |
| Purchases of non-current assets | | **(11,305)** | (9,594) |
| Proceeds from disposals of non-current assets | | **1,000** | - |
| **Net cash used in investing activities** | | **(10,305)** | (9,594) |
| **Cash flow from financing activities** | | | |
| Net movement in borrowings | | **-** | (100,004) |
| Dividends paid during the year | | **(180,000)** | (120,000) |
| **Net cash used in financing activities** | | **(180,000)** | (220,004) |
| **Net increase/(decrease) in cash and cash equivalents** | | **211,876** | (125,043) |
| Cash and cash equivalents at the beginning of the year | | **56,684** | 181,727 |
| **Cash and cash equivalents at the end of the year** | 9 | **268,560** | 56,684 |

The accompanying notes on pages 7 to 21 form an integral part of these financial statements.

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

# Notes

*(forming part of the financial statements)*

## 1 Nature of operations

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

## 2 General information and statement of compliance with 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 Changes in accounting policies

### 3.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2015

The financial statements have been drawn up based on accounting standards, interpretations and amendments effective at 1 January 2015. The Management believes the adoption of the amendments effective for the current accounting period has not had any material impact on the presentation and disclosure of items in the financial statements.

### 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, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

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.

#### IFRS 9 Financial Instruments (2014)

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.

## 3 Changes in accounting policies (continued)

### 3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (continued)

**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 2017. The Company's management have not yet assessed the impact of IFRS 15 on these financial statements.

## 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.

**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.

# Notes

*(forming part of the financial statements)*

## 4 Summary of accounting policies (continued)

### 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.

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.

# Notes

*(forming part of the financial statements)*

## 4 Summary of accounting policies (continued)

### 4.7 Financial instruments (continued)

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'.

### 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.

# Notes

*(forming part of the financial statements)*

## 4 Summary of accounting policies (continued)

### 4.9 Post-employment benefits and short-term employee benefits (continued)

*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.

### 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 vehicle 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.

# Notes

*(forming part of the financial statements)*

## 4 Summary of accounting policies (continued)

### 4.11 Impairment testing (continued)

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

#### Finance leases

In accordance with IAS 17 *Leases*, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and buildings are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is initially recognised.

Subsequent accounting for assets held under finance lease agreements, i.e. depreciation methods and useful lives, correspond to those applied to comparable assets which are legally owned by the Company.

The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to 'finance costs'.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the statement of profit or loss and other comprehensive income 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.

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.

# Notes

*(forming part of the financial statements)*

## 4 Summary of accounting policies (continued)

### 4.14 Provisions, contingent liabilities and contingent assets (continued)

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 2016 management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are mentioned in note 5.

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 | 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** |

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 2014 | 83,676 | 21,769 | 719,263 | 4,127 | 828,835 |
| Additions | 8,264 | - | 1,330 | - | 9,594 |
| At 31 March 2015 | 91,940 | 21,769 | 720,593 | 4,127 | 838,429 |
| Depreciation: | | | | | |
| At 1 April 2014 | 76,086 | 19,935 | 352,930 | 3,804 | 452,755 |
| Provided during the year | 3,125 | 1,085 | 46,678 | 323 | 51,211 |
| At 31 March 2015 | 79,211 | 21,020 | 399,608 | 4,127 | 503,966 |
| Net book value: | | | | | |
| At 31 March 2015 | 12,729 | 749 | 320,985 | - | 334,463 |

## 6 Accounts receivable and prepayments

| | 31 March 2016 RO | 31 March 2015 RO |
|---|---|---|
| Trade receivables | **286,606** | 354,414 |
| Advances and prepayments | **20,318** | 9,365 |
| | **306,924** | 363,779 |

## 7 Amounts due from customers on contracts

| | 31 March 2016 RO | 31 March 2015 RO |
|---|---|---|
| Cost plus attributable profit | **3,660,872** | 3,298,199 |
| Less: Progress billings | **(3,660,872)** | (3,038,119) |
| Amounts due from customers on contracts | **-** | 260,080 |

## 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 2016 RO | 31 March 2015 RO |
|---|---|---|
| **Transactions with related parties:** | | |
| **Sales:** | | |
| Hofincons Company LLC | 12,037 | 11,734 |
| Dividend paid to Ion Exchange Ltd, India | 91,800 | - |
| **Purchases:** | | |
| Ion Exchange Ltd, India | 3,285 | 26,790 |
| Ion Exchange Ltd, UAE | 85,423 | 190,898 |
| Rusayl Chemicals LLC | 26,403 | 33,838 |

| | 31 March 2016 RO | 31 March 2015 RO |
|---|---|---|
| **Amounts due from a related party:** | | |
| Hofincons Company LLC | 75 | 4,642 |
| | 75 | 4,642 |

| | 31 March 2016 RO | 31 March 2015 RO |
|---|---|---|
| **Amounts due to related parties:** | | |
| Ion Exchange Ltd, India | 62,627 | 185,635 |
| Ion Exchange Ltd, UAE | 19,982 | 83,831 |
| Rusayl Chemicals LLC | 13,394 | 16,828 |
| | 96,003 | 286,294 |

## 9 Cash and cash equivalents

| | 31 March 2016 RO | 31 March 2015 RO |
|---|---|---|
| Cash at bank | 268,115 | 56,627 |
| Cash in hand | 445 | 57 |
| | 268,560 | 56,684 |

## 10 Share capital

| | 31 March 2016 RO | 31 March 2015 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 2016 and 2015 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 2016 RO 21,470 has been transferred to legal reserve (2015: RO 20,727).

## 12 Staff terminal benefits

| | 31 March 2016 RO | 31 March 2015 RO |
|---|---|---|
| Opening balance | 14,812 | 11,180 |
| Provided during the year | 7,709 | 5,579 |
| Paid during the year | (1,523) | (1,947) |
| Closing balance | 20,998 | 14,812 |

## 13 Accounts payable and accruals

| | 31 March 2016 RO | 31 March 2015 RO |
|---|---|---|
| Trade payables | 17,016 | 42,007 |
| Accrued expenses | 64,309 | 44,294 |
| | 81,325 | 86,301 |

## 14 Cost of sales

| | Year ended 31 March 2016 RO | Year ended 31 March 2015 RO |
|---|---|---|
| Purchases of materials | 250,792 | 383,479 |
| Site expenses | 94,175 | 85,079 |
| Subcontracting charges | 24,000 | 24,000 |
| Custom charges | 10,491 | 20,157 |
| Project expenses | 9,623 | 22,307 |
| | 389,081 | 535,022 |

## 15 General and administrative expenses

| | Year ended 31 March 2016 RO | Year ended 31 March 2015 RO |
|---|---|---|
| Salaries and related costs | 322,546 | 296,288 |
| Rent | 23,730 | 23,640 |
| Staff training | 9,436 | 7,127 |
| Communication charges | 8,611 | 7,850 |
| Visa and immigration charges | 5,171 | 7,087 |
| Professional and legal fees | 3,798 | 2,858 |
| Printing and stationery | 2,236 | 1,525 |
| Utilities expenses | 1,169 | 1,107 |
| Membership and subscription expenses | 1,000 | 1,000 |
| Bank charges | 296 | 186 |
| Miscellaneous expenses | 8,002 | 6,277 |
| | 385,995 | 354,945 |

Ion Exchange and Company LLC

# Notes

*(forming part of the financial statements)*

## 16 Selling and marketing expenses

| | Year ended 31 March 2016 RO | Year ended 31 March 2015 RO |
|---|---|---|
| Business development | **618** | 635 |

## 17 Other operating expenses

| | Year ended 31 March 2016 RO | Year ended 31 March 2015 RO |
|---|---|---|
| Depreciation | **52,798** | 51,212 |
| Travelling expenses | **11,793** | 14,192 |
| Repairs and maintenance | **9,847** | 15,650 |
| Foreign exchange losses | **42** | 42 |
| | **74,480** | 81,096 |

## 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 (2015: 12%).

| | Year ended 31 March 2016 RO | Year ended 31 March 2015 RO |
|---|---|---|
| **Income tax expense comprises:** | | |
| Current tax expense | **22,779** | 18,729 |
| Adjustment of tax provision for prior years | **(307)** | - |
| | **22,472** | 18,729 |

### b) Reconciliation of income tax expense

The relationship between the expected tax income based on the tax rates of 12% (2015: 12%) and the reported tax expense in the profit or loss can be reconciled as follows:

| | Year ended 31 March 2016 RO | Year ended 31 March 2015 RO |
|---|---|---|
| **Profit before tax** | **237,175** | 226,001 |
| **Add:** | | |
| Accounting depreciation | **52,798** | 51,211 |
| Tax consultancy fees | **300** | 300 |
| | **290,273** | 277,512 |
| **Deduct:** | | |
| Profit on disposal of non-current assets | **(534)** | - |
| Tax depreciation | **(69,914)** | (80,728) |
| Carried forward tax losses | **-** | (10,708) |
| Taxable base | **219,825** | 186,076 |
| Income exempt from tax | **(30,000)** | (30,000) |
| Taxable income | **189,825** | 156,076 |
| Tax rate | **12%** | 12% |
| **Income tax** | **22,779** | 18,729 |

# Notes

*(forming part of the financial statements)*

## 18 Income tax (continued)

### c) Available tax losses

The Company has no taxable losses as at 31 March 2016 (2015: 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 not been finalised with the Secretariat General for Taxation since its inception.

## 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.

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.

# Notes

*(forming part of the financial statements)*

## 19 Financial instruments risk (continued)

### Risk management objectives and policies (continued)

### 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 2016 RO | Year ended 31 March 2015 RO |
|---|---|---|
| Accounts receivable and prepayments | **306,924** | 363,779 |
| Amounts due from customers on contracts | - | 260,080 |
| Amounts due from a related party | **75** | 4,642 |
| Cash at bank and in hand | **268,560** | 56,684 |
| | **575,559** | 685,185 |

The table below summarises the maturities of the Company's receivables at 31 March 2016:

| | 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 |

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 | 200,000 | 154,414 | 354,414 |
| Advances and prepayments | 9,365 | - | 9,365 |
| Amounts due from a related party | 4,642 | - | 4,642 |
| Amounts due from customers on contracts | 260,080 | - | 260,080 |
| | 474,087 | 154,414 | 628,501 |

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.

### 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 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.

Ion Exchange and Company LLC

# Notes

*(forming part of the financial statements)*

### 19 Financial instrument risk (continued)

**Risk management objectives and policies (continued)**

### 19.2 Liquidity risk analysis (continued)

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

| | Year ended 31 March 2016 RO | Year ended 31 March 2015 RO |
|---|---|---|
| Accounts payable and accruals | **81,325** | 86,301 |
| Amounts due to related parties | **96,003** | 286,294 |
| Staff terminal benefits | **20,998** | 14,812 |
| | **198,326** | 387,407 |

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 March 2015, based o6n 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 | 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** |

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 | 20,000 | 22,007 | - | 42,007 |
| Accrued expenses | 44,294 | - | - | 44,294 |
| Amounts due to related parties | 286,294 | - | - | 286,294 |
| Staff terminal benefits | - | - | 14,812 | 14,812 |
| | 350,588 | 22,007 | 14,812 | 387,407 |

### 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).

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.

# Notes

*(forming part of the financial statements)*

## 20 Contingent assets and other contingent liabilities

### 20.1 Contingent liabilities

The Company has advance bank guarantee amounting to RO 95,648 as at 31 March 2016 (2015: RO Nil). There are no contingent assets as at 31 March 2016.

### 20.2 Operating lease commitments

| | 31 March 2016 RO | 31 March 2015 RO |
|---|---|---|
| Less than 1 year | 5,330 | 7,590 |

During the year an amount of RO 23,730 (2015: RO 23,640) 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.