Financial Statements and Independent Auditor's Report

Ion Exchange and Company LLC

31 March 2018

Ion Exchange and Company LLC

Contents

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Independent Auditor's Report

To the Members of
Ion Exchange and Company LLC
P.O. Box 69
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Sultanate of Oman

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Ion Exchange and Company LLC (the Company), which comprise the statement of financial position as at 31 March 2018, 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 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of Qualified Opinion

The Company was awarded a concession agreement by Petroleum Development Oman (PDO) for the development and operation of the water treatment plant in the PDO sites for a period of 7 years commencing from August 2009, which has later been extended for further period of 5 years. Therefore, this agreement falls under the scope of "IFRIC 12 - Service concession arrangements". However, management has recognised related plant and equipment under "IAS 16 – Property Plant and Equipment". It constitutes a departure from International Financial Reporting Standards. We are unable to determine the impact on assets and retain earnings, had the Company the provisions of implemented IFRIC 12.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (continued)

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

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the Commercial Companies Law of Sultanate of Oman 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.

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 2018, in all material respects, have been prepared in accordance with the Commercial Companies Law of Sultanate of Oman 1974, as amended.

Nasser Al Mugheiry
Licence No. MH/64
ABU TIMAM
(Chartered Certified Accountants)

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29 April 2018

Ion Exchange and Company LLC

Statement of financial position

as at 31 March 2018

	Notes	2018 RO	2017 RO
ASSETS			
Non-current assets:			
Plant and equipment	5	**244,008**	293,819
Total non-current assets		**244,008**	293,819
Current assets:			
Accounts receivable and prepayments	6	**488,410**	398,664
Amounts due from a related party	7.2	**2,404**	-
Cash and cash equivalents	8	**187,988**	262,123
Total current assets		**678,802**	660,787
Total assets		**922,810**	954,606
MEMBERS' EQUITY AND LIABILITIES			
Members' equity:			
Share capital	9	**300,000**	300,000
Legal reserve	10	**100,000**	100,000
Retained earnings		**250,789**	245,448
Total Members' equity		**650,789**	645,448
Non-current liabilities:			
Staff terminal benefits	11	**21,690**	16,460
Total non-current liabilities		**21,690**	16,460
Current liabilities:			
Trade payable and accruals	12	**120,555**	188,242
Amounts due to related parties	7.2	**113,117**	96,649
Provision for tax	18(a)	**16,659**	7,807
Total current liabilities		**250,331**	292,698
Total liabilities		**272,021**	309,158
Total Members' equity and liabilities		**922,810**	954,606

The financial statements on pages 4 to 22 were approved by the Members on 29 April 2018 and were signed on the Company's behalf by:

VIJAY CHINTALAPUDI
DIRECTOR

ALI SAID AL HARTHY
DIRECTOR

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

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 2018

	Notes	2018 RO	2017 RO
Revenue	13	**1,083,653**	1,111,157
Cost of sales	14	**(685,538)**	(740,900)
Gross profit		**398,115**	370,257
Other income		**6,845**	-
General and administrative expenses	15	**(202,659)**	(164,858)
Selling and marketing expenses	16	**(652)**	(6,965)
Other operating expenses	17	**(85,942)**	(79,207)
Profit from operations		**115,707**	119,227
Finance costs		**(3,707)**	(2,156)
Profit before tax		**112,000**	117,071
Income tax	18(a)	**(16,659)**	(14,531)
Profit for the year		**95,341**	102,540
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**95,341**	102,540

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 changes in Members' equity

for the year ended 31 March 2018

	Share capital RO	Legal reserve RO	Retained earnings RO	Total RO
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**
At 1 April 2017	**300,000**	**100,000**	**245,448**	**645,448**
Net movement	-	-	-	-
Dividends paid during the year	-	-	(90,000)	(90,000)
Transactions with the Owners	-	-	*(90,000)*	*(90,000)*
Profit for the year	-	-	95,341	95,341
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	*95,341*	*95,341*
At 31 March 2018	**300,000**	**100,000**	**250,789**	**650,789**

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 2018

	Notes	2018 RO	2017 RO
Profit for the year before tax		**112,000**	117,071
Adjustments for:			
Depreciation	5	**63,086**	53,710
Staff terminal benefits	11	**5,527**	-
Finance costs		**3,707**	2,156
Operating profit before working capital changes		**184,320**	172,937
Changes in working capital:			
Inventories		**-**	950
Accounts receivable and prepayments		**(89,746)**	(91,740)
Amounts due from a related party		**(2,404)**	75
Trade payable and accruals		**(67,687)**	106,917
Amounts due to related parties		**16,468**	646
Cash flow generated from operations		**40,951**	189,785
Staff terminal benefits paid, reversed	11	**(297)**	(4,538)
Tax paid	18(a)	**(7,807)**	(29,503)
Finance costs paid		**(3,707)**	(2,156)
Net cash flow generated from operating activities		**29,140**	153,588
Cash flow from investing activities:			
Purchases of non-current assets	5	**(13,275)**	(55,025)
Net cash used in investing activities		**(13,275)**	(55,025)
Cash flow from financing activities			
Dividends paid during the year		**(90,000)**	(105,000)
Net cash used in financing activities		**(90,000)**	(105,000)
Net decrease in cash and cash equivalents		**(74,135)**	(6,437)
Cash and cash equivalents at the beginning of the year		**262,123**	268,560
Cash and cash equivalents at the end of the year	8	**187,988**	262,123

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 with registration number 1008762 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 (IFRSs) as issued by the International Accounting Standards Board (IASB).

3 Change in accounting policies

3.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2017

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017. Information on these new standards is presented below.

- *'Annual Improvements to IFRSs'* 2012-2014 cycle;
- *'Disclosure Initiative'* (Amendments to IAS 7);
- *'Recognition of Deferred Tax Assets for unrealized losses'* (Amendments to IAS 12).

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.

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.

Ion Exchange and Company LLC

Notes

(forming part of the financial statements)

3 Change 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 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.

Other

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company. These standards are listed as follows:

- IFRIC 22 Foreign Currency Translations and Advance Consideration (effective 1 January 2018);
- Amendments to IFRS 2 classification and Measurement of Share-based payment Transactions (effective 1 January 2018);
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018);
- Amendments to IAS 40: Transfers of Investment Property (effective 1 January 2018);
- Annual Improvements to IFRS Standards 2014-2016 cycle dealing with matters in IFRS 1 First-time adoption and IAS 28 Investments in Associates and Joint Ventures (effective1 January 2018);
- IFRIC 23 Uncertainty over Income Tax Positions (effective 1 January 2019);
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1 January 2019);
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective 1 January 2019); and
- IFRS 17 Insurance Contracts (effective 1 January 2021).

4 Summary of accounting policies

4.1 Overall considerations

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

4.2 Presentation of financial statements

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

4 Summary of accounting policies (continued)

4.3 Foreign currency translation

Functional and presentation currency

The financial statements are presented in the Rial Omani (RO) which is also the functional currency of Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the presentation currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items of statement of financial position at year-end exchange rates are recognised in the statement of profit or loss and other comprehensive income under 'other income' or 'other expenses'.

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

4.4 Revenue recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Company for services provided, excluding trade discounts. Revenue is recognised upon the performance of services or transfer of risk to the customer.

Revenue from the sale of services is recognised when all the following conditions have been satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits will flow to the seller;
- the stage of completion at the reporting date can be measured reliably; and
- the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

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.

Ion Exchange and Company LLC

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.6 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.

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, 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 staff terminal benefits, trade payable and accruals and amounts due to related parties which are measured at amortised cost.

Ion Exchange and Company LLC

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.6 Financial instruments (continued)

Classification and subsequent measurement of financial liabilities (continued)

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'.

4.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank.

4.8 Post-employment benefits and short-term employee benefits

The provision for employees' terminal benefits is based upon the liability accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law, 2003 and the Social Security Law, 1991.

Government of Oman Social Insurance Scheme (the Scheme)

The Company contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The Company and Omani employees are required to make monthly contributions to the Scheme at 11.5% and 7% respectively, of gross salaries.

Non-Omani employee terminal benefits

The provision for end of service benefits for non-Omani employees is made in accordance with the requirements of the Oman Labour Law of 2003. Employees are entitled to end of service benefits calculated at the rate of 15 days basic salary for each of the first three years of continuous service and at a rate of 30 days basic salary for each year of continuous service following the first three years. This is an unfunded defined benefits retirement plan. Accrued non-Omani staff terminal benefits are payable on termination of employment.

4.9 Plant and equipment

Plant and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company. Plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is calculated straight-line to write down the cost and valuation less estimated residual value of plant and equipment other than freehold land. The estimated useful lives are:

• Motor vehicles	5 years
• Furniture and fixtures	3 years
• Site and office equipment	3-10 years
• 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 Summary of accounting policies (continued)

4.10 Impairment testing

The assets are subject to impairment testing. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. The management of the Company has reviewed the assets of the Company and is of the opinion that no impairment has occurred to any of the Company's plant and equipment.

Individual assets or cash-generating units with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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.

4.11 Equity and reserves

Share capital is determined using the nominal value of shares that have been issued.

Retained earnings include all current and prior period results as disclosed in the statement of changes in Members' equity.

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

4.12 Leased assets

Operating leases

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

4.13 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Company and they can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.13 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.

4.14 Income tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date.

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

In addition, tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income.

4.15 Estimation uncertainty

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

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

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At 31 March 2018 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 2017	153,305	21,769	721,068	4,127	900,269
Additions	13,275	-	-	-	13,275
At 31 March 2018	**166,580**	**21,769**	**721,068**	**4,127**	**913,544**
Depreciation:					
At 1 April 2017	87,968	21,769	492,586	4,127	606,450
Provided during the year	16,817	-	46,269	-	63,086
At 31 March 2018	**104,785**	**21,769**	**538,855**	**4,127**	**669,536**
Net book value:					
At 31 March 2018	**61,795**	**-**	**182,213**	**-**	**244,008**

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 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

6 Accounts receivable and prepayments

	31 March 2018 RO	31 March 2017 RO
Financial assets:		
Accounts receivables	**441,676**	379,810
Accrued revenue	**19,754**	-
Non-financial assets:		
Advances and prepayments	**26,980**	18,854
	488,410	398,664

7 Related party transactions

The Company's related parties include key management personnel and other business entities held under common control as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

Notes

(forming part of the financial statements)

7 Related party transactions (continued)

7.1 Transactions with key management personnel

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

7.2 Transactions with other business entities held under common control

The Company in the normal course of business carries on transactions with other business enterprises that fall within the definition of a related party. A party is considered to be related to the Company if the party has the ability, directly or indirectly, to exercise significant influence in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or significant influence.

These transactions are entered with related parties.

	31 March 2018 RO	31 March 2017 RO
Transactions with related parties:		
Sales	**18,870**	-
Dividend paid	**90,000**	105,000
Purchases	**56,817**	93,091
Services provided	**9,589**	-

	31 March 2018 RO	31 March 2017 RO
Amounts due from a related party:		
Hofincons Company LLC	**2,404**	-
	2,404	-

	31 March 2018 RO	31 March 2017 RO
Amounts due to related parties:		
Ion Exchange Ltd, India	**62,602**	64,270
Ion Exchange Ltd, UAE	**50,515**	27,671
Rusayl Chemicals LLC	-	3,789
Hofincons Company LLC	-	919
	113,117	96,649

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

8 Cash and cash equivalents

	31 March 2018 RO	31 March 2017 RO
Cash at bank	**186,229**	260,855
Cash in hand	**1,759**	1,268
	187,988	262,123

9 Share capital

	31 March 2018 RO	31 March 2017 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)

9 Share capital (continued)

The Members of the Company as at 31 March 2018 and 2017 and the number of shares they hold are as follows:

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

10 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 2018 RO Nil has been transferred to legal reserve as the Company has reached its statutory limit (2017: RO 9,009).

11 Staff terminal benefits

	31 March 2018 RO	31 March 2017 RO
Opening balance	16,460	20,998
Provided during the year	5,527	-
Excess provision written back during the year	-	(574)
Paid during the year	(297)	(3,964)
Closing balance	21,690	16,460

12 Trade payable and accruals

	31 March 2018 RO	31 March 2017 RO
Financial liabilities:		
Trade payables	54,514	140,688
Accrued expenses	35,649	32,174
Non-financial liabilities:		
Advance from customers	30,392	15,380
	120,555	188,242

13 Revenue

	Year ended 31 March 2018 RO	Year ended 31 March 2017 RO
Revenue from services	984,558	935,085
Sale of machinery	59,780	49,160
Sale of spare parts	22,339	97,602
Sale of chemicals	16,976	29,310
	1,083,653	1,111,157

14 Cost of sales

	Year ended 31 March 2018 RO	Year ended 31 March 2017 RO
Purchases of materials	256,370	381,905
Salaries and related costs	225,767	204,831
Site expenses	121,041	101,461
Project expenses	52,047	17,650
Subcontracting charges	24,000	24,000
Custom charges	6,313	11,053
	685,538	740,900

Ion Exchange and Company LLC

Notes

(forming part of the financial statements)

15 General and administrative expenses

	Year ended 31 March 2018 RO	Year ended 31 March 2017 RO
Salaries and related costs	**134,925**	101,767
Rent	**21,600**	22,320
Professional and legal fees	**9,378**	4,210
Vehicle insurance	**9,097**	2,527
Visa and immigration charges	**6,681**	6,072
Communication charges	**6,487**	7,339
Staff training	**6,470**	10,028
Printing and stationery	**2,344**	2,369
Membership and subscription expenses	**1,240**	1,150
Utilities expenses	**886**	1,148
Miscellaneous expenses	**3,551**	5,928
	202,659	164,858

16 Selling and marketing expenses

	Year ended 31 March 2018 RO	Year ended 31 March 2017 RO
Tender expenses	**652**	6,965

17 Other operating expenses

	Year ended 31 March 2018 RO	Year ended 31 March 2017 RO
Depreciation	**63,086**	53,710
Travelling expenses	**12,660**	15,274
Repairs and maintenance	**10,196**	10,223
	85,942	79,207

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 15% of the taxable income in accordance with the Income Tax law of the Sultanate of Oman (2017: 12% in excess of taxable profit of RO 30,000).

	Year ended 31 March 2018 RO	Year ended 31 March 2017 RO
Income tax expense comprises:		
Current tax expense	**16,659**	7,807
Tax expense from prior year tax assessment	**-**	6,724
Adjustment of tax provision for prior years	**-**	-
	16,659	14,531

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 15% (2017: 12% in excess of taxable profit of RO 30,000) and the reported tax expense in the profit or loss can be reconciled as follows:

	Year ended 31 March 2018 RO	Year ended 31 March 2017 RO
Profit before tax	**112,000**	117,071
Add:	**0**	
Accounting depreciation	**63,086**	53,710
Tax consultancy fees	**300**	300
	175,386	171,081
Deduct:		
Tax depreciation	**(64,325)**	(76,019)
Taxable base	**111,061**	95,062
Income exempt from tax	**-**	(30,000)
Taxable income	**111,061**	65,062
Tax rate	**15%**	12%
Income tax	**16,659**	7,807

c) Available tax losses

The Company has no taxable losses as at 31 March 2018 (2017: 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. At the end of the reporting date, the Management consider that the amount of additional taxes, if any, that may become payable on finalisation of the unassessed tax years would not be material to the Company's financial position.

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.

18.1 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 is not exposed to interest rate risk.

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 2018 RO	Year ended 31 March 2017 RO
Financial assets:		
Accounts receivables	**441,676**	379,810
Accrued revenue	**19,754**	-
Amounts due from a related party	**2,404**	-
Cash at bank and in hand	**187,988**	262,123
	651,822	641,933

The table below summarises the maturities of the Company's receivables at 31 March 2018:

	Less than 3 months RO	3 to 12 months RO	Total RO
Non-interest earning:			
Accounts receivables	350,365	91,311	**441,676**
Accrued revenue	19,754	-	**19,754**
Amounts due from a related party	2,404	-	**2,404**
	372,523	**91,311**	**463,834**

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
Non-interest earning:			
Accounts receivables	290,003	89,807	379,810
	290,003	89,807	379,810

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 2018 RO	Year ended 31 March 2017 RO
Financial liabilities:		
Trade payable and accruals	**90,163**	172,862
Amounts due to related parties	**113,117**	96,649
Staff terminal benefits	**21,690**	16,460
	224,970	285,971

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 March 2018, based on contractual payment dates and current market interest rates.

	Less than 3 months RO	3 to 12 months RO	More than 1 year RO	Total RO
Non-interest bearing:				
Trade payables	54,514	-	-	**54,514**
Accrued expenses	35,649	-	-	**35,649**
Amounts due to related parties	113,117	-	-	**113,117**
Staff terminal benefits	-	-	21,690	**21,690**
	203,279	-	**21,690**	**224,970**

This compares to the maturities of the Company's financial liabilities in the previous reporting periods as follows:

	Less than 3 months RO	3 to 12 months RO	More than 1 year RO	Total RO
Non-interest bearing:				
Trade payables	140,688	-	-	140,688
Accrued expenses	32,174	-	-	32,174
Amounts due to related parties	96,649	-	-	96,649
Staff terminal benefits	-	-	16,460	16,460
	269,511	-	16,460	285,971

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

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20 Contingent assets and other contingent liabilities

20.1 Contingent liabilities

The Company has advance bank guarantee amounting to RO 237,547 as at 31 March 2018 (2017: RO 63,765). There are no contingent assets as at 31 March 2018.

20.2 Operating lease commitments

	31 March 2018 RO	31 March 2017 RO
Less than 1 year	**2600**	2,600

During the year an amount of RO 21,600 (2017: RO 22,320) 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.