

Dear Shareholders,

On behalf of the Board of Directors, the report on the performance of Galfar Engineering & Contracting SAOG ('the Parent Company') and its subsidiaries and associate companies (collectively 'the Consolidated Group') for the period ended 30 June 2019 is presented below:

<u>Financial Performance</u>	Parent Company (RO '000s)		Consolidated *,# (RO '000s)	
	H1, 2019	H1, 2018	H1, 2019	H1, 2018
Revenue	117,771	131,240	126,941	139,589
EBITDA	12,959	14,468	14,612	16,093
Operating profit	4,730	6,321	5,575	6,876
Profit before tax	2,594	2,876	3,405	3,598
Net profit after tax *	1,797	2,371	2,480	3,016
Net profit/(loss) after tax #				(2,191)

* Net Profit after Tax from continued operation

Net Profit after Tax from discontinued operation

Previous year figures have been regrouped in line with IFRS 5 requirement on investment held for sale (all investment in India)

Operations

The Parent Company has certified overdue receivables of more than RO 38 million as of date from the government and its related entities. The delay in receiving the overdue receivable has caused a strain on our cash flow, which resulted in suboptimal execution of certain projects and delay in completion of certain projects. As a result, revenue was lower than planned and lower than the same period in 2018.

The Board and management continue to explore opportunities to reduce operating expenses, to maintain our competitiveness and to improve the financial results whilst strengthening the Company's financial position. Company resources are optimized continuously to align with the financial situation.

The net profit of subsidiaries in Oman increased from RO 401K up to Q2, 2018 to RO 688K up to Q2 2019.

Outlook

During the period Jan 2019 until 30 June 2019, the Parent Company has received new orders worth RO 117 million. The order book as of date is around RO 423 million. Major contracts awarded during the period are 'Construction of Water network wilayat Al Hamra RO 27 million and Dualisation of Al Rusail- Nizwa road amounting RO 86 million.

Going forward, we expect to maintain a solid work pipeline with a significant number of tenders under evaluation across a diverse array of sectors and clients. We reasonably expect to be successful in a number of those which will ensure stability and sustainability of our strong market position.

Other matters

Further to the approval of preliminary Sale Purchase Agreement (SPA) entered with M/s PMA International LLC to sell all group investments in India, the formal Sale Purchase Agreement was signed off on 27 June 2019 and the Company has received the advance money of RO 1.72 million which is 10% of the total sale value.

On Record

We are grateful to His Majesty Sultan Qaboos bin Said, for his visionary leadership and the Government and various Ministries for providing opportunities for the private sector to participate in the development of Oman's economy.

The Board would also like to thank our esteemed clients, Banks and Financial Institutions, Consultants, Suppliers, Service Providers and Shareholders for their generous cooperation and continued support and the employees and management of the company for their commitment and dedication.

Majid Salim Said Al Fannah Al Araimi
Chairman

Statement of financial position

As at 30 Jun 2019

Amount in RO '000s

	Notes	Parent Company		Consolidated	
		Jun, 2019	Dec, 2018	Jun, 2019	Dec, 2018
ASSETS					
Non-current assets					
Property, plant and equipment	3	46,559	52,689	52,788	59,168
Intangible assets	4	259	180	294	202
Investment in subsidiaries	5	4,072	4,072	-	-
Investment in associates	6	5,466	5,466	4,873	4,764
Investments at fair value through other comprehensive income		125	125	145	145
Retentions receivables	9	14,151	13,973	14,151	13,973
		<u>70,632</u>	<u>76,505</u>	<u>72,251</u>	<u>78,252</u>
Current assets					
Inventories	7	10,315	9,097	11,687	10,143
Contract work in progress	8	66,495	59,094	67,187	59,858
Contract and trade receivables	9	162,669	193,214	169,998	199,548
Advances, prepayments and other receivables	10	26,153	9,413	33,080	13,922
Deposits with banks	11	5,581	3,657	5,610	3,680
Cash and bank balances	12	(2,610)	604	(1,308)	2,655
		<u>268,603</u>	<u>275,079</u>	<u>286,254</u>	<u>289,806</u>
Assets held for sale		-	14,563	-	51,443
Total assets		<u><u>339,235</u></u>	<u><u>366,147</u></u>	<u><u>358,505</u></u>	<u><u>419,501</u></u>
EQUITY AND LIABILITIES					
Equity					
Share capital	13	41,522	41,522	41,522	41,522
Share premium	14	18,337	18,337	18,337	18,337
Statutory reserve	15	13,840	13,840	14,469	14,425
Foreign currency translation reserve	16	-	-	(332)	(332)
Accumulated losses		(6,956)	(8,753)	(188)	(16,602)
Reserve of a disposal group held for sale		-	-	-	(2,566)
Equity attributable to shareholders		<u>66,743</u>	<u>64,946</u>	<u>73,808</u>	<u>54,784</u>
Non-controlling interests		-	-	909	902
Total equity		<u><u>66,743</u></u>	<u><u>64,946</u></u>	<u><u>74,717</u></u>	<u><u>55,686</u></u>
Non-current liabilities					
Term loans	18	27,987	38,010	29,345	39,197
Employees' end of service benefits	22	14,395	14,611	14,808	14,749
Advance from customers	23	4,010	3,970	4,010	3,970
Deferred tax liability	24	-	-	404	398
		<u>46,392</u>	<u>56,591</u>	<u>48,567</u>	<u>58,314</u>
Current liabilities					
Term loans - current portion	18	12,522	16,946	13,004	17,750
Short term loans	19	28,857	29,250	28,857	29,250
Bank borrowings	20	38,988	44,851	38,988	44,851
Trade payables	21	73,186	75,554	80,335	80,322
Other payables and provisions	23	70,622	75,980	71,984	77,657
Provision for taxation	24	1,925	2,029	2,053	2,275
		<u>226,100</u>	<u>244,610</u>	<u>235,221</u>	<u>252,105</u>
Liabilities directly associated with assets held for sale		-	-	-	53,396
Total liabilities		<u><u>272,492</u></u>	<u><u>301,201</u></u>	<u><u>283,788</u></u>	<u><u>363,815</u></u>
Total equity and liabilities		<u><u>339,235</u></u>	<u><u>366,147</u></u>	<u><u>358,505</u></u>	<u><u>419,501</u></u>
Net assets per share (RO)	32	<u><u>0.161</u></u>	0.156	<u><u>0.178</u></u>	0.132

The attached notes 1 to 33 form part of these financial statements.

The financial statements were approved by the Board of Directors on 01 August 2019

Statement of comprehensive income

For the period ended 30 June 2019

Amount in RO '000s

	Notes	Parent Company		Consolidated	
		Jun, 2019	Jun, 2018	Jun, 2019	Jun, 2018
Continuing operations					
Contract revenue		115,922	129,650	116,839	130,812
Sales and services income	25	1,849	1,590	10,102	8,777
Total revenue		117,771	131,240	126,941	139,589
Other income	26	1,315	1,202	1,357	1,267
Cost of contracts and sales	27	(112,808)	(126,796)	(120,225)	(134,026)
Gross profit		6,278	5,646	8,073	6,830
General and administrative expenses	28	(2,136)	(2,755)	(3,086)	(3,384)
Profit from operations before impairment of receivables		4,142	2,891	4,987	3,446
Reversal / (provision) for impairment of receivables and other current assets (net)	9	588	3,430	588	3,430
Profit from operations		4,730	6,321	5,575	6,876
Financing costs, net	30	(3,624)	(3,445)	(3,720)	(3,522)
Share in results of associates	6	-	-	62	244
profit on sale of Investment	6	1,488	-	1,488	-
Profit / (loss) before tax		2,594	2,876	3,405	3,598
Income tax expense	24	(797)	(505)	(925)	(582)
Profit / (loss) for the year from continuing operations		1,797	2,371	2,480	3,016
Discontinuing operations					
Loss after tax for the year from discontinuing operations		-	-	-	(2,191)
Loss after tax for the year from discontinuing operations (subsidiaries)		-	-	-	(1,908)
Loss after tax for the year from discontinuing operations (associates)		-	-	-	(283)
Profit / (loss) for the year		1,797	2,371	2,480	825
Other comprehensive income					
Item that may be subsequently reclassified to profit or loss:					
Foreign currency translation		-	-	2,566	(1,007)
Total comprehensive income / (expense) for the year		1,797	2,371	5,046	(182)
Income attributable to:					
Equity shareholders of the parent company		1,797	2,371	2,473	824
Non-controlling interests		-	-	7	1
		1,797	2,371	2,480	825
Earnings per share (RO)	31	0.004	0.006	0.006	0.002
Earnings per share for continuing operations (RO)		0.004	0.006	0.006	0.007

The attached notes 1 to 33 form part of these financial statements.

Galfar Engineering & Contracting SAOG and its subsidiaries



Statement of cash flows

For the period ended 30 June 2019

Amount in RO '000s

	Parent Company		Consolidated	
	Jun, 2019	Jun, 2018	Jun, 2019	Jun, 2018
Operating activities				
Profit / (loss) before tax from continuing operations	2,594	2,876	3,405	3,598
Loss before tax from discontinuing operations	-	-	-	(2,160)
Profit / (loss) before tax for the year	2,594	2,876	3,405	1,438
Adjustments for:				
Depreciation on property, plant and equipment	6,733	8,128	7,475	9,171
Amortisation of intangible assets	8	10	12	296
Finance cost, net	3,624	3,445	3,720	6,569
Share of loss of associates	-	-	(62)	39
Gain on disposal of plant and equipment	(838)	(980)	(858)	(1,013)
Profit on sale of investment in associates	(1,488)	-	(1,488)	-
Provision for end of service benefits	1,057	954	1,077	1,034
Working capital movements:				
Inventories	(1,218)	(753)	(1,544)	(945)
Contract, trade and other receivables	6,404	(16,604)	3,063	(13,942)
Trade payables, other payables and provisions	(7,726)	4,007	(5,660)	5,520
Non-current operating assets/liabilities changes:				
Retention receivables	(178)	11,444	(178)	11,448
Advance and other payable	40	3,501	40	3,501
Employees' end of service benefits paid	(1,273)	(644)	(1,018)	(743)
Income tax paid	(901)	-	(1,147)	(222)
Net cash flows from operating activities	6,838	15,384	6,837	22,151
Investing activities				
Purchase of property, plant and equipment	(651)	(2,193)	(1,154)	(2,548)
Disposal of property, plant and equipment	886	1,097	917	1,411
Movement in intangible assets	(87)	(4)	(119)	3,488
Investment in associates and subsidiaries	16,051	(696)	16,060	(809)
Bank deposits	(1,924)	320	(1,930)	298
Interest income	-	44	-	44
Net cash (used in) / from investing activities	14,275	(1,432)	13,774	1,884
Financing activities				
Term loans received/(repaid), net	(14,447)	(374)	(14,598)	(4,260)
Short term loans received/(repaid), net	(393)	3,500	(393)	(2,377)
Bank borrowings received/(repaid), net	(5,863)	(13,673)	(5,863)	(10,580)
Interest paid	(3,624)	(3,489)	(3,720)	(6,613)
Net cash flows used in financing activities	(24,327)	(14,036)	(24,574)	(23,830)
Net decrease in cash and bank balances	(3,214)	(84)	(3,963)	205
Cash and bank balances at the beginning of the year	604	1,773	2,655	3,920
Cash and bank balances at the end of the year	(2,610)	1,689	(1,308)	4,125

The attached notes 1 to 33 form part of these financial statements.

Statement of changes in equity - Parent Company

For the period ended 30 June 2019

Amount in RO '000s

	Attributable to equity holders of the Parent Company				
	Share capital	Share premium	Statutory reserve	Accumulated losses	Total
Balance as at 1 January 2018	41,522	18,337	13,840	(14,359)	59,340
Impact of adopting IFRS 9	-	-	-	(73)	(73)
Restated opening balance under IFRS 9	41,522	18,337	13,840	(14,432)	59,267
Total comprehensive loss for the year	-	-	-	5,679	5,679
Balance as at 1 January 2019	41,522	18,337	13,840	(8,753)	64,946
Total comprehensive income for the period	-	-	-	1,797	1,797
Balance as at 30 Jun 2019	41,522	18,337	13,840	(6,956)	66,743

Statement of changes in equity - consolidated

For the period ended 30 June 2019

Amount in RO '000s

	Attributable to equity holders of the Parent Company							Non controlling interest	Grand total
	Share capital	Share premium	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Reserve of disposal group held for sale	Total		
Balance as at 1 January 2018	41,522	18,337	14,305	(2,003)	(18,417)	-	53,744	902	54,646
Impact of adopting IFRS 9	-	-	-	-	(291)	-	(291)	-	(291)
Restated opening balance under IFRS 9	41,522	18,337	14,305	(2,003)	(18,708)	-	53,453	902	54,355
Total comprehensive income for the year	-	-	-	-	2,226	-	2,226	-	2,226
Transfer to statutory reserve	-	-	120	-	(120)	-	-	-	-
Foreign currency translation reserve	-	-	-	(895)	-	-	(895)	-	(895)
Discontinuing operations	-	-	-	2,566	-	(2,566)	-	-	-
Balance as at 1 January 2019	41,522	18,337	14,425	(332)	(16,602)	(2,566)	54,784	902	55,686
Total comprehensive income for the year	-	-	-	-	2,473	-	2,473	7	2,480
Transfer to statutory reserve	-	-	44	-	(44)	-	-	-	-
Foreign currency translation reserve	-	-	-	-	-	2,566	2,566	-	2,566
Transfer to discontinuing operations	-	-	-	-	13,985	-	13,985	-	13,985
Balance as at 30 Jun 2019	41,522	18,337	14,469	(332)	(188)	-	73,808	909	74,717

The attached notes 1 to 33 form part of these financial statements.

Notes to financial statements

As at 30 June 2019

1. Activities

Galfar Engineering and Contracting SAOG ("The Parent Company") is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman and listed in Muscat Security Exchange.

The principal activities of Galfar Engineering and Contracting SAOG and its subsidiaries ("The Group") are road, bridge and airport construction, oil and gas including EPC works, civil and mechanical construction, public health engineering, electrical, plumbing and maintenance contracts. The Parent Company has a branch in Kingdom of Saudi Arabia.

2. Significant accounting policies

(2.1) Basis of preparation

These financial statements comprise the Parent Company and its subsidiary (together "the Group"). The separate financial statements represent the financial statements of the Parent Company on a standalone basis. The consolidated and separate financial statements are collectively referred to as "the financial statements".

These financial statements are prepared on the historical cost basis, as modified by the revaluation of derivative financial instruments and investment securities that have been measured at fair value through statement of comprehensive income and in accordance with International Financial Reporting Standards (IFRS), the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and Capital Market Authority (CMA) of the Sultanate of Oman.

These financial statements have been presented in Rial Omani which is the functional and reporting currency for these financial statements and all values are rounded to nearest thousand (RO '000) except when otherwise indicated.

(2.2) Significant accounting judgements, estimates and assumptions:

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(2.3) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- a) Expected to be realised or intended to sold or consumed in the normal operating cycle;
- b) Held primarily for the purpose of trading;
- c) Expected to be realised within twelve months after the reporting period; or
- d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Notes to financial statements

As at 30 June 2019

2. Significant accounting policies (continued)

(2.3) Current versus non-current classification (continued)

All other assets are classified as non-current.

A liability is current when:

- a) It is expected to be settled in the normal operating cycle;
- b) It is held primarily for the purpose of trading;
- c) It is due to be settled within twelve months after the reporting period; or
- d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(2.4) Going concern

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal activities and realisation of assets and settlement of liabilities in the normal course of business.

(2.5) Change in accounting policy and disclosures

New and amended standards adopted by Galfar

For the year period ended 30 June 2019, the Company has adopted all of the following new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2018.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases (w.e.f. 1 January 2019)

The adoption of these standards and interpretations has not resulted in any significant changes to the Group's accounting policies and has not affected the amounts reported for the current year except for IFRS 9 – Financial Instruments, which is detailed out below.

IFRS 9 – Financial Instruments

The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and fair value reserve as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets as measured at FVOCI.

For impact of adopting IFRS 9, please refer to note 2A.

2. Significant accounting policies (continued)

(2.5) Change in accounting policy and disclosures (continued)

New and amended standards adopted by Galfar (continued)

IFRS 15 — Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective application or a modified retrospective approach for the adoption. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group's adoption of IFRS 15 under modified retrospective method had no material impact on the financial statements of the Group. The related party accounting policy of the Group is set out in note 2.28.

(2.6) Standards issued but not yet effective

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for the year ended 31 December 2018:

IFRS 16: Leases

The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognize assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard is effective from 1 January 2019.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. The Parent Company has made a preliminary review of its various lease agreements entered with stakeholders and the preliminary results indicates the adoption of IFRS 16 would not have a material impact on the Parent Company's and the Group's consolidated financial statements.

There are no other IFRSs or IFRICs interpretations that are not yet effective that would be expected to have a material impact on the Parent Company's and the Group's consolidated financial statements.

Notes to financial statements

As at 30 June 2019

2. Significant accounting policies (continued)

A summary of the significant accounting policies is set out below:

(2.7) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 30 June 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to financial statements

As at 30 June 2019

2. Significant accounting policies (continued)

(2.7) Basis of consolidation (continued)

In the Parent Company's separate financial statements, the investment in the subsidiary is carried at cost less impairment.

(2.8) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(2.9) Investments in associates

The Group's investments in its associates are accounted for under the equity method of accounting. In the Parent Company's separate financial statements, the investment in an associate is carried at cost less impairment. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. After application of the equity method, the Group determines whether

it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associates are prepared for the same reporting period as the Parent Company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

(2.10) Property, plant and equipment

All items of property, plant and equipment held for the use of Group's activities are recorded at cost less accumulated depreciation and any identified impairment. Land is not depreciated. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria

Notes to financial statements

As at 30 June 2019

are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a

2. Significant accounting policies (continued)

(2.10) Property, plant and equipment (continued)

major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is charged so as to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	15 years
Camps	4 years
Plant and machinery	7 & 10 years
Motor vehicles and heavy equipment	7 & 10 years
Furniture and office equipment	6 years
Project equipment and tools	6 years

Items costing less than RO 100 are expensed out in the year of purchase.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end. Where the carrying value of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income when the asset is derecognised.

(2.11) Capital work in progress

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(2.12) Intangible assets

Computer software:

Computer software costs (including under development) that are directly associated with identifiable and unique software products and have probable economic benefits exceeding the costs beyond one year are recognised as an intangible asset. Direct costs include staff costs of the software development team and an appropriate portion of

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relevant overheads. Computer software costs recognised as an asset are amortised using the straight-line method over the estimated useful life of five years

The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate,

2. Significant accounting policies (continued)

(2.12) Intangible assets (continued)

and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of profit and loss when the asset is derecognized.

(2.13) Available-for-sale investments (up to 2017)

Available-for-sale investments are initially recognised at cost, which includes transaction costs and are, in general, subsequently carried at fair value. Available-for-sale equity investments that do not have a quoted market price in an active market, and for which other methods of reasonably estimating fair value are inappropriate are measured at cost, as reduced by allowances for estimated impairment. Changes in fair value are reported as other comprehensive income.

An assessment is made at each reporting date to determine whether there is objective evidence that an investment may be impaired. If such evidence exists, any impairment loss (being the difference between cost and fair value, less any impairment loss previously recognised) is removed from other comprehensive income and recognised in the income statement.

(2.14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price and all direct costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution. Provision is made where necessary for obsolete, slow moving and defective items.

(2.15) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets.

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The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognised immediately in the statement of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognised earlier.

2. Significant accounting policies (continued)

(2.15) Impairment of non-financial assets (continued)

At the time of assessing the impairment on its investments in associates, the Group determines, after application of the equity method, whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the statement of comprehensive income.

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. For the concession business, each of the concession arrangements is considered to be a CGU. The fair value less costs to sell calculation is based on available data from binding sales transactions conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years, or, in the case of concession arrangements, for the concession period and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(2.16) Financial instruments (effective from 1 January 2018)

(2.16) (a) Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This

assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or

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both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

2. Significant accounting policies (continued)

(2.16) Financial instruments (effective from 1 January 2018) (continued)

(2.16) (a) Financial assets (continued)

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes contract and trade receivables and cash and cash equivalents.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group does not have any such instruments.

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Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

2. Significant accounting policies (continued)

(2.16) Financial instruments (effective from 1 January 2018) (continued)

(2.16) (a) Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. The Group does not any such instruments.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In

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that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVTPL.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk

2. Significant accounting policies (continued)

(2.16) Financial instruments (effective from 1 January 2018) (continued)

(2.16) (a) Financial assets (continued)

Impairment of financial assets (continued)

characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group has assumed that the credit risk on few financial instrument has not increased significantly since initial recognition as the financial instrument have low credit risk at the reporting date.

The credit risk on a financial instrument is considered low, if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. An external rating of 'investment grade' is an example of a financial instrument that may be considered as having low credit risk. They should, however, be considered to have low credit risk from a market participant perspective taking into account all of the terms and conditions of the financial instrument.

The Parent Company approximately has over 95% of its exposure to Government of Oman or related entity in the form of trade receivables, work in progress, contract assets and retention receivables. All exposure to the Government of Oman and related entities are considered very low on default probability. The existing sovereign rating of the country and the corresponding probability of default is taken as a proxy for computation of expected credit losses.

Exposure due to deposits at Banks (whether rated or not) are also considered very low on default probability. However, the appropriate default probability adjustments are made to reflect industry standard practices along with pragmatism. The rating of the respective banks and the corresponding probability of default is considered for computation of expected credit losses. The entities where no ratings are available get assigned a proxy rating of Ba1 (on Moody's external rating) which is the first grade in the non-investment grade.

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At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit- impaired. A financial asset is 'credit- impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit- impaired includes the following observable data:

1. significant financial difficulty of the borrower or issuer;
2. a breach of contract such as a default or being past due for 365 days or more;

2. Significant accounting policies (continued)

(2.16) Financial instruments (effective from 1 January 2018) (continued)

(2.16) (a) Financial assets (continued)

Impairment of financial assets (continued)

3. it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
4. the disappearance of an active market for a security because of financial difficulties.

In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

A provision for impairment of financial assets is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write- off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(2.16) (b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

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This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

2. Significant accounting policies (continued)

(2.16) Financial instruments (effective from 1 January 2018) (continued)

(2.16) (b) Financial liabilities (continued)

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(2.17) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(2.18) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(2.19) Trade and other receivables (up to 2017)

Trade receivables are amounts due from customers for billing in the ordinary course of business for construction contracts. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the

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difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

(2.20) Term deposits

Term deposits are carried on the statement of financial position at their principal amount.

(2.21) Cash and cash equivalents

For the purpose of the cash flows statement, the Group considers cash on hand and bank balances with a maturity of less than three months from the date of placement as cash and cash equivalents.

(2.22) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(2.23) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

(2.24) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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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. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and the risks specific to the obligation.

(2.25) Provision for employees' benefits

Termination benefits for Omani employees are contributed in accordance with the terms of the Social Securities Law of 1991.

End of service benefits are accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the applicable labour laws of the countries in which the Group operates and in accordance with IAS 19. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

(2.26) Dividend on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent Company's shareholders.

(2.27) Taxation

Current income tax

Taxation is provided based on relevant laws of the respective countries in which the Group operates. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred taxation

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

(2.28) Revenue recognition (Applicable from 2018)

The application of the new standard requires management to apply the following new accounting policies:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and

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excluding discounts, rebates, customer returns and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

2. Significant accounting policies (continued)

(2.28) Revenue recognition (Applicable from 2018) (continued)

(a) Contract revenue and revenue from sale of goods

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

1. Identify the contracts with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has concluded that for majority of its arrangements, it is either creating or enhancing an asset controlled by the customer or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore, it meets the criteria to recognise revenue overtime and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

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Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against

2. Significant accounting policies (continued)

(2.28) Revenue recognition (Applicable from 2018) (continued)

(a) Contract revenue and revenue from sale of goods (continued)

specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Variations which are in the nature of extension of existing scope of work are accounted for using cumulative catch up adjustments to the cost to complete method of revenue recognition. Variation orders which require addition of distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

Claims are accounted for as variable consideration. They are included in contract revenue using the expected value or most likely amount approach (whichever is more predictive of the amount the entity expects to be entitled to receive) and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved.

A loss is recognised in the statement of comprehensive income when the expected contract costs exceed the total anticipated contract revenue.

The Group combines two or more contracts entered into at or near the same time with the same customer and accounts for the contracts as a single contract if one or more of the following criteria are:

- The two or more contracts entered into at or near the same time with the same customer are negotiated as a package, with a single commercial objective;
 - The amount of consideration to be paid in one contract depends on the price or performance of the other contract;
- or
- The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

If the above criteria is met, the arrangements are combined and accounted for as a single arrangement for revenue recognition.

Pre-contract cost of obtaining a contract with a customer is recognised as an asset if those costs are expected to be recovered.

Revenue is recognised in the statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

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(b) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate (EIR) applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2. Significant accounting policies (continued)

(2.28) Revenue recognition (Applicable from 2018) (continued)

(c) Dividend income

Dividend income from investments is recognised when the rights to receive payment has been established.

(2.29) Contract costs

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

The Group's contracts are typically negotiated for the construction of a single asset or a Group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a Group of contracts together in order to reflect the substance of a contract or a Group of contracts.

Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract cost exceed total contract revenue the expected loss is recognised as expense immediately.

(2.30) Contract revenue and profit recognition (Applicable up to 2017)

A construction contract is defined by IAS 11 as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue, and they can be reliably measured.

A variation is included in contract revenue when:

- (a) it is probable that the customer will approve the variation and the amount of revenue arising from the variation and
- (b) the amounts of revenue can be reliably measured.

Claims are included in contract revenue only when:

- (a) negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and
- (b) the amount that it is probable will be accepted by the customer can be measured reliably.

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Incentive payments are included in contract revenue when:

- (a) the contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded; and
- (b) the amount of the incentive payment can be measured reliably.

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

(2.31) Sales and service income

Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

"Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date.

(2.32) Concession intangible and financial assets

The Group constructs and uses the infrastructure to provide a public service and also operates and maintains that infrastructure (operation services) for a specified period of time. These arrangements may include Infrastructure used in a public-to-private service concession arrangement for its entire useful life.

These arrangements are accounted for based on the nature of the consideration. The intangible asset model is used to the extent that the Group receives a right (a license) to charge users of the public service. The financial asset model is used when the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. When the unconditional right to receive cash covers only part of the service, the two models are combined to account separately for each component. If the Group performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

- An intangible asset is measured at the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. The intangible asset is amortised over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the entity, starting from the date when the right to operate starts to be used (for example, in a toll road concession the Group uses the number of cars that use the road). Based on these principles, the intangible asset is amortised in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.

- In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest method. Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

Notes to financial statements

As at 30 June 2019

2. Significant accounting policies (continued)

(2.33) Revenue recognition under Concession arrangements

The Group manages concession arrangements which mainly include the construction of roads followed by a period in which the Group maintains and services the infrastructure. This may also include, in a secondary period, asset replacement or refurbishment. These concession arrangements set out rights and obligations relative the infrastructure and the service to be provided. For fulfilling those obligations, the Group is entitled to receive either cash from the grantor or a contractual right to charge the users of the service. The consideration received or receivable is allocated by reference to the relative fair values of the services provided; typically:

- A construction component
- A service element for operating and maintenance services performed

As set out above, the right to consideration gives rise to an intangible asset, or financial asset:

- Revenue from the concession arrangements earned under the financial asset model consists of the (i) fair value of the amount due from the grantor; and (ii) interest income related to the capital investment in the project.
- Revenue from the concession arrangements earned under the intangible asset model consists of the fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset and payments actually received from the users.

(2.34) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is reduced from the carrying value of the asset.

(2.35) Contract work in progress

Work in progress on long term contracts is calculated at cost plus attributable profit, to the extent that this is reasonably certain after making provision for contingencies, less any losses foreseen in bringing contracts to completion and less amounts received and receivable as progress payments. These are disclosed as 'Due from customers on contracts'. Cost for this purpose includes direct labour, direct expenses and an appropriate allocation of overheads. For any contracts where receipts plus receivables exceed the book value of work done, the excess is included as 'Due to customers on contracts' in accounts payable and accruals. For impairment on contract work in progress, refer note 2.16(a).

(2.36) Directors' remuneration

The Parent Company follows the Commercial Companies Law of 1974 (as amended), and other latest relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of comprehensive income in the succeeding year to which they relate.

(2.37) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Notes to financial statements

As at 30 June 2019

Where any Group company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the

2. Significant accounting policies (continued)

(2.37) Share capital (continued)

Parent company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Parent company's equity holders.

(2.38) Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Items included in the financial statements of the company are measured and presented in Rial Omani being the currency of the primary economic environment in which the Parent Company and its Omani subsidiaries operates.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(2.39) Assets classified as held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of

Notes to financial statements

As at 30 June 2019

Operations; or

- Is a subsidiary acquired exclusively with a view to resale

2. Significant accounting policies (continued)

(2.39) Assets classified as held for sale (continued)

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

(2.40) Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

(2.41) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

(2.42) Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit / (loss) for the year attributable to the equity shareholders of the Parent Company by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(2.43) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. "

Notes to financial statements

As at 30 June 2019

"The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2. Significant accounting policies (continued)

(2.43) Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the separate financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques include discounted cash flow analysis or other valuation models.

The fair value of unquoted derivatives is determined by reference to the counter party's valuation at the year end.

Galfar Engineering & Contracting SAOG and its subsidiaries



Notes to financial statements

As at 30 Jun 2019

3. Property, plant and equipment - Parent Company

Amount in RO '000s

Particulars	Land	Building and camps	Plant & machinery	Motor vehicles & equipment	Furniture & equipment	Project equipment & tools	Capital work-in-progress	Total
Costs								
At 1 January 2018	1,278	36,277	112,644	60,745	9,684	13,860	-	234,488
Additions	-	482	2,930	68	213	1,031	-	4,724
Disposals	-	(537)	(9,490)	(5,761)	(37)	(5)	-	(15,830)
Transfers	-	-	-	-	-	-	-	-
As at 1 January 2019	1,278	36,222	106,084	55,052	9,860	14,886	-	223,382
Additions	-	-	232	360	31	28	-	651
Disposals	-	-	(4,203)	(3,114)	-	-	(2)	(7,319)
As at 30 Jun 2019	1,278	36,222	102,113	52,298	9,891	14,914	(2)	216,714
Depreciation								
At 1 January 2018	-	23,687	86,019	44,390	7,853	8,770	-	170,719
Charge for the year	-	2,483	7,196	3,872	573	1,468	-	15,592
Disposals	-	(536)	(9,400)	(5,643)	(34)	(5)	-	(15,618)
As at 1 January 2019	-	25,634	83,815	42,619	8,392	10,233	-	170,693
Charge for the year	-	1,177	3,021	1,616	257	662	-	6,733
Disposals	-	1	(4,186)	(3,086)	-	-	-	(7,271)
As at 30 Jun 2019	-	26,812	82,650	41,149	8,649	10,895	-	170,155
Net book value								
As at 30 Jun 2019	1,278	9,410	19,463	11,149	1,242	4,019	(2)	46,559
As at 31 December 2018	1,278	10,588	22,269	12,433	1,468	4,653	-	52,689

Notes to financial statements

As at 30 Jun 2019

3. Property, plant and equipment - Consolidated

Amount in RO '000s

Description	Land	Building and camps	Plant & machinery	Motor vehicles & equipment	Furniture & equipment	Project equipment & tools	Capital work-in-progress	Total
Costs								
At 1 January 2018	1,278	36,453	126,311	65,770	9,949	13,898	-	253,659
Additions	-	494	3,831	250	242	1,031	-	5,848
Disposals	-	(556)	(9,795)	(5,837)	(44)	(6)	-	(16,238)
As at 1 January 2019	1,278	36,391	120,347	60,183	10,147	14,923	-	243,269
Additions	-	-	531	558	37	28	-	1,154
Disposals	-	1	(4,702)	(3,336)	(38)	(2)	(2)	(8,079)
As at 30 Jun 2019	1,278	36,392	116,176	57,405	10,146	14,949	(2)	236,344
Depreciation								
At 1 January 2018	-	23,781	95,095	47,155	8,053	8,801	-	182,885
Charge for the year	-	2,498	8,384	4,282	596	1,470	-	17,230
Disposals	-	(555)	(9,702)	(5,709)	(43)	(5)	-	(16,014)
As at 1 January 2019	-	25,724	93,777	45,728	8,606	10,266	-	184,101
Charge for the year	-	1,184	3,547	1,816	265	663	-	7,475
Disposals	-	2	(4,694)	(3,306)	(21)	(1)	-	(8,020)
As at 30 Jun 2019	-	26,910	92,630	44,238	8,850	10,928	-	183,556
Net book value								
As at 30 Jun 2019	1,278	9,482	23,546	13,167	1,296	4,021	(2)	52,788
As at 31 December 2018	1,278	10,667	26,570	14,455	1,541	4,657	-	59,168

	Parent Company		Consolidated	
	Jun, 2019	Dec, 2018	Jun, 2019	Dec, 2018
3. Property, plant and equipment (continued)				
Depreciation of property, plant and equipment is allocated as follows:				
Cost of contract and sales (note 27)	6,269	7,667	6,984	8,445
General and administrative expenses (note 28)	464	461	491	501
	<u>6,733</u>	<u>8,128</u>	<u>7,475</u>	<u>8,946</u>
4. Intangible assets				
Costs				
Balance at beginning of the year	2,899	2,743	2,973	52,663
Addition during the year	87	156	119	169
Foreign currency translation difference	-	-	-	(4,902)
Pertains to asset held for sale	-	-	-	(44,957)
Balance at end of the year	<u>2,986</u>	<u>2,899</u>	<u>3,092</u>	<u>2,973</u>
Amortisation				
Balance at beginning of the year	2,719	2,700	2,771	3,773
Charge for the year	8	19	12	27
Pertains to asset held for sale	-	-	-	(1,029)
Balance at end of the year	<u>2,727</u>	<u>2,719</u>	<u>2,798</u>	<u>2,771</u>
Net book value	<u>259</u>	<u>180</u>	<u>294</u>	<u>202</u>

Intangible assets comprise of computer software RO 259 (2018: RO 180) thousand in Parent Company and computer software RO 294 (2018: RO 202) thousand.

	Parent Company		Consolidated	
	Jun, 2019	Dec, 2018	Jun, 2019	Dec, 2018
5. Investment in subsidiaries				
Galfar Engineering & Contracting India Pvt. Ltd. *		11,897		
Salasar Highways Pvt. Ltd. *		1,276		
Kashipur Sitarganj Highways Pvt. Ltd. *		307		
Galfar Aspire Readymix LLC	2,898	2,898		
Al Khalij Heavy Equipment & Engineering LLC	600	600		
Aspire Projects & Services LLC	250	250		
Galfar Mott MacDonald LLC	163	163		
Galfar Training Institute LLC	149	149		
Galfar Oman Engg. & Contg. KSC, Kuwait	12	12		
	4,072	17,552		
Classified as assets held for sale and discontinued operations*		(13,480)		
	4,072	4,072		

During the year, Parent Company invested RO Nil (2018: RO 2,838) thousand in Galfar Engineering & Contracting India Pvt. Ltd., RO Nil (2018: RO 50 thousand) in Galfar Aspire Projects and Services LLC and RO Nil (2018: RO 12 thousand) in Galfar Oman Engineering & Contracting KSC.

	Shares acquired by Parent Company		Shares acquired by the Group	
Galfar Aspire Readymix LLC	100%	100%	100%	100%
Aspire Projects & Services LLC	100%	100%	100%	100%
Galfar Training Institute LLC	99%	99%	100%	100%
Al Khalij Heavy Equipment & Engineering LLC	52%	52%	52%	52%
Galfar Oman Engg. & Contg. KSC, Kuwait	100%	-	100%	-
Galfar Mott MacDonald LLC	65%	65%	65%	65%
Assets held for sale (SPA signed off)				
Galfar Engineering & Contracting India Pvt. Ltd.		100%		100%
Salasar Highways Pvt. Ltd.		20%		100%
Kashipur Sitarganj Highways Pvt. Ltd.		4%		100%

	Parent Company		Consolidated	
	Jun, 2019	Dec, 2018	Jun, 2019	Dec, 2018
6. Investment in associates				
Galfar Engineering & Contracting Kuwait KSC (GEC)	6,966	6,966	4,873	4,764
Mahakaleshwar Tollways Pvt. Ltd. (MTPL) *	-	2,255	-	(1,268)
Shree Jagannath Expressway Pvt. Ltd. (SJEPL) *	-	739	-	1,204
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL) *	-	344	-	329
International Water Treatment LLC (IWT)	4,144	4,144	-	-
	11,110	14,448	4,873	5,029
Provision for impaired investment	(5,644)	(5,644)	-	-
Classified as assets held for sale and discontinued operations*	-	(3,338)	-	(265)
	5,466	5,466	4,873	4,764

Provision for impairment in associates comprises:

(i) RO 4,144 (2018: RO 4,144) thousand for investment in IWT, being parent companies share in cumulative loss of IWT till 2016, as IWT is unable to recover the loss from their future business.

(ii) RO Nil (2018: RO 1,500) thousand for investment in GEC, based on capitalization of earning method with discounted cash flow of next five years considering weighted average of capital cost @ 13% per annum.

Information on shareholding of associate companies is summarised below:

	Shares acquired by Parent Company		Shares acquired by the Group	
Galfar Engineering & Contracting Kuwait KSC (i)	26%	26%	26%	26%
Mahakaleshwar Tollways Pvt. Ltd. (MTPL) (ii) *		26%		26%
Shree Jagannath Expressway Pvt. Ltd. (SJEPL) (ii)*		6%		26%
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL) (ii)*		2%		26%
International Water Treatment LLC (IWT) (iii)	30%	30%	30%	30%

(i) The Parent Company holds 26% shareholding in this company (earlier known as 'Shaheen Al Ghanim Contracting Co. KSC'). The company is engaged in construction activities.

(ii) * The Company has signed the Sale Purchase Agreement (SPA) with M/s PMA International on 27 Jun 2019 and received the advance money as per the SPA.

(iii) The Parent Company have 30% shareholding in this company in partnership with VA Tech Wabag Ltd. of India and Cadagua SA of Spain with 32.5% and 37.5% shareholding respectively. This company has completed 'Ghubrah independent water desalination project'. The project is currently under maintenance period which is expected to be completed by February 2020. Post completion of the maintenance period, the company would be liquidated.

	Parent Company		Consolidated	
	Jun, 2019	Dec, 2018	Jun, 2019	Dec, 2018
6. Investment in Associates				
Share of associates statement of comprehensive income:				
Revenue			2,408	3,007
Costs of revenue			2,346	2,763
Net profit for the year			<u>62</u>	<u>244</u>

Share of profit for the period comprises of profit from GEC Kuwait RO 109 (2018: RO 64) thousand.

6. Profit on Sale of Investments - Subsidiaries and Associate Companies at India

	Amt' 000
Galfar Engineering & Contracting India Pvt. Ltd.	11,897
Salasar Highways Pvt. Ltd.	1,276
Kashipur Sitarganj Highways Pvt. Ltd.	307
Mahakaleshwar Tollways Pvt. Ltd. (MTPL)	2,255
Shree Jagannath Expressway Pvt. Ltd. (SJEPL)	739
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL)	344
Total Invested value before provision for impairment	16,818
Less: Provision for Impairment in Investment - MTPL	(2,255)
Net Book value of the Investment as on 30 Jun 2019	14,563
Sale value excluding Current Account receivable from Galfar India and MTPL (RO 1,148)	16,052
Profit on sale of Investments	<u>1,488</u>

The Company had consolidated the financial performance of Subsidiaries and Associate Companies in India up to the period ended 31 Mar 2019. Post execution of the SPA and receipt of advance from the buyer, the Company deconsolidated the financial performance of the Subsidiaries and Associate Companies in India for the period ended with 30 Jun 2019 and also the financial performance of previous year same period.

	Parent Company		Consolidated	
	Jun, 2019	Dec, 2018	Jun, 2019	Dec, 2018
7. Inventories				
Materials and consumables	10,662	9,445	12,086	10,553
Allowance for non-moving inventories	(347)	(348)	(399)	(410)
	<u>10,315</u>	<u>9,097</u>	<u>11,687</u>	<u>10,143</u>
8. Contract work in progress				
Work-in-progress on long term contracts at cost plus attributable profit considered as receivables	82,379	74,978	83,071	75,742
Provision for impaired contract work in progress	(15,884)	(15,884)	(15,884)	(15,884)
	<u>66,495</u>	<u>59,094</u>	<u>67,187</u>	<u>59,858</u>
Due from customers on construction contracts:				
Revenue recognised at cost plus attributable profit	844,464	810,478	848,635	814,649
Less: Progress claims received and receivable	762,085	735,500	765,564	738,907
	<u>82,379</u>	<u>74,978</u>	<u>83,071</u>	<u>75,742</u>
To customers under construction contracts recorded as billings in excess of work done (note 23)	5,026	4,231	5,121	4,327
Due to customers on construction contracts:				
Progress claims received and receivable	291,498	290,711	291,769	290,983
Less: Revenue recognised at cost plus attributable profit	286,472	286,480	286,648	286,656
	<u>5,026</u>	<u>4,231</u>	<u>5,121</u>	<u>4,327</u>
9. Contract and trade receivables				
Contract billed receivables	143,311	180,790	143,839	181,337
Trade receivables	6,235	4,850	13,113	10,811
Due from related parties -contract and trade (note 33)	-	859	-	859
Retention receivables - current	21,813	15,638	21,964	15,789
	<u>171,359</u>	<u>202,137</u>	<u>178,916</u>	<u>208,796</u>
Provision for impaired receivables	(8,690)	(8,923)	(8,918)	(9,248)
	<u>162,669</u>	<u>193,214</u>	<u>169,998</u>	<u>199,548</u>
Retentions receivables				
Non-current portion	14,151	13,973	14,151	13,973

	Parent Company		Consolidated	
	Jun, 2019	Dec, 2018	Jun, 2019	Dec, 2018
10. Advances, prepayment and other receivables				
Advance on sub-contracts and supplies	2,419	2,153	3,021	3,925
Advances to employees	399	528	400	530
Advance tax	-	-	16	-
Prepaid expenses	4,715	4,497	5,032	4,658
Due from related parties - others (note 33)	19,828	3,073	25,825	5,637
Insurance claims receivable	14	34	15	34
Deposits	432	431	432	435
Other receivables	(706)	-	(700)	19
	27,101	10,716	34,041	15,238
Provision for due from related parties	(946)	(1,301)	(959)	(1,314)
Provision for impaired debts	(2)	(2)	(2)	(2)
	26,153	9,413	33,080	13,922

	Parent Company		Consolidated	
	Jun, 2019	Dec, 2018	Jun, 2019	Dec, 2018
11. Deposits with bank				
Term deposits	5,581	3,657	5,581	3,657
Margin deposits	-	-	29	23
	<u>5,581</u>	<u>3,657</u>	<u>5,610</u>	<u>3,680</u>

The term deposit carry interest rates of 0.9% to 3.0% (2018: 0.9% to 2.5%) per annum and are kept for a period more than three months from the date of placement.

12. Cash and bank balances

Cash in hand	81	116	89	152
Bank balances with current accounts	(2,691)	488	(1,397)	2,503
	<u>(2,610)</u>	<u>604</u>	<u>(1,308)</u>	<u>2,655</u>

13. Share capital

Authorised:

500,000,000 (2018: 500,000,000) ordinary shares of par value RO 0.100 (2017: RO 0.100) each	50,000	50,000	50,000	50,000
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Issued and fully paid:

Balance at beginning of the year	41,522	41,522	41,522	41,522
Balance at end of the period	<u>41,522</u>	<u>41,522</u>	<u>41,522</u>	<u>41,522</u>

The issued and fully paid share capital comprises of 415,215,637 (2018: 415,215,637) shares having a par value of RO 0.100 (2018: RO 0.100) each. Pursuant to the terms of its IPO, as detailed below, the share capital of the Parent Company has been divided into two classes comprising of 289,980,637 (2018: 289,980,637) ordinary shares and 125,235,000 (2018: 125,235,000) preferential voting rights shares. The preferential voting rights shares are held by the promoting shareholders and carry two votes at all general meetings while otherwise ranking pari-passu with ordinary shares in all rights including the dividend receipt.

	Parent Company		Consolidated	
	Jun, 2019	Dec, 2018	Jun, 2019	Dec, 2018

14. Share premium

During the current year, there is no movement in share premium account.

15. Statutory reserve

As required by the Commercial Companies Law of Oman, the statutory reserve is maintained at least one third of the issued share capital. No transfer was made during the year in the Parent Company's financial statements as the Parent Company has reached the statutory requirement. A transfer of RO 44K was made during the period in the Group's consolidated financial statements on account of transfer by a subsidiary.

16. Foreign currency translation reserve

Foreign currency translation reserve represents impact of translation of associates company (Galfar Kuwait) financial statement figures in foreign currency to functional currency of the Parent Company as required under IAS 21. As per IFRS 5, foreign currency translation reserve relating to the disposal group held for sale has been classified into 'Reserves of a disposal group held for sale'.

17. Dividend

For the year 2018, no dividend was proposed and paid.

18. Term loans

Term loans:

- from banks	35,314	48,774	35,636	49,161
- finance companies	5,195	6,182	6,713	7,786
	40,509	54,956	42,349	56,947
Current portion				
- from banks	10,635	14,938	10,701	15,069
- finance companies	1,887	2,008	2,303	2,681
	12,522	16,946	13,004	17,750
Non-current portion				
- from banks	24,679	33,836	24,935	34,092
- finance companies	3,308	4,174	4,410	5,105
	27,987	38,010	29,345	39,197
The term loans are repayable as follows:				
Within one year	12,522	16,946	13,004	17,750
In the second year	20,509	27,589	21,179	28,259
From third year onwards	7,478	10,421	8,166	10,938
	40,509	54,956	42,349	56,947

The long term loans are stated at amortised cost and amounts repayable within the next twelve months have been shown as a current liability. The term loans from banks are secured against the contract receivable assignments and/or joint registration of vehicle/equipment/land mortgage. The term loans from finance companies are secured against the jointly registered vehicle/equipment.

The interest rates on term loans were as follows:

	Current year	Previous year
Floating rate loans	LIBOR + 2.0%	LIBOR + 2.0%
Fixed interest rate loans	4.75% to 8.0%	4.75% to 8.0%

	Parent Company		Consolidated	
	Jun, 2019	Dec, 2018	Jun, 2019	Dec, 2018

19. Short term loans

- from banks	<u>28,857</u>	<u>29,250</u>	<u>28,857</u>	<u>29,250</u>
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Short term loans from banks are repayable in one year and are secured against the contract assignments and/or joint registration of vehicle/equipment. The interest rates on these loans vary between 4.75% to 7.5% (2018: 4.75% to 7.5%) per annum.

20. Bank borrowings

Bank overdrafts	2,880	5,759	2,880	5,759
Loan against trust receipts	8,856	19,308	8,856	19,308
Bills discounted	27,252	19,784	27,252	19,784
	<u>38,988</u>	<u>44,851</u>	<u>38,988</u>	<u>44,851</u>

Bank borrowings are repayable on demand or within one year. The interest rates on bank borrowings vary between 4.0% to 7.5% (2018: 4.0% to 7.5%) per annum. Bank borrowings are secured against the contract receivables assignments.

21. Trade payables

Sundry creditors	44,340	48,046	50,947	50,070
Provision for purchases and sub-contracts	28,846	27,508	29,388	30,252
	<u>73,186</u>	<u>75,554</u>	<u>80,335</u>	<u>80,322</u>

22. Employees' end of service benefits

Balance at beginning of the year	14,611	13,630	14,749	13,775
Charge for the year	1,057	1,948	1,077	2,068
Paid during the year	(1,273)	(967)	(1,018)	(1,094)
Balance at end of the year	<u>14,395</u>	<u>14,611</u>	<u>14,808</u>	<u>14,749</u>

23. Other payables and provisions

Provision for employees' leave pay and passage	4,627	4,762	4,713	4,864
Creditors for capital purchases	-	142	-	275
Advance from customers - current	37,487	44,166	37,518	44,276
Due to customers on contracts (note 8)	5,026	4,231	5,121	4,327
Provision for future loss on contracts	1,883	1,883	1,883	1,883
Retention on sub-contracts	4,500	3,087	4,500	3,087
Accrued expenses	8,307	10,128	9,300	11,104
Due to related parties (note 33)	7,533	6,287	7,617	6,343
Statutory dues payable	406	387	406	388
Other payables	853	907	926	1,110
	<u>70,622</u>	<u>75,980</u>	<u>71,984</u>	<u>77,657</u>
Advance from customers				
Non-current portion	<u>4,010</u>	<u>3,970</u>	<u>4,010</u>	<u>3,970</u>

Advances from customers are secured by bank guarantees.

Advances from customers which can be adjusted against the estimated amounts to be billed in next 12 months are considered as current advances.

	Parent Company		Consolidated	
	Jun, 2019	Dec, 2018	Jun, 2019	Dec, 2018

24. Taxation

Income tax is provided for Parent Company and Omani subsidiaries as per the provisions of the 'Law of Income Tax on Companies' in Oman at the rate of 15% of result after adjusting non-assessable and disallowable items. It is provided for Indian subsidiary as per 'Income tax Act' in India @ 33% of taxable profit after adjusting non-admissible expenses and depreciation difference.

Income tax expense for continuing operations

Tax charge for the current year	797	505	951	582
Deferred tax charge for the year	-	-	(26)	-
	<u>797</u>	<u>505</u>	<u>925</u>	<u>582</u>

Provision for tax

The Parent Company's income tax assessment up to the year 2013 has been completed by the taxation department. The income assessments of the subsidiaries are at various stages of completion. The management believes that any taxation for the unassessed years will not be material to the financial position of the Group as at the reporting date. The status of tax provision is as follows:

Balance at beginning of the year	2,029	5	2,275	487
Transfer relating to asset held for sale	-	-	-	(260)
Charge during the year	797	2,024	925	2,211
Tax adjustment/paid during the period	(901)	-	(1,147)	(163)
Balance at end of the period	<u>1,925</u>	<u>2,029</u>	<u>2,053</u>	<u>2,275</u>

24. Taxation (continued)

Deferred tax liability - for continuing operations

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a principal tax rate as per tax law of the respective country.

Balance at beginning of the year	-	-	398	786
Transfer relating to asset held for sale	-	-	6	(403)
Charge during the year	-	-	-	15
Balance at end of the period	<u>-</u>	<u>-</u>	<u>404</u>	<u>398</u>

	Parent Company		Consolidated	
	Jun, 2019	Jun, 2018	Jun, 2019	Jun, 2018
25. Sales and services income				
Sales and services	1,227	983	8,528	7,392
Hiring services	622	607	1,497	1,371
Training services	-	-	77	14
	<u>1,849</u>	<u>1,590</u>	<u>10,102</u>	<u>8,777</u>
26. Other income				
Gain on sale of assets	838	980	858	1,013
Miscellaneous income	477	222	499	254
	<u>1,315</u>	<u>1,202</u>	<u>1,357</u>	<u>1,267</u>
27. Cost of contract and sales				
Materials	19,582	26,555	25,138	29,754
Manpower costs (note 29)	46,451	41,537	45,877	43,607
Sub-contracting costs	19,320	30,588	18,965	28,910
Plant and equipment repair and maintenance	4,555	4,969	4,875	5,475
Plant and equipment hiring costs	4,098	2,171	4,524	2,578
Fuel expenses	7,091	7,535	7,630	8,471
Training expenses	39	-	39	244
Depreciation and amortisation (notes 3 and 4)	6,269	7,667	6,984	8,445
General and administrative expenses (note 28)	5,403	5,774	6,193	6,542
	<u>112,808</u>	<u>126,796</u>	<u>120,225</u>	<u>134,026</u>

	Parent Company		Consolidated	
	Jun, 2019	Jun, 2018	Jun, 2019	Jun, 2018
28. General and administrative expenses				
Manpower costs (note 29)	2,465	1,334	3,483	2,252
Material, Sub-con, Plant Exp	(1,445)	-	(1,445)	-
Rent	335	1,762	460	1,911
Electricity and water charges	1,695	1,604	1,778	1,648
Professional and legal charges	1,269	679	1,323	705
Insurance charges	789	760	841	833
Bank guarantee and other charges	600	697	602	738
Communication expenses	318	276	344	301
Repairs and maintenance - others	116	420	149	431
Traveling expenses	354	102	439	120
Printing and stationery	126	131	129	139
Business promotion expenses	20	16	26	21
Tender fees	69	83	71	83
Directors' expenses	58	50	58	50
Corporate social responsibility expenses	-	2	-	2
Miscellaneous expenses	298	142	518	176
Depreciation and amortisation	472	471	503	516
	<u>7,539</u>	<u>8,529</u>	<u>9,279</u>	<u>9,926</u>
Pertaining to cost of contract and sales	<u>5,403</u>	<u>5,774</u>	<u>6,193</u>	<u>6,542</u>
	<u>2,136</u>	<u>2,755</u>	<u>3,086</u>	<u>3,384</u>
29. Manpower costs				
Salary and wages	41,182	32,253	44,155	34,317
Employees' service benefits	1,057	5,147	1,092	5,417
Camp and catering expenses	2,887	3,825	2,957	4,170
Hired salary and wages	703	452	945	496
Other expenses	3,045	1,680	3,054	1,904
Staff incentives	42	(486)	42	(445)
	<u>48,916</u>	<u>42,871</u>	<u>52,245</u>	<u>45,859</u>
Pertaining to cost of contract and sales	<u>46,451</u>	<u>41,537</u>	<u>48,762</u>	<u>43,607</u>
Pertaining to general and administration expenses	<u>2,465</u>	<u>1,334</u>	<u>3,483</u>	<u>2,252</u>
30. Financing costs, net				
Interest expense	3,624	3,489	3,720	3,566
Interest income	-	(44)	-	(44)
	<u>3,624</u>	<u>3,445</u>	<u>3,720</u>	<u>3,522</u>
31. Earnings (loss) per share				
Profit/(loss) attributable to equity shareholders of the Parent Company:				
Continuing operations	1,797	2,371	2,480	3,015
Discontinuing operations	-	-	-	(2,191)
Profit/(loss) attributable to equity shareholders of the Parent Company for basic earnings:	<u>1,797</u>	<u>2,371</u>	<u>2,480</u>	<u>824</u>
Number of shares in '000 (note 13)	<u>415,220</u>	<u>415,220</u>	<u>415,220</u>	<u>415,220</u>
Basic and diluted loss per share (RO)	<u>0.004</u>	<u>0.006</u>	<u>0.006</u>	<u>0.002</u>

	Parent Company		Consolidated	
	Jun, 2019	Dec, 2018	Jun, 2019	Dec, 2018

32. Net assets per share

Net assets per share is calculated by dividing the equity attributable to shareholders of the Parent Company at the reporting date by the number of shares outstanding as follows:

Net assets	66,743	64,946	73,808	54,768
Number of shares in '000 (note 13)	415,220	415,220	415,220	415,220
Net assets per share (RO)	0.161	0.156	0.178	0.132

33. Related party transactions

Related parties represent subsidiaries, associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties.

The Group maintains balances with these related parties which arise in the normal course of business from commercial transactions, and are entered into at terms and conditions which the management consider to be comparable with those adopted for arm's length transactions with third parties.

The following is a summary of significant transactions with related parties which are included in the financial statements:

	Parent Company		Consolidated	
	Jun, 2019	Jun, 2018	Jun, 2019	Jun, 2018
Contract income	27	307	27	307
Sales and services	307	524	307	524
Purchase of property, plant and equipment	19	7	19	7
Purchase of goods and services	8,314	6,913	8,314	6,913
Director's sitting fees	-	50	-	50

Balances of related parties recognised and disclosed in notes 9, 10 and 23 respectively are as follows:

	Parent Company		Consolidated	
	Jun, 2019	Dec, 2018	Jun, 2019	Dec, 2018
Due from shareholders	4	4	4	4
Due from subsidiary and associate companies	1,614	2,664	7,611	5,228
Due from other related parties	18,210	1,264	18,210	1,264
	19,828	3,932	25,825	6,496
Due to shareholders	28	57	28	57
Due to subsidiary and associate companies	5,435	3,531	5,372	3,515
Due to other related parties	2,070	2,699	2,217	2,771
	7,533	6,287	7,617	6,343