Q3

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30th September 2018

Galfar

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 called 'consolidated') for the nine months ended 30th September 2018 is presented below:

Financial Performance RO '000s

Particulars	Parent Company		Consolidated	
	Q3 2018	Q3 2017	Q3 2018	Q3 2017
Revenue	198,423	209,092	214,189	221,506
EBITDA	23,034	17,104	27,778	21,508
Operating Profit	11,075	3,017	13,684	4,762
Profit Before Tax	5,898	(3,048)	3,594	(3,355)
Net Profit after Tax	4,734	(3,408)	2,248	(3,761)

Performance Overview of the Parent Company

The Parent company Revenue reduced by 5% as compared to the previous year same period. 4.7 mln RO profit after tax has been achieved against a loss last year. The lower revenue is the result of slowing down jobs where due receivables were not paid by clients.

The overdue receivables have not reduced in the period and attract unnecessary finance cost.

The order book of the parent company today stands at 456 million RO.

The Board and management continue to explore opportunities to improve the Company's financial position by collecting receivable and portfolio management, by optimizing productivity and reducing operating expenses.

Performance Overview Consolidated

The subsidiaries and associate in Oman and Kuwait have reported a combined profit of RO 0.990 million (2017: 1.180 million RO).

The subsidiaries and associates in India reported a loss of RO 3.33 million (2017: Profit RO 0.07 million) mainly due to fund constraint which has delayed the construction activity and commencement of tolling operation which in turn resulted in higher depreciation.

Outlook

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

The company continues to pursue international business opportunities in select geographies with a view to diversify geographical concentration risk.

Government is actively promoting PPP model projects. This is giving rise to new business opportunities which the company is actively pursuing.

Areas of focus include utility sector, water storage and supply management, emerging opportunities in in-land water ways infrastructure, road projects and electricity distribution network.

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. On the occasion of the 48th Glorious National Day, the Company's Board and Management extend their sincere greetings to His Majesty Sultan Qaboos bin Said, the government and the Omani people.

The Board would like to acknowledge the contributions made by team Galfar for their commitment and dedication. We thank our esteemed clients, Banks and Financial Institutions, Consultants, Suppliers, Service Providers and Shareholders for their generous cooperation, steadfast support and the confidence they have reposed in our pursuit of delivering high quality and sustainable growth.

For and on behalf of Board

Majid Salim Said Al Fannah Al Araimi
Chairman

Statement of Financial Position

As at 30 September 2018

Amount in RO '000s

	Notes	Parent Company Sep., 2018	Parent Company Dec., 2017	Consolidated Sep., 2018	Consolidated Dec., 2017
ASSETS					
Non-current Assets					
Property, plant and equipment	3	54,654	63,769	64,634	75,041
Intangible assets	4	33	43	41,453	48,642
Investment in subsidiaries	5	15,360	14,652	-	-
Investment in associates	6	8,049	8,049	5,173	5,457
Investment available for sale		125	125	145	145
Retentions receivables	9	16,171	29,122	16,227	29,185
		94,392	115,760	127,632	158,470
Current Assets					
Inventories	7	10,416	10,059	12,485	11,931
Contract work in progress	8	51,577	39,756	52,433	40,672
Contract and trade receivables	9	183,907	178,209	191,231	186,201
Advances, prepayments and other receivables	10	14,926	13,988	23,380	22,774
Deposits with bank	11	3,636	3,953	3,663	3,957
Cash and bank balances	12	1,168	1,773	3,476	4,062
		265,630	247,738	286,668	269,597
Total Assets		360,022	363,498	414,300	428,067
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	14,327	14,278
Foreign currency translation reserve	16	-	-	(3,741)	(1,979)
Accumulated loss		(9,698)	(14,359)	(14,130)	(16,238)
Equity attributable to shareholders		64,001	59,340	56,315	55,920
Non controlling interest		-	-	919	901
Total Equity		64,001	59,340	57,234	56,821
Non-current Liabilities					
Term loans	18	18,408	24,505	51,313	62,746
Employees' end of service benefits	22	14,269	13,630	14,467	13,871
Advance from customers	23	21,182	19,214	21,182	19,214
Deferred tax liability	24	-	-	700	700
		53,859	57,349	87,662	96,531
Current Liabilities					
Term loans -current portion	18	18,859	21,422	19,855	23,577
Short term loans	19	31,900	30,900	31,900	36,777
Bank borrowings	20	50,199	51,368	50,271	52,308
Trade Payables	21	79,849	82,527	88,298	94,256
Other payables and provisions	23	60,186	60,587	77,469	67,310
Provision for taxation	24	1,169	5	1,611	487
		242,162	246,809	269,404	274,715
Total Liabilities		296,021	304,158	357,066	371,246
Total Equity and Liabilities		360,022	363,498	414,300	428,067
Net Assets per share (RO)	32	0.154	0.143	0.136	0.135

The attached notes 1 to 34 form part of these financial statements.

Statement of Comprehensive Income

For the nine months period ended 30 September 2018 — Amount in RO '000s

	Notes	Parent Company Q3, 2018	Parent Company Q3, 2017	Consolidated Q3, 2018	Consolidated Q3, 2017
Contract revenue		195,987	205,690	197,754	206,791
Sales and services income	25	2,436	3,402	16,435	14,715
Total revenue		198,423	209,092	214,189	221,506
Other income	26	1,950	2,023	2,062	2,057
Cost of contracts and sales	27	(188,564)	(199,963)	(201,011)	(209,960)
Gross profit		11,809	11,152	15,240	13,603
General and administrative expenses	28	(4,370)	(8,135)	(5,272)	(9,216)
Profit from operations before impairment of receivables		7,439	3,017	9,968	4,387
Provision for impairment of receivables and other current assets (net)	9	3,636	-	3,631	-
Profit from operations		11,075	3,017	13,599	4,387
Financing costs, net	30	(5,177)	(6,425)	(10,090)	(8,117)
Share in profit/(loss) of associates	6	-	-	85	375
Profit before tax		5,898	(3,408)	3,594	(3,355)
Income tax expense	24	(1,164)	-	(1,346)	(406)
Net Profit for the period		4,734	(3,408)	2,248	(3,761)
Equity shareholders of parent company		4,734	(3,408)	2,230	(3,709)
Non-controlling interests		-	-	18	(52)
		4,734	(3,408)	2,248	(3,761)
Profit/(Loss) per share (OMR)	31	0.011	(0.008)	0.005	(0.009)

The attached notes 1 to 34 form part of these financial statements.

Statement of Cash Flows

For the nine months period ended 30 September 2018 — Amount in RO '000s

	Parent Company		Consolidated	
	Q3, 2018	Q3, 2017	**Q3, 2018**	Q3, 2017
Operating Activities				
Profit before taxation	**5,898**	(3,408)	**3,594**	(3,355)
Non-cash adjustments:				
Depreciation on property, plant and equipment	**11,945**	13,726	**13,505**	15,366
Amortisation of intangible assets	**14**	274	**589**	814
Finance cost, net	**5,177**	6,425	**10,090**	8,117
Share of loss of associates	**-**	-	**(85)**	(375)
Gain on disposal of plant and equipment	**(1,565)**	(1,256)	**(1,627)**	(1,272)
Working capital movements:				
Inventories	**(357)**	(1,772)	**(554)**	(1,772)
Trade and other receivables	**(18,457)**	7,977	**(17,397)**	3,330
Trade and other payables	**(3,079)**	12,713	**4,201**	9,455
Loss of earlier years due to IFRS 9 provisions	**(73)**		**(73)**	
Non-current operating assets/liabilities changes:				
Retention receivables	**12,951**	7,309	**12,958**	7,304
Advance payables	**1,968**	(8,384)	**1,968**	(8,384)
Employees' end of service benefits	**639**	529	**596**	512
Income tax paid	**-**	(1,171)	**(222)**	(1,291)
Net cash flows from operating activities	**15,061**	32,962	**27,543**	28,449
Investing Activities				
Purchase of property, plant and equipment	**(3,003)**	(5,266)	**(3,758)**	(6,203)
Disposal of property, plant and equipment	**1,738**	1,723	**2,284**	1,757
Movement in intangible assets	**(4)**	(5)	**6,603**	(7,432)
Investment in associates and subsidiaries	**(708)**	(228)	**(1,393)**	252
Bank deposits	**317**	4,776	**294**	4,776
Interest income	**67**	71	**67**	71
Net cash flows used in investing activities	**(1,593)**	1,071	**4,097**	(6,779)
Financing Activities				
Term loans received/(repaid), net	**(8,660)**	(20,407)	**(15,155)**	(12,373)
Short term loans received/(repaid), net	**1,000**	(24,440)	**(4,877)**	(28,158)
Bank borrowings received/(repaid), net	**(1,169)**	14,458	**(2,037)**	22,280
Interest expense	**(5,244)**	(6,496)	**(10,157)**	(8,188)
Net cash flows used in financing activities	**(14,073)**	(36,885)	**(32,226)**	(26,439)
Net increase/(decrease) in cash and bank balances	**(605)**	(2,852)	**(586)**	(4,769)
Cash and bank balances at the beginning of the year	**1,773**	3,687	**4,062**	6,636
Cash and bank balances at end of the period	**1,168**	835	**3,476**	1,867

The attached notes 1 to 34 form part of these financial statements.

Statement of Changes in Equity -Parent Company

For the nine months period ended 30 September 2018 — Amount in RO '000s

	Attributable to equity holders of the parent company				
	Share Capital	Share Premium	Statutory Reserve	Retained Earnings	Total
Balance as at 1 January 2017	41,522	18,337	13,840	(10,660)	63,039
Total profit for the year	-	-	-	(3,699)	(3,699)
Transfer to statutory reserve	-	-	-	-	-
Balance as at 1st 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 profit for the year	-	-	-	4,734	4,734
Transfer to statutory reserve	-	-	-	-	-
Balance as at 30 September 2018	**41,522**	**18,337**	**13,840**	**(9,698)**	**64,001**

Statement of Changes in Equity -Consolidated

For the nine months period ended 30 September 2018 — Amount in RO '000s

	Attributable to equity holders of the parent company							
	Share Capital	Share Premium	Statutory Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total	Non controlling interest	Grand Total
Balance as at 1 January 2017	41,522	18,337	14,278	(2,766)	(10,459)	60,912	965	61,877
Total profit for the year	-	-	-	-	(5,779)	(5,779)	(64)	(5,843)
Foreign currency translation reserve	-	-	-	787	-	787	-	787
Balance as at 1st January 2018	**41,522**	**18,337**	**14,278**	**(1,979)**	**(16,238)**	**55,920**	**901**	**56,821**
Impact of adopting IFRS 9					(73)	(73)		(73)
Restated opening balance under IFRS 9	**41,522**	**18,337**	**14,278**	**(1,979)**	**(16,311)**	**55,847**	**901**	**56,748**
Total profit for the year	-	-	-	-	2,230	2,230	18	2,248
Transfer to statutory reserve	-		49	-	(49)	-	-	-
Foreign currency translation reserve	-	-	-	(1,762)	-	(1,762)	-	(1,762)
Balance as at 30 September 2018	**41,522**	**18,337**	**14,327**	**(3,741)**	**(14,130)**	**56,315**	**919**	**57,234**

The attached notes 1 to 34 form part of these financial statements.

Notes to Financial Statements
As at 30 September 2018

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 and Design, Build, Finance, Operate and Transfer (DBFOT) projects. The Parent Company has a branch in Kingdom of Saudi Arabia.

2. Significant Accounting Policies

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 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.

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.

Change in accounting policy and disclosures

The accounting policies are consistent with those used in the previous financial year.

Accounting Policies

The significant accounting policies adopted by the Group are as follows:

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 30 September 2018. 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.

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

Notes to Financial Statements

2. Significant Accounting Policies (continued)

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.

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 recognise 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.

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 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 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.

Notes to Financial Statements

2. Significant Accounting Policies (continued)

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.

Intangible assets

Computer software:

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

Available-for-sale investments

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.

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.

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.

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.

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. Significant Accounting Policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

The principal financial assets are trade and other receivables, term deposits, available for sale investments and cash and bank balances.

The principal financial liabilities are trade payables, liabilities against finance leases, term loans, bank borrowings and overdrafts.

Derivative financial instruments

Derivatives are initially recognised at cost on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivative instruments are recognised immediately in the statement of comprehensive income.

Trade and other receivables

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

Term deposits

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

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.

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.

Interest-bearing loans and borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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.

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.

Notes to Financial Statements

2. Significant Accounting Policies (continued)

Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised 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:

-The Group has transferred substantially all the risks and rewards of the asset, or

-The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and an impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Impairment is determined as follows:

-For assets carried at fair value, impairment is the difference between cost and fair value;

-For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

-For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

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.

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.

Notes to Financial Statements

2. Significant Accounting Policies (continued)

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.

Contract revenue and profit recognition

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.

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.

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.

• 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

2. Significant Accounting Policies (continued)

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.

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.

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.

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.

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.

Interest income

Interest revenue is recognised as the interest accrues.

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

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.

Notes to Financial Statements

2. Significant Accounting Policies (continued)

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.

Where any Group company purchases the company's 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 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 company's equity holders.

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 Rials Omani being the currency of the primary economic environment in which the parent company 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.

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.

3. Property, plant and equipment - Parent Company

Amount in RO '000s

Particulars	Land	Building & Camps	Plant & Machinery	Motor Vehicles & Equipment	Furniture & Equipment	Project Equipment & Tools	Capital Work-in-Progress	Total
Costs								
As at 1 January 2018	1,278	36,277	112,644	60,745	9,684	13,860	-	234,488
Additions		482	1,849	68	158	340	106	3,003
Disposals	-	(159)	(7,460)	(4,148)	(2)	-	-	(11,769)
As at 30 September 2018	**1,278**	**36,600**	**107,033**	**56,665**	**9,840**	**14,200**	**106**	**225,722**
Depreciation								
As at 1 January 2018	-	23,687	86,019	44,390	7,853	8,770	-	170,719
Charge for the year	-	1,871	5,527	3,019	436	1,092	-	11,945
Disposals	-	(159)	(7,394)	(4,041)	(1)	(1)	-	(11,596)
As at 30 September 2018	**-**	**25,399**	**84,152**	**43,368**	**8,288**	**9,861**	**-**	**171,068**
Net book value								
As at 30 September 2018	**1,278**	**11,201**	**22,881**	**13,297**	**1,552**	**4,339**	**106**	**54,654**
As at 31 December 2017	1,278	12,590	26,625	16,355	1,831	5,090	-	63,769

3. Property, plant and equipment - Consolidated

Amount in RO '000s

Description	Land	Building & Camps	Plant & Machinery	Motor Vehicles & Equipment	Furniture & Equipment	Project Equipment & Tools	Capital Work-in- Progress	Total
Costs								
As at 1 January 2018	1,278	36,780	128,771	69,323	10,355	14,151	-	260,658
Additions	-	494	2,546	84	183	340	111	3,758
Disposals	-	(199)	(7,904)	(4,714)	(50)	(30)	-	(12,897)
As at 30 September 2018	**1,278**	**37,075**	**123,413**	**64,693**	**10,488**	**14,461**	**111**	**251,519**
Depreciation								
As at 1 January 2018	-	23,792	96,101	48,649	8,195	8,879	-	185,616
Charge for the year	-	1,886	6,501	3,537	472	1,109	-	13,505
Disposals	-	(161)	(7,669)	(4,373)	(22)	(11)	-	(12,236)
As at 30 September 2018	**-**	**25,517**	**94,933**	**47,813**	**8,645**	**9,977**	**-**	**186,885**
Net book value								
As at 30 September 2018	**1,278**	**11,558**	**28,480**	**16,880**	**1,843**	**4,484**	**111**	**64,634**
As at 31 December 2017	1,278	12,988	32,670	20,674	2,160	5,271	-	75,041

Notes to Financial Statements

As at 30 September 2018 — Amount in RO '000s

	Parent Company		Consolidated	
	Sep., 2018	Dec., 2017	**Sep., 2018**	Dec., 2017
3. Property, plant and equipment (continued)				
Depreciation of property, plant and equipment is allocated as follows:				
Contract costs (note 27)	**11,246**	13,027	**12,759**	14,574
General and administrative expenses (note 28)	**699**	699	**746**	792
	11,945	13,726	**13,505**	15,366
4. Intangible assets				
Costs				
Balance at beginning of the year	**2,743**	2,735	**52,415**	43,703
Movement during the period	**4**	8	**(6,603)**	8,712
Balance at end of the period	**2,747**	2,743	**45,812**	52,415
Amortisation				
Balance at beginning of the year	**2,700**	2,339	**3,773**	2,393
Charge for the year to date	**14**	361	**589**	1,380
Written off during the year	**-**	-	**(3)**	-
Balance at end of the period	**2,714**	2,700	**4,359**	3,773
Net book value at end of the year	**33**	43	**41,453**	48,642

Intangible assets comprise of computer software RO 33 (2017: RO 43) thousands in parent company and computer software RO 48 (2017: RO 69) thousands and concessionaire rights RO 41405 (2017: RO 48573) thousands in consolidation.

	Parent Company		Consolidated	
5. Investment in subsidiaries				
Galfar Engineering & Contracting India Pvt. Ltd.	**9,755**	9,059	**-**	-
Galfar Aspire Readymix LLC	**2,898**	2,898	**-**	-
Salasar Highways Pvt. Ltd.	**1,276**	1,276	**-**	-
Kashipur Sitarganj Highways Pvt. Ltd.	**307**	307	**-**	-
Al Khalij Heavy Equipment & Engineering LLC	**600**	600	**-**	-
Aspire Projects & Services LLC	**200**	200	**-**	-
Galfar Mott MacDonald LLC	**163**	163	**-**	-
Galfar Training Institute LLC	**149**	149	**-**	-
Galfar Oman Engg. & Contg. KSC, Kuwait	**12**	-	**-**	-
	15,360	14,652	**-**	-

During the year, Parent Company invested RO 696 (2017: RO 2773) thousands in Galfar Engineering & Contracting India Pvt. Ltd. And RO 12 thousands in Galfar Oman Engineering & Contracting KSC in Kuwait.

Information on shareholding of subsidiary companies is summarised below:

	Shares acquired by parent company		Shares acquired by the group	
Galfar Engineering & Contracting India Pvt. Ltd.	100%	100%	100%	100%
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%
Salasar Highways Pvt. Ltd. (i)	20%	20%	100%	100%
Kashipur Sitarganj Highways Pvt. Ltd. (i)	4%	4%	100%	100%
Galfar Mott MacDonald LLC	65%	65%	65%	65%
Galfar Oman Engg. & Contg. KSC, Kuwait	100%	-	100%	-

Notes to Financial Statements

As at 30 September 2018 — Amount in RO '000s

	Parent Company		Consolidated	
	Sep., 2018	Dec., 2017	**Sep., 2018**	Dec., 2017
6. Investment in associates				
Galfar Engineering & Contracting Kuwait KSC (GEC)	**6,966**	6,966	**4,962**	4,737
Mahakaleswar Tollways Pvt. Ltd. (MTPL)	**2,255**	2,255	**(1,120)**	(1,185)
Shree Jagannath Expressway Pvt. Ltd. (SJEPL)	**739**	739	**1,021**	1,161
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL)	**344**	344	**310**	744
International Water Treatment LLC (IWT)	**4,144**	4,144	**-**	-
Binani Aspire LLC	**-**	-	**-**	-
	14,448	14,448	**5,173**	5,457
Provision for impaired investment	**(6,399)**	(6,399)	**-**	-
	8,049	8,049	**5,173**	5,457

Provision for impairment in associates comprises RO 4,144 (2017: RO 4,144) thousands for investment in IWT and RO 2,255 (2017: RO 2,255) thousands for investment in MTPL.

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%
Mahakaleswar Tollways Pvt. Ltd. (MTPL) (ii)	26%	26%	26%	26%
Shree Jagannath Expressway Pvt. Ltd. (SJEPL) (ii)	6%	6%	26%	26%
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL) (ii)	2%	2%	26%	26%
International Water Treatment LLC (IWT) (iii)	30%	30%	30%	30%

The following table illustrates summarised information of the group's investment in its associates:

Share of associate's statement of income:		
Revenue	**9,082**	7,041
Costs of revenue	**8,997**	6,666
Net loss for the year	**85**	375

Share of net profit for the year comprises of profit from GEC Kuwait RO 244 (Year 2017: RO 389) thousands, MTPL India RO -11 (Year 2017: loss RO 46) thousands and SJEPL India RO 123 (Year 2017: loss RO 69) thousands and loss from GAEPL India RO 271 (Year 2017: RO -101) thousands.

7. Inventories				
Materials and consumables	**11,276**	11,631	**13,374**	13,532
Allowance for non-moving inventories	**(860)**	(1,572)	**(889)**	(1,601)
	10,416	10,059	**12,485**	11,931
Movement for the provisions for inventories is as follows:				
At the beginning of the year	**1,572**	3,197	**1,601**	3,226
Charged for the year	**-**	76	**-**	76
Written back during the year	**(712)**	(1,701)	**(712)**	(1,701)
At the end of the year	**860**	1,572	**1,601**	3,302

Notes to Financial Statements

As at 30 September 2018

Amount in RO '000s

	Parent Company		Consolidated	
	Sep., 2018	Dec., 2017	Sep., 2018	Dec., 2017
8. Contract work in progress				
Work-in-progress on long term contracts at cost plus attributable profit considered as receivables	68,700	56,872	69,556	57,788
Provision for impaired contract work in progress	(17,123)	(17,116)	(17,123)	(17,116)
	51,577	39,756	52,433	40,672
Movement on the provision for impairment of contract work in progress:				
At the beginning of the year	17,116	9,917	17,116	9,917
Impact of adopting IFRS 9	3	-	3	-
Restated opening balance under IFRS 9	17,119	9,917	17,119	9,917
Charged for the year	4	7,769	4	7,769
Written back during the year	-	(227)	-	(227)
Written off during the year	-	(343)	-	(343)
At the end of the year	17,123	17,116	17,123	17,116
To customers under construction contracts recorded as billings in excess of work done (note 23)	3,719	5,376	6,228	9,323
9. Contract and trade receivables				
Contract billed receivables	170,660	167,961	172,236	169,655
Trade receivables	4,687	4,923	10,399	11,213
Retention receivables - current	15,086	18,640	15,240	18,765
	190,433	191,524	197,875	199,633
Provision for impaired receivables	(6,526)	(13,315)	(6,644)	(13,432)
	183,907	178,209	191,231	186,201
Retentions receivables				
Non-current portion	16,171	29,122	16,227	29,185
Movement on the provision for impairment of receivables and retentions are as follows:				
At the beginning of the year	13,315	27,192	13,432	27,389
Impact of adopting IFRS 9	32	-	32	-
Restated opening balance under IFRS 9	13,347	27,192	13,464	27,389
Charge for the year	1	1,015	6	935
Written back during the year	(3,752)	(4,295)	(3,752)	(4,295)
Written off during the year	(3,070)	(10,597)	(3,074)	(10,597)
At the end of the year	6,526	13,315	6,644	13,432
Movement on the provision for impairment of Non-current retentions are as follows:				
At the beginning of the year	-	-	-	-
Impact of adopting IFRS 9	22	-	22	-
Restated opening balance under IFRS 9	22	-	22	-
Charge for the year	(10)	-	(10)	-
Written back during the year	-	-	-	-
Written off during the year	-	-	-	-
At the end of the year	12	-	12	-

Notes to Financial Statements

As at 30 September 2018 — Amount in RO '000s

	Parent Company		Consolidated	
	Sep., 2018	Dec., 2017	Sep., 2018	Dec., 2017
10. Advances, prepayment and other receivables				
Advance on sub-contracts and supplies	6,446	6,042	8,108	7,261
Advances to employees	589	384	645	416
Advance tax	-	-	791	998
Prepaid expenses	4,794	4,565	5,012	4,690
Due from related parties - others (note 33)	3,947	3,806	9,653	7,419
Insurance claims receivable	34	34	35	34
Deposits	430	425	469	469
Other receivables	-	36	1,052	1,578
	16,240	15,292	25,765	22,865
Provision for due from related party -others	(1,312)	(1,304)	(1,312)	(1,304)
Provision for impaired debts	(2)	-	(1,073)	(1,217)
	14,926	13,988	23,380	20,344
Movement on the provision for impairment of debts are as follows:				
At the beginning of the year	1,304	695	2,521	1,120
Impact of adopting IFRS 9	10		10	-
Restated opening balance under IFRS 9	1,314	695	2,531	1,120
Charge for the year	-	692	(146)	1,484
Written off during the year	-	(83)	-	(83)
At the end of the year	1,314	1,304	2,385	2,521
11. Deposits with bank				
Term deposits	3,636	3,953	3,636	3,953
Margin deposits	-	-	27	4
	3,636	3,953	3,663	3,957

The term deposit carry interest rates of 0.9% to 2.5% (2017: 0.9% to 2.0%) per annum and are kept for a period more than three months from the date of placement.

	Parent Company		Consolidated	
	Sep., 2018	Dec., 2017	Sep., 2018	Dec., 2017
Movement of ECL on deposits with banks are as follows:				
At the beginning of the year	-	-	-	-
Impact of adopting IFRS 9	5		5	-
Restated opening balance under IFRS 9	5	-	5	-
Charge for the year	(1)	-	(1)	-
Written off during the year	-	-	-	-
At the end of the year	4	-	4	-
12. Cash and bank balances				
Cash in hand	246	177	288	253
Bank balances with current accounts	922	1,596	3,188	3,809
	1,168	1,773	3,476	4,062
Movement of ECL on bank balances are as follows:				
At the beginning of the year	-	-	-	-
Impact of adopting IFRS 9	1		1	-
Restated opening balance under IFRS 9	1	-	1	-
Charge for the year	-	-	-	-
Written off during the year	-	-	-	-
At the end of the year	1	-	1	-

Notes to Financial Statements

As at 30 September 2018 Amount in RO '000s

	Parent Company		Consolidated	
	Sep., 2018	Dec., 2017	Sep., 2018	Dec., 2017
13. Share capital				
Authorised:				
500,000,000 (2017: 500,000,000) ordinary shares of par value RO 0.100 (2017: RO 0.100) each	50,000	50,000	50,000	50,000
Issued and fully paid:				
Balance at beginning of the year	41,522	41,522	41,522	41,522
Balance at end of the period	41,522	41,522	41,522	41,522

The issued and fully paid share capital comprises of 415,215,637 (2017: 415,215,637) shares having a par value of RO 0.100 (2017: RO 0.100) each. Pursuant to the terms of its IPO, as detailed below, the share capital of the Company has been divided into two classes comprising of 289,980,637 (2017: 289,980,637) ordinary shares and 125,235,000 (2017: 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.

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 as the Parent Company has reported a loss for the year.

16. Foreign currency translation reserve

Foreign currency translation reserve represents impact of translation of subsidiaries and associates financial statement figures in foreign currency to functional currency of the parent company as required under IAS 21.

17. Dividend

For the year 2017, no dividend was proposed and paid.

18. Term loans

	Parent Company Sep., 2018	Parent Company Dec., 2017	Consolidated Sep., 2018	Consolidated Dec., 2017
Term loans:				
- from banks	31,236	41,438	62,864	79,006
- finance companies	6,031	4,489	8,304	7,317
	37,267	45,927	71,168	86,323
Current portion				
- from banks	16,965	19,724	17,961	21,106
- finance companies	1,894	1,698	1,894	2,471
	18,859	21,422	19,855	23,577
Non-current portion				
- from banks	14,271	21,714	44,903	57,900
- finance companies	4,137	2,791	6,410	4,846
	18,408	24,505	51,313	62,746
The term loans are repayable as follows:				
Within one year	18,859	21,422	19,855	23,577
In the second year	8,643	12,134	9,733	12,949
In the third year onwards	9,765	12,371	41,580	49,797
	37,267	45,927	71,168	86,323

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%	4.25% to 7.5%

Notes to Financial Statements

As at 30 September 2018 — Amount in RO '000s

	Parent Company		Consolidated	
	Sep., 2018	Dec., 2017	Sep., 2018	Dec., 2017
19. Short term loans				
- from banks	31,900	30,900	31,900	36,777

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% (2017: 4.75% to 7.0%) per annum.

	Sep., 2018	Dec., 2017	Sep., 2018	Dec., 2017
20. Bank borrowings				
Bank overdrafts	8,735	8,108	8,807	8,891
Loan against trust receipts	20,323	25,895	20,323	26,052
Bills discounted	21,141	17,365	21,141	17,365
	50,199	51,368	50,271	52,308

Bank borrowings are repayable on demand or within one year. The interest rates on bank borrowings vary between 4.0% to 6.0% (2017: 4.0% to 7.5%) per annum. Bank borrowings are secured against the contract receivables assignments.

	Sep., 2018	Dec., 2017	Sep., 2018	Dec., 2017
21. Trade payables				
Sundry creditors	47,295	53,890	52,947	63,007
Provision for purchases and sub-contracts	32,554	28,637	35,351	31,249
	79,849	82,527	88,298	94,256
22. Employees' end of service benefits				
Balance at beginning of the year	13,630	13,232	13,871	13,478
Charge for the year to date	1,444	2,118	1,549	2,253
Paid during the year to date	(805)	(1,720)	(953)	(1,860)
Balance at end of the period	14,269	13,630	14,467	13,871
23. Other payables and provisions				
Provision for employees' leave pay and passage	5,992	5,826	6,128	5,982
Creditors for capital purchases	216	349	221	349
Advance from customers -current	29,631	29,783	29,999	30,211
Due to customers on contracts (note 8)	3,719	5,376	6,228	9,323
Provision for future loss on contracts	1,648	2,209	1,648	2,209
Retention on sub-contracts	3,064	2,328	3,308	2,297
Accrued expenses	11,486	9,690	12,080	10,274
Due to related parties (note 33)	3,231	3,901	16,075	2,134
Statutory dues payable	400	368	761	1,033
Other payables	799	757	1,021	1,068
	60,186	60,587	77,469	64,880
Advance payables				
Non-current portion	21,182	19,214	21,182	19,214

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As at 30 September 2018

Amount in RO '000s

	Parent Company		Consolidated	
	Sep., 2018	Dec., 2017	Sep., 2018	Dec., 2017

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

	Parent Sep., 2018	Parent Dec., 2017	Consolidated Sep., 2018	Consolidated Dec., 2017
Tax charge for the current year	1,164	-	1,346	406
Deferred tax charge for the year	-	-	-	-
	1,164	-	1,346	406

Provision for tax

The parent company 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:

	Parent Sep., 2018	Parent Dec., 2017	Consolidated Sep., 2018	Consolidated Dec., 2017
Balance at beginning of the year	5	1,176	487	3,749
Charge during the year	1,164	-	1,346	317
Tax paid during the year	-	(1,171)	(222)	(3,579)
Balance at end of the period	1,169	5	1,611	487

Deferred tax liability

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.

	Parent Sep., 2018	Parent Dec., 2017	Consolidated Sep., 2018	Consolidated Dec., 2017
Balance at beginning of the year	-	-	700	715
Charge during the year	-	-	-	(15)
Balance at end of the period	-	-	700	700

25. Sales and services income

	Parent Sep., 2018	Parent Dec., 2017	Consolidated Sep., 2018	Consolidated Dec., 2017
Sales and services	1,515	2,634	11,203	11,264
Toll collection	-	-	3,061	1,395
Hiring services	921	768	2,157	2,031
Training services	-	-	14	25
	2,436	3,402	16,435	14,715

26. Other income

	Parent Sep., 2018	Parent Dec., 2017	Consolidated Sep., 2018	Consolidated Dec., 2017
Gain on sale of assets	1,565	1,256	1,627	1,272
Miscellaneous income	385	767	435	785
	1,950	2,023	2,062	2,057

27. Cost of contract and sales

	Parent Sep., 2018	Parent Dec., 2017	Consolidated Sep., 2018	Consolidated Dec., 2017
Materials	39,364	47,736	44,533	48,972
Manpower costs (note 29)	62,550	69,031	65,953	72,575
Sub-contracting costs	43,219	36,692	39,794	34,399
Plant and equipment repair and maintenance	7,527	8,674	8,392	9,658
Plant and equipment hiring costs	4,084	5,379	4,720	6,156
Fuel expenses	11,405	10,871	12,887	12,348
Toll operating expenses	-	-	240	-
Training expenses	-	-	378	616
Duties and taxes	-	-	11	562
Depreciation and amortisation (notes 3 and 4)	11,246	13,027	13,413	15,101
General and administrative expenses (note 28)	9,169	8,553	10,690	9,573
	188,564	199,963	201,011	209,960

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As at 30 September 2018 | Amount in RO '000s

	Parent Company		Consolidated	
	Sep., 2018	Dec., 2017	Sep., 2018	Dec., 2017
28. General and administrative expenses				
Manpower costs (note 29)	2,152	3,822	3,816	4,807
Rent	2,630	2,880	2,907	3,183
Electricity and water charges	2,701	2,513	2,808	2,603
Professional and legal charges	1,374	1,660	1,437	1,891
Insurance charges	1,144	1,665	1,216	1,776
Bank guarantee and other charges	1,064	1,152	1,135	1,203
Communication expenses	389	603	441	675
Repairs and maintenance - others	528	546	545	565
Traveling expenses	250	243	303	323
Printing and stationery	188	228	208	252
Business promotion expenses	23	57	33	78
Tender fees	101	88	101	97
Directors' expenses	50	50	50	57
Corporate social responsibility expenses	2	42	2	42
Miscellaneous expenses	230	166	279	156
Depreciation and amortisation	713	973	681	1,079
	13,539	16,688	15,962	18,789
Pertaining to cost of contract and sales	9,169	8,553	10,690	9,573
	4,370	8,135	5,272	9,216
29. Manpower costs				
Salary and wages	48,359	52,468	51,967	55,440
Employees' service benefits	7,716	8,631	8,120	9,069
Camp and catering expenses	5,615	7,019	6,195	7,545
Hired salary and wages	929	1,646	1,037	1,728
Other expenses	2,569	3,089	2,872	3,433
Staff incentives	(486)	-	(422)	167
	64,702	72,853	69,769	77,382
Pertaining to cost of contract and sales	62,550	69,031	65,953	72,575
Pertaining to general and administration expenses	2,152	3,822	3,816	4,807
30. Financing costs, net				
Interest expense	5,244	6,496	10,157	8,188
Interest income	(67)	(71)	(67)	(71)
	5,177	6,425	10,090	8,117

Notes to Financial Statements

As at 30 September 2018

Amount in RO '000s

	Parent Company		Consolidated	
	Sep., 2018	Dec., 2017	Sep., 2018	Dec., 2017

31. Profit/(loss) per share

The profit/(loss) per share is calculated by dividing the loss for the period attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the year as follows:

	Sep., 2018	Dec., 2017	Sep., 2018	Dec., 2017
Profit/(loss) for the period	4,734	(3,408)	2,248	(3,709)
Number of shares in '000 (note 13)	415,220	415,220	415,220	415,220
Profit/(loss) per share for the period (RO)	0.011	(0.008)	0.005	(0.009)

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:

	Sep., 2018	Dec., 2017	Sep., 2018	Dec., 2017
Net assets	64,001	59,340	56,315	55,920
Number of shares in '000 (note 13)	415,220	415,220	415,220	415,220
Net assets per share (RO)	0.154	0.143	0.136	0.135

33. Related party transactions

Related parties comprise the directors and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

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:

	Sep., 2018	Dec., 2017	Sep., 2018	Dec., 2017
Contract income	307	28	2,123	19,281
Sales and services	524	877	524	877
Purchase of property, plant and equipment	-	83	-	83
Purchase of goods and services	6,914	12,823	6,914	12,823
Director's sitting fees	50	50	50	50

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

	Sep., 2018	Dec., 2017	Sep., 2018	Dec., 2017
Due from shareholders	9	9	9	9
Due from subsidiary and associate companies	2,466	1,593	8,172	7,636
Due from other related parties	1,472	2,204	1,472	2,204
	3,947	3,806	9,653	9,849
Due to shareholders	92	57	92	57
Due to subsidiary and associate companies	2,233	1,312	2,749	1,973
Due to other related parties	906	2,532	13,234	2,534
	3,231	3,901	16,075	4,564

34. Comparative amounts

Certain of the corresponding figures of previous year have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported profit or shareholder's equity.