Directors' Report

Dear Shareholders,

On behalf of the Board of Directors, the report on the performance of Galfar Engineering & Contracting SAOG and its subsidiaries for the first half year ended 30th June, 2016 is presented below:

Key Result

RO '000

H1, 2016	**Parent company**		**Consolidated**	
	H1, 2016	H1, 2015	**H1, 2016**	H1, 2015
Total revenue	**165,950**	162,627	**174,183**	171,325
Total costs	**164,469**	162,377	**173,233**	171,101
Profit before tax	**1,481**	250	**950**	224
Profit after tax	**1,306**	216	**540**	13

The parent company and consolidated result shows an improved operating performance for first half of the year as against the corresponding period last year, with marginal improvements to revenue and margins.

Cash generation for the period was sound and enabled the reduction of debt levels, while new awards and extensions received in the period were in excess of the work completed resulting in an improved work in hand position.

Operations

The consolidated net profit improved to RO 0.5 million (HY15: RO 0.0 million) as a result of an increase in revenue, an improvement in project margins across the portfolio, and a reduction in finance charges during the period. However, these gains were partially offset by an increase of indirect costs as a result of costs attributable to restructuring and transformation activities.

The parent company delivered an improved after tax net profit of RO 1.3 million (HY15: 0.2 million) from marginally higher revenue of RO 166.0 million (HY15: 162.6 million). The operations of subsidiaries and associates resulted in a net loss of RO 0.8 million (HY15: 0.2 million) largely due to operating losses reported from the completed toll roads in India.

Despite the fall in global oil prices over recent quarters, we have maintained the level of work in the oil & gas sector, while increasing revenue contribution from mainly Oil & Gas works being undertaken in the Sultanate. Currently, we have significant activity in each of our divisions: Oil & Gas, Roads & Bridges, Civil Marine & Infrastructure, and Utilities & Services. From upstream oil and gas, major roads, hospitals, and power and water projects, we continue to deliver assets that drive the region's progress.

The parent company has established a Core Collections Group that has been overseeing cash generation from projects. While these activities are seasonal and closely aligned with individual clients and projects, net cash flows from operating activities have improved to RO 19.9 million (HY15: RO 8.2 million).

Despite the good performance for cash collections during the period, we are experiencing delays in receipts in payments on a number of our Government projects in Oman that are of concern. We will continue to work with our clients and our lenders to address this situation.

Funding and Corporate Activity

As previously announced on 14 February 2016, the Company is progressing its mandate with 'Bank Muscat Investment Banking' for financial advisory and funds raising services. The detailed process of evaluating options has commenced and the Company will provide additional notice when appropriate.

The Board and management continue to work with the strategy and transformation consultant M/s Roland Berger to drive the Company's organisational, operational and financial transformation. Among other measures, new processes have been introduced for the central coordination of manpower and machinery resources that aim to realise synergies across the company's operations. In addition, a number of improvements for on-site productivity have been identified and are currently being implemented to strengthen project profitability going forward.

Outlook

The Directors have the pleasure to inform you that the Company has been awarded new projects and extensions on existing projects worth RO 215 million (2015: RO 132 million) during first half of the year. Included in this are Off Plot Delivery Contract (ODC) of North Oman extended for further two years till March, 2018 and the award of the Yibal Khuff On Plot Construction project worth RO 114 million in Oil & Gas sector.

The parent company continues to maintain healthy order book position of over RO 690 million. We are expecting award of some more projects, which are already tendered.

Importantly, key elements of company's on-going transformation programme (including head office head count reduction, executive search for a number of key positions, development of supply chain improvements, etc.) were largely completed during the quarter. The benefits of these changes are anticipated to flow over the coming quarters.

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.

Salim Bin Abdullah Saeed Badr Al Rawas
Vice Chairman

Galfar Engineering & Contracting SAOG & Subsidiaries

Consolidated Statement of Financial Position

As at 30th June, 2016 — Amount in RO '000s

	Notes	Parent Company June, 2016	Parent Company June, 2015	Consolidated June, 2016	Consolidated June, 2015
ASSETS					
Non-current Assets					
Property, plant and equipment	3	80,633	83,981	93,314	96,909
Intangible assets	4	585	950	32,855	29,476
Investment in subsidiaries	5	10,727	9,203	-	-
Investment in associates	6	8,706	8,706	3,173	4,514
Investment available for sale		125	125	145	145
Retentions receivables	9	26,104	31,627	26,140	31,652
		126,880	134,592	155,627	162,696
Current Assets					
Inventories	7	12,285	17,982	13,204	18,933
Contract work in progress	8	58,987	67,590	59,355	68,022
Contract and trade receivables	9	190,189	216,999	204,364	229,970
Advances, prepayments and other receivables	10	26,597	27,006	32,756	27,532
Deposits with bank	11	3,709	1,293	3,712	1,295
Cash and bank balances	12	6,015	5,685	8,771	7,871
		297,782	336,555	322,162	353,623
Total Assets		424,662	471,147	477,789	516,319
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	14,203	14,093
Foreign currency translation reserve	16	-	-	(2,877)	(1,984)
Rretained earning		2,311	29,730	975	29,427
Non controlling inetrest		-	-	969	848
Total Equity		76,010	103,429	73,129	102,243
Non-current Liabilities					
Term loans	18	48,630	77,183	67,699	86,962
Employees' end of service benefits	22	12,573	11,624	12,808	11,807
Advance from customers payables	23	24,440	18,733	24,440	22,154
Deferred tax liability	24	849	5,555	1,528	6,154
		86,492	113,095	106,475	127,077
Current Liabilities					
Term loans -current portion	18	38,880	36,312	39,489	37,316
Short term loans	19	31,400	39,000	36,000	43,994
Bank borrowings	20	32,405	46,367	33,508	47,599
Trade payables	21	90,835	79,670	103,154	90,627
Other payables and provisions	23	67,808	52,609	81,958	63,993
Provision for taxation	24	832	665	4,076	3,470
		262,160	254,623	298,185	286,999
Total Liabilities		348,652	367,718	404,660	414,076
Total Equity and Liabilities		424,662	471,147	477,789	516,319
Net Assets per share (RO)	32	0.183	0.249	0.174	0.244

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

Consolidated Statement of Comprehensive Income

For the 1st half year ended 30th June, 2016 — Amount in RO '000s

	Notes	Parent Company H1, 2016	Parent Company H1, 2015	Consolidated H1, 2016	Consolidated H1, 2015
Contract income		164,990	161,062	166,153	162,769
Sales and services income	25	960	1,565	8,030	8,556
Total revenue		165,950	162,627	174,183	171,325
Other income	26	2,545	2,105	2,544	2,075
Cost of contracts and sales	27	(156,494)	(154,272)	(162,890)	(161,630)
Gross Profit		12,001	10,460	13,837	11,770
General and administrative expenses	28	(6,653)	(5,294)	(7,955)	(6,021)
Profit / (loss) from operations		5,348	5,166	5,882	5,749
Financing costs, net	30	(3,867)	(4,916)	(4,255)	(5,250)
Share in loss of associates	6	-	-	(677)	(275)
Profit / (loss) before tax		1,481	250	950	224
Income tax expense	24	(175)	(34)	(410)	(211)
Profit / (loss) after tax		1,306	216	540	13
Profit attributable to:					
Equity shareholders of parent company		1,306	216	546	6
Non-controlling interests				(6)	7
		1,306	216	540	13
Basic earnings per share	31	0.003	0.001	0.001	0.000

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

Galfar Engineering & Contracting SAOG & Subsidiaries

Consolidated Statement of Cash Flows

For the 1st half year ended 30th June, 2016 — Amount in RO '000s

	Parent Company		Consolidated	
	H1, 2016	H1, 2015	H1, 2016	H1, 2015
Operating Activities				
Profit before taxation	1,481	250	950	224
Non-cash adjustments:				
Depreciation on property, plant and equipments	10,015	10,267	11,096	11,269
Amortisation of intangible assets	191	199	198	203
Finance cost	3,867	4,916	4,255	5,250
Share of loss of associates	-	-	677	275
Gain on disposal of plant and equipments	(1,052)	(1,157)	(1,062)	(1,152)
Working capital movements:				
Inventories	1,068	3,149	1,851	3,446
Trade and other receivables	3,654	(8,782)	177	(9,322)
Trade and other payables	(566)	(1,948)	(527)	(2,583)
Non-current operating assets/liabilities changes:				
Retention receivables	4,403	(811)	4,399	(756)
Advance payables	(2,784)	2,587	(2,784)	4,410
Employees' end of service benefits	392	558	412	554
Income tax paid	(751)	(1,026)	(835)	(1,078)
Net cash flows from operating activities	19,918	8,202	18,807	10,740
Investing Activities				
Purchases of property, plant and equipments	(2,780)	(2,990)	(3,394)	(4,135)
Purchases of intangible assets	(16)	(18)	(3,749)	(10,459)
Disposal of property, plant and equipments	1,466	1,790	1,457	1,799
Investment in associates and subsidiaries	(524)	(4,707)	(167)	(164)
Bank deposits	(2,451)	-	(2,449)	29
Interest income	42	34	42	36
Net cash flows for investing activities	(4,263)	(5,891)	(8,260)	(12,894)
Financing Activities				
Share capital raised	-	-	-	-
Term loans	(12,060)	12,913	(7,282)	17,708
Short term loans	(1,350)	11,000	(1,547)	10,967
Bank borrowings	(7,116)	(16,324)	(6,685)	(15,904)
Interest expenses	(3,909)	(4,950)	(4,297)	(5,286)
Dividend paid	-	-	-	(28)
Net cash flows for financing activities	(24,435)	2,639	(19,811)	7,457
Net increase/(decrease) in cash and bank balances	(8,780)	4,950	(9,264)	5,303
Cash and bank balances at beginning of the year	14,795	735	18,035	2,568
Cash and bank balances at end of the period	6,015	5,685	8,771	7,871

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

Galfar Engineering & Contracting SAOG & Subsidiaries

Statement of Changes in Equity -Parent Company

For the 1st half year ended 30th June, 2016

Amount in RO '000s

	Attributable to equity holders of the parent company							
	Share Capital	Share Premium	Statutory Reserve	Foreign Currency Translation	Retained Earnings	Total	Non controlling interest	Grand Total
Balance as at 1st January, 2015	37,747	23,370	12,582		29,514	103,213		
Total comprehensive income for the year	-	-	-		(28,509)	(28,509)		
Transfer to statutory reserve	-	(1,258)	1,258		-	-		
Dividend paid	3,775	(3,775)	-		-	-		
Balance as at 1st January, 2016	41,522	18,337	13,840		1,005	74,704		
Total comprehensive income for the year	-	-	-		1,306	1,306		
Transfer to statutory reserve	-	-	-		-	-		
Dividend paid	-	-	-		-	-		
Balance as at 30th June, 2016	41,522	18,337	13,840		2,311	76,010		

Statement of Changes in Equity -Consolidated

For the 1st half year ended 30th June, 2016

	Share Capital	Share Premium	Statutory Reserve	Foreign Currency Translation	Retained Earnings	Total	Non controlling interest	Grand Total
Balance as at 1st January, 2015	37,747	23,370	12,835	(1,859)	29,421	101,514	980	102,494
Net comprehensive income for the year	-	-	-	-	(28,882)	(28,882)	23	(28,859)
Transfer to statutory reserve	-	(1,258)	1,258	-	-	-	-	-
Foreign currency translation reserve	-	-	-	(801)	-	(801)	-	(801)
Stock dividend	3,775	(3,775)	-	-	-	-	-	
Dividend paid	-	-	-	-	-	-	(28)	(28)
Balance as at 1st January, 2016	41,522	18,337	14,093	(2,660)	539	71,831	975	72,806
Net comprehensive income for the year	-	-	-	-	546	546	(6)	540
Transfer to statutory reserve	-		110	-	(110)	-	-	-
Foreign currency translation reserve	-	-	-	(217)	-	(217)	-	(217)
Dividend paid	-	-	-	-	-	-	-	-
Balance as at 30th June, 2016	41,522	18,337	14,203	(2,877)	975	72,160	969	73,129

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.

2. Significant Accounting Policies

Basis of preparation

These consolidated financial statements are prepared on the historical cost basis, as modified by the revaluation of derivative financial instruments at fair value through statement of comprehensive income , available-for-sale financial assets that have been measured at fair value and in accordance with International Financial Reporting Standards (IFRS), the requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and comply with the disclosure requirements set out in the 'Rules and Guidelines on Disclosure by issuer of Securities and Insider Trading' issued by the Capital Market Authority (CMA) of the Sultanate of Oman.

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

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 those of Galfar Engineering and Contracting SAOG, its subsidiaries and its associates as at closing of each year. A subsidiary is a company in which the parent company owns, directly or indirectly more than half of the voting power.

The subsidiary is consolidated from the date on which control is transferred to the group and ceases to be consolidated from the date on which control is transferred out of the group.

The financial statements of the subsidiary 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.

All intercompany balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated.

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

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2. Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest, over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed off,the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Changes in ownership interests in subsidiaries without change of control:

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as ransactions 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.

Disposal of subsidiaries:

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.

2. Significant Accounting Policies (continued)

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.

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.

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.

Concessionaire rights:

Concessionaire rights arising from Design, Build, Finance, Operate and Transfer (DBFOT) road projects are shown at historical cost. These have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their estimated lease period and is recognised in the statement of comprehensive income.

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.

2. Significant Accounting Policies (continued)

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.

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.

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.

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.

2. Significant Accounting Policies (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.

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 company 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 untill 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 fulfillment 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.

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.

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.

2. Significant Accounting Policies (continued)

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.

Dividend on ordinary shares

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

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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

2. Significant Accounting Policies (continued)

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 company 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.

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 in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2. Significant Accounting Policies (continued)

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 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 succeding year to which they relate after its approval in AGM.

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.

3. Property, plant and equipment - Parent Company

Amount in RO '000s

Particulars	Land	Building & Camps	Plant & Machinery	Motor Vehicles & Equipment	Furniture & Equipments	Project Equipment & Tools	Capital Work-in-Progress	Total
Costs								
At 1st January 2016	1,278	32,951	125,213	73,141	8,678	9,517	-	250,778
Additions		95	255	82	229	2,021	98	2,780
Disposals	-	(441)	(2,996)	(3,327)	(61)	(6)	-	(6,831)
Transfers	-		(31)	-	31		-	-
As at 30th June, 2016	1,278	32,605	122,441	69,896	8,877	11,532	98	246,727
Depreciation								
At 1st January 2016	-	20,952	81,191	45,842	7,061	7,450	-	162,496
Charge for the period	-	839	5,223	3,191	237	525	-	10,015
Disposals	-	(441)	(2,667)	(3,243)	(60)	(6)	-	(6,417)
Transfers	-		(20)		20			-
As at 30th June, 2016	-	21,350	83,727	45,790	7,258	7,969	-	166,094
Net book value								
As at 30th June, 2016	1,278	11,255	38,714	24,106	1,619	3,563	98	80,633
As at 30th June, 2015	1,278	12,202	44,007	22,482	1,490	2,374	148	83,981

3. Property, plant and equipment - Consolidated

Amount in RO '000s

Description	Land	Building & Camps	Plant & Machinery	Motor Vehicles & Equipment	Furniture & Equipments	Project Equipment & Tools	Capital Work-in- Progress	Total
Costs								
At 1st January 2016	1,278	33,120	140,046	81,100	9,217	9,746	307	274,814
Additions	-	98	504	414	244	2,036	98	3,394
Disposals	-	(441)	(3,039)	(3,327)	(61)	(6)	-	(6,874)
Transfers	-	-	(31)	-	31	-	-	-
As at 30th June, 2016	1,278	32,777	137,480	78,187	9,431	11,776	405	271,334
Depreciation								
At 1st January 2016	-	21,022	88,569	49,020	7,293	7,499	-	173,403
Charge for the period	-	845	5,932	3,530	255	534	-	11,096
Disposals	-	(441)	(2,715)	(3,257)	(60)	(6)	-	(6,479)
Transfers	-	-	(20)	-	20	-	-	-
As at 30th June, 2016	-	21,426	91,766	49,293	7,508	8,027	-	178,020
Net book value								
As at 30th June, 2016	1,278	11,351	45,714	28,894	1,923	3,749	405	93,314
As at 30th June, 2015	1,278	12,306	51,137	27,134	1,770	2,560	724	96,909

As at 30th June, 2016 Amount in RO '000s

	Parent Company		Consolidated	
	June, 2016	June, 2015	June, 2016	June, 2015

3. Property, plant and equipment (continued)

Capital work-in-progress represents camps and building under construction.

Depreciation of property, plant and equipment is allocated as follows:

	June, 2016	June, 2015	June, 2016	June, 2015
Contract costs (note 27)	9,369	9,600	10,432	10,580
General and administrative expenses (note 28)	646	667	664	689
	10,015	10,267	11,096	11,269

4. Intangible assets

	June, 2016	June, 2015	June, 2016	June, 2015
Costs				
Balance at beginning of the year	2,716	2,689	31,284	20,793
Addition for the year	16	18	3,749	10,459
Balance at end of the year	2,732	2,707	35,033	31,252
Amortisation				
Balance at beginning of the year	1,956	1,558	1,981	1,571
Charge for the period	191	199	198	203
Balance at end of the year	2,147	1,757	2,178	1,776
Net book value at end of the year	585	950	32,855	29,476

Intangible assets comprise of computer software RO 585 (2015: RO 950) thousands in parent company and computer software RO 643 (2015: RO 995) thousands and concessionaire rights under development RO 32212 (2015: RO 28481) thousands in consolidation.

5. Investment in subsidiaries

	June, 2016	June, 2015	June, 2016	June, 2015
Galfar Engineering & Contracting India Pvt. Ltd.	5,076	3,552	-	-
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 Wasen Contracting Company	58	58	-	-
	10,727	9,203	-	-

Notes to Consolidated Financial Statements

As at 30th June, 2016 Amount in RO '000s

	Parent Company		Consolidated	
	June, 2016	June, 2015	June, 2016	June, 2015

5. Investment in subsidiaries (continued)

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%	99%	100%	100%
Salasar Highways Pvt. Ltd.	20%	24%	100%	100%
Al Khalij Heavy Equipment & Engineering LLC	52%	52%	52%	52%
Kashipur Sitarganj Highways Pvt. Ltd.	4%	5%	100%	100%
Aspire Projects & Services LLC	100%	100%	100%	100%
Galfar Mott MacDonald LLC	65%	65%	65%	65%
Galfar Training Intitute LLC	99%	99%	100%	100%
Galfar Wasen Contracting Company	65%	65%	65%	65%

6. Investment in associates

Galfar Engineering & Contracting Kuwait KSC (GEC)	5,323	5,323	2,641	2,548
Mahakaleswar Tollways Pvt. Ltd. (MTPL)	2,255	2,255	(938)	(941)
Shree Jagannath Expressway Pvt. Ltd. (SJEPL)	739	739	1,225	1,354
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL)	344	344	1,131	2,060
International Water Treatment LLC (IWT)	45	45	(961)	(582)
Binani Aspire LLC			75	75
	8,706	8,706	3,173	4,514

Information on shareholding of associate companies is summarised below:

	Shares acquired by parent company		Shares acquired by the group	
Galfar Engineering & Contracting Kuwait KSC	26%	26%	26%	26%
Mahakaleswar Tollways Pvt. Ltd. (MTPL)	26%	26%	26%	26%
Shree Jagannath Expressway Pvt. Ltd. (SJEPL)	6%	6%	26%	26%
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL)	2%	2%	26%	26%
International Water Treatment LLC (IWT)	30%	30%	30%	30%
Binani Aspire LLC	0%	0%	50%	50%

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

	June, 2016	June, 2015
Share of associate's statement of financial position:		
Current assets	6,176	8,175
Non-current assets	50,804	55,804
Current liabilities	(8,730)	(9,472)
Non-current liabilities	(45,077)	(49,993)
Net assets and carrying amount of the investment	3,173	4,514
Share of associate's statement of income:		
Revenue	3,460	6,579
Costs of revenue	4,137	6,854
Loss for the period	(677)	(275)

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As at 30th June, 2016 — Amount in RO '000s

	Parent Company		Consolidated	
	June, 2016	June, 2015	June, 2016	June, 2015

6. Investment in associates (continued)

Loss for the period comprises of MTPL, India RO -171 (Year 2015: RO -113) thousands, GAEPL, India RO -500 (Year 2015: RO 0) thousands,GEC, Kuwait RO 30 (Year 2015: RO 42) thousands and IWT, Oman RO -36 (Year 2015: RO 0) thousands.

	Parent June, 2016	Parent June, 2015	Consolidated June, 2016	Consolidated June, 2015
7. Inventories				
Materials and consumables	15,128	19,767	16,076	20,744
Allowance for non-moving inventories	(2,843)	(1,785)	(2,872)	(1,811)
	12,285	17,982	13,204	18,933
8. Contract work in progress				
Work-in-progress on long term contracts at cost plus attributable profit considered as receivables	58,987	67,590	59,355	68,022
To customers under construction contracts recorded as billings in excess of work done (note 23)	13,496	3,282	23,431	9,725
9. Contract and trade receivables				
Contract billed receivables	193,467	189,993	202,279	197,868
Trade receivables	3,569	1,910	8,906	6,921
Retention receivables - current	24,575	25,096	24,640	25,220
Provision for impaired receivables and retention	(31,422)	-	(31,461)	(39)
	190,189	216,999	204,364	229,970
Retentions receivables				
Non-current portion	26,104	31,627	26,140	31,652
10. Advances, prepayment and other receivables				
Advance on sub-contracts and supplies	8,408	6,455	11,067	8,893
Advances to employees	525	411	538	421
Advance Tax	-	-	2,958	2,196
Prepaid expenses	5,401	5,281	5,639	5,423
Due from related parties (note 33)	11,736	12,656	11,275	8,584
Insurance claims receivable	34	1,585	34	1,586
Deposits	449	586	483	621
Other receivables	44	32	1,187	742
Provision for impaired debts	-	-	(425)	(934)
	26,597	27,006	32,756	27,532
11. Deposits with bank				
Term deposits	3,709	1,293	3,709	1,293
Margin deposits	-	-	3	2
	3,709	1,293	3,712	1,295
12. Cash and bank balances				
Cash in hand	124	332	169	373
Bank balances with current accounts	5,891	5,353	8,602	7,498
	6,015	5,685	8,771	7,871

Notes to Consolidated Financial Statements

As at 30th June, 2016 — Amount in RO '000s

	Parent Company		Consolidated	
	June, 2016	June, 2015	June, 2016	June, 2015
13. Share capital				
Authorised:				
500,000,000 (2015: 500,000,000) ordinary shares of par value RO 0.100 (2015: RO 0.100) each	50,000	50,000	50,000	50,000
Issued and fully paid:				
Balance at beginning of the year	41,522	37,747	41,522	37,747
Increase during the period	-	3,775	-	3,775
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 (2015: 415,215,637) shares having a par value of RO 0.100 (2015: 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 (2015: 289,980,637) ordinary shares and 125,235,000 (2015: 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. This reserve is available for distribution to shareholders.

15. Statutory reserve

As required by the Commercial Companies Law of Oman, the statutory reserve is maintained at at least one third of the issued share capital.

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 allowed under IAS 21.

17. Dividend

For the year 2015, no dividend is proposed in the Board meeting held on 9th March, 2016.

18. Term loans

	Parent June, 2016	Parent June, 2015	Consolidated June, 2016	Consolidated June, 2015
Term loans:				
- from banks	81,249	102,956	98,338	111,327
- finance companies	6,261	10,539	8,850	12,951
	87,510	113,495	107,188	124,278
Current portion				
- from banks	35,458	32,034	35,494	32,034
- finance companies	3,422	4,278	3,995	5,282
	38,880	36,312	39,489	37,316
Non-current portion				
- from banks	45,791	70,922	62,844	79,293
- finance companies	2,839	6,261	4,855	7,669
	48,630	77,183	67,699	86,962

The interest rates on term loans were as follows:

	Current period	Previous period
Floating rate loans	LIBOR + 2.0%	LIBOR + 2.0%
Fixed interest rate loans	4.25% to 6.0%	4.25% to 7.0%

Notes to Consolidated Financial Statements

As at 30th June, 2016 | Amount in RO '000s

	Parent Company		Consolidated	
	June, 2016	June, 2015	June, 2016	June, 2015
19. Short term loans				
- from banks	31,400	39,000	36,000	43,994

Bank short term loans 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 4.0% to 5.5% (2015: 4.0% to 4.5%) per annum.

	June, 2016	June, 2015	June, 2016	June, 2015
20. Bank borrowings				
Bank overdrafts	4,685	1,630	5,788	2,641
Loan against trust receipts	14,770	40,567	14,770	40,788
Bills discounted	12,950	4,170	12,950	4,170
	32,405	46,367	33,508	47,599

Bank borrowings are repayable on demand or within one year. The interest rates on bank borrowings vary between 4% to 5% (2015: 4.0% to 5.5%) per annum. Bank borrowings are secured against the contract assignments and/or joint registration of vehicle/equipment.

	June, 2016	June, 2015	June, 2016	June, 2015
21. Trade payables				
Sundry creditors	47,401	41,900	58,108	52,314
Provision for purchases and sub-contracts	43,434	37,770	45,046	38,313
	90,835	79,670	103,154	90,627
22. Employees' end of service benefits				
Balance at beginning of the year	12,181	11,066	12,396	11,253
Charge for the period	1,100	990	1,195	1,068
Paid during the period	(708)	(432)	(783)	(514)
Balance at end of the year	12,573	11,624	12,808	11,807
23. Other payables and provisions				
Provision for employees' leave pay and passage	6,218	6,484	6,316	6,550
Creditors for capital purchases	2,807	469	3,035	470
Advance payables -current	28,778	26,872	31,045	26,970
Due to customers on contracts (note 8)	13,496	3,282	23,431	9,725
Retention on sub-contracts	1,552	1,849	1,794	2,024
Accrued expenses	11,480	11,518	11,858	16,470
Due to related parties (note 33)	1,350	1,267	1,877	1,784
Statutory dues payable	469	374	711	-
Provision for fair value loss on forex forward contracts	995	-	995	-
Other payables	663	494	896	-
	67,808	52,609	81,958	63,993
Advance payables				
Non-current portion	24,440	18,733	24,440	22,154

Advances paybles:

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

As at 30th June, 2016 Amount in RO '000s

	Parent Company		Consolidated	
	June, 2016	June, 2015	June, 2016	June, 2015

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 @ 12% of taxable profit after adjusting non-assessable and disallowable items and statutory exemption of RO 30,000. 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 June, 2016	Parent June, 2015	Consolidated June, 2016	Consolidated June, 2015
Tax charge for the current period	651	507	886	684
Deferred tax charge for the period	(476)	(484)	(476)	(484)
Tax charge of prior years	-	11	-	11
Deferred tax charge of prior years		-	-	-
	175	34	410	211

Provision for tax

The parent company income tax assessment up to the year 2011 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 June, 2016	Parent June, 2015	Consolidated June, 2016	Consolidated June, 2015
Balance at beginning of the year	932	1,173	4,025	3,853
Charge during the period	651	518	886	695
Tax paid during the period	(751)	(1,026)	(835)	(1,078)
Balance at end of the period	832	665	4,076	3,470

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 June, 2016	Parent June, 2015	Consolidated June, 2016	Consolidated June, 2015
Balance at beginning of the year	1,325	6,039	2,004	6,638
Charge during the period	(476)	(484)	(476)	(484)
Balance at end of the period	849	5,555	1,528	6,154

25. Sales and services income

	Parent June, 2016	Parent June, 2015	Consolidated June, 2016	Consolidated June, 2015
Sales and services	722	1,065	6,834	7,131
Hiring services	238	500	1,087	1,381
Training services	-	-	109	44
	960	1,565	8,030	8,556

26. Other income

	Parent June, 2016	Parent June, 2015	Consolidated June, 2016	Consolidated June, 2015
Gain on sale of assets	1,052	1,157	1,062	1,152
Dividend income	-	30	-	-
Miscellaneous income	1,493	918	1,482	923
	2,545	2,105	2,544	2,075

Notes to Consolidated Financial Statements

As at 30th June, 2016 — Amount in RO '000s

	Parent Company		Consolidated	
	June, 2016	June, 2015	June, 2016	June, 2015
27. Cost of contract and sales				
Materials	49,045	46,139	49,982	48,247
Manpower costs (note 29)	46,473	45,919	48,659	47,797
Sub-contracting costs	27,146	28,977	26,661	29,097
Plant and equipments repair and maintenance	7,342	7,998	8,173	8,736
Plant and equipments hiring costs	3,117	2,564	4,052	3,031
Fuel expenses	7,636	6,479	8,553	7,145
Training expenses	-	-	61	34
Duties and taxes	-	-	16	52
Depreciation (note 3)	9,369	9,600	10,432	10,580
General and administrative expenses (note 28)	6,366	6,596	6,301	6,911
	156,494	154,272	162,890	161,630
28. General and administrative expenses				
Manpower costs (note 29)	2,327	2,471	2,983	2,934
Rent	1,874	2,087	2,042	2,234
Electricity and water charges	1,587	1,721	1,624	1,752
Insurance charges	1,205	1,510	1,279	1,631
Bank guarantee and other charges	999	827	1,031	878
Professional and legal charges	2,829	781	2,892	841
Communication expenses	444	500	488	542
Repairs and maintenance -others	383	362	392	369
Business promotion expenses	43	49	48	55
Traveling expenses	169	147	209	179
Printing and stationery	135	163	155	182
Tender fees	37	109	39	110
Directors expenses	50	74	62	74
Miscellaneous expenses	100	223	150	259
Depreciation and amortisation (note 3 and 4)	837	866	862	892
	13,019	11,890	14,256	12,932
Pertaining to cost of contract and sales	6,366	6,596	6,301	6,911
	6,653	5,294	7,955	6,021
29. Manpower costs				
Salary and wages	35,955	35,476	37,787	36,636
Employees service benefits	6,065	5,805	6,340	6,078
Camp and catering expenses	4,529	4,791	4,775	4,991
Hired salary and wages	372	803	500	1,273
Staff incentives	-	-	184	166
Other expenses	1,879	1,515	2,056	1,587
	48,800	48,390	51,642	50,731
Pertaining to cost of contract and sales	46,473	45,919	48,659	47,797
Pertaining to general and administration expenses	2,327	2,471	2,983	2,934
30. Financing costs, net				
Interest expense	3,909	4,950	4,297	5,286
Interest income	(42)	(34)	(42)	(36)
	3,867	4,916	4,255	5,250

Notes to Consolidated Financial Statements

As at 30th June, 2016

Amount in RO '000s

	Parent Company		Consolidated	
	June, 2016	June, 2015	June, 2016	June, 2015

31. Earnings per share

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

	June, 2016	June, 2015	June, 2016	June, 2015
Profit for the year	1,306	216	540	13
Number of shares in '000 (note 13)	415,220	415,220	415,220	415,220
Basic earnings per share for the period (RO)	0.003	0.001	0.001	0.000

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:

	June, 2016	June, 2015	June, 2016	June, 2015
Net assets	76,010	103,429	72,160	101,395
Number of shares in '000 (note 13)	415,220	415,220	415,220	415,220
Net assets per share (RO)	0.183	0.249	0.174	0.244

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 significant 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:

	June, 2016	June, 2015	June, 2016	June, 2015
Contract income	286	2,871	7,528	9,075
Sales and services	1,042	951	1,042	951
Purchase of property, plant and equipment	117	83	117	83
Purchase of goods and services	8,219	6,255	8,219	6,255
Director's remuneration	50	74	50	74

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

	June, 2016	June, 2015	June, 2016	June, 2015
Due from shareholders	31	11	31	11
Due from subsidiary and associate companies	8,254	8,283	7,793	4,210
Due from other related parties	3,451	4,362	3,451	4,363
	11,736	12,656	11,275	8,584
Due to shareholders	144	173	144	173
Due to subsidiary and associate companies	63	100	583	617
Due to other related parties	1,143	994	1,150	994
	1,350	1,267	1,877	1,784

The amounts outstanding are unsecured and will be settled. No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

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.