

Dear Shareholders,

The Directors have pleasure in presenting the unaudited financial performance of Galfar Engineering & Contracting SAOG ('the Parent Company') and its Consolidated Group for the period ended 30th June 2018.

<u>Financial Performance</u>	Parent Company (RO '000s)		Consolidated Group (RO '000s)	
	H1, 2018	H1, 2017	H1, 2018	H1, 2017
Revenue	131,240	145,062	141,730	152,891
EBITDA	11,029	14,359	14,083	16,179
Operating profit	2,891	4,968	4,616	5,493
Profit before tax	2,876	470	1,438	407
Net profit after tax	2,371	399	825	8

Performance Overview of the Parent Company

The parent company has performed well in all key performance parameters. Parent co. has improved its performance in PAT from 0.3% in H1/2017 to 1.8% in H1/2018.. Despite facing delays in bidding and award process, the company has bagged fresh orders of RO 76 million in addition to extensions and variations awards amounting to RO 42 million.

The major contract awarded during H1 includes 'Khazan Gas Gathering System' from British Petroleum of RO 35 million in Oil & Gas sector and the Company also got new contracts in Utilities and Services sector.

The order book of the company stands at robust level of RO 471 million providing good revenue visibility for the balance period of the year and beyond.

The Board and management continue to explore opportunities to reduce operating expenses, to maintain our competitiveness and to improve the financial results whilst strengthening the Company's financial position.

Performance Overview of the consolidated Group

The subsidiaries and associate in Oman and Kuwait have reported combined profit of RO 0.7 million (2017: 0.7 million).

The subsidiaries and associates in India reported a combined loss of RO 2.2 million (2017: 1.1 million) due to fund constraint which has delayed the construction activity.

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 strong market position.

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

The company has successfully registered its operations in Kuwait during the period in its pursuit of huge opportunities prevailing in that region on the infrastructure front.

Government is actively promoting PPP model projects. This is giving rise to large business opportunities for which the company is well positioned to exploit.

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.

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 June 2018

Amount in RO '000s

	Notes	Parent Company		Consolidated	
		June, 2018	Dec., 2017	June, 2018	Dec., 2017
ASSETS					
Non-current Assets					
Property, plant and equipment	3	57,717	63,769	68,019	75,041
Intangible assets	4	37	43	44,859	48,642
Investment in subsidiaries	5	15,348	14,652	-	-
Investment in associates	6	8,049	8,049	5,220	5,457
Investment available for sale		125	125	145	145
Retentions receivables	9	17,678	29,122	17,737	29,185
		98,954	115,760	135,980	158,470
Current Assets					
Inventories	7	10,812	10,059	12,876	11,931
Contract work in progress	8	47,177	39,756	48,164	40,672
Contract and trade receivables	9	183,106	178,209	190,827	186,201
Advances, prepayments and other receivables	10	18,274	13,988	24,598	22,774
Deposits with bank	11	3,633	3,953	3,659	3,957
Cash and bank balances	12	1,689	1,773	4,267	4,062
		264,691	247,738	284,391	269,597
Total Assets		363,645	363,498	420,371	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	-	-	(2,986)	(1,979)
Accumulated loss		(11,988)	(14,359)	(15,463)	(16,238)
Equity attributable to shareholders		61,711	59,340	55,737	55,920
Non controlling interest		-	-	902	901
Total Equity		61,711	59,340	56,639	56,821
Non-current Liabilities					
Term loans	18	22,204	24,505	58,660	62,746
Employees' end of service benefits	22	13,940	13,630	14,162	13,871
Advance from customers	23	22,715	19,214	22,715	19,214
Deferred tax liability	24	-	-	700	700
		58,859	57,349	96,237	96,531
Current Liabilities					
Term loans -current portion	18	23,349	21,422	23,403	23,577
Short term loans	19	34,400	30,900	34,400	36,777
Bank borrowings	20	37,695	51,368	41,728	52,308
Trade Payables	21	88,285	82,527	95,533	94,256
Other payables and provisions	23	58,836	60,587	71,553	67,310
Provision for taxation	24	510	5	878	487
		243,075	246,809	267,495	274,715
Total Liabilities		301,934	304,158	363,732	371,246
Total Equity and Liabilities		363,645	363,498	420,371	428,067
Net Assets per share (RO)	32	0.149	0.143	0.134	0.135

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

Statement of Comprehensive Income

For the first half year ended 30 June 2018

Amount in RO '000s

	Notes	Parent Company		Consolidated	
		H1, 2018	H1, 2017	H1, 2018	H1, 2017
Contract revenue		129,650	142,812	130,813	143,479
Sales and services income	25	1,590	2,250	10,917	9,412
Total revenue		131,240	145,062	141,730	152,891
Other income	26	1,202	1,592	1,267	1,612
Cost of contracts and sales	27	(126,796)	(135,928)	(134,701)	(142,401)
Gross profit		5,646	10,726	8,296	12,102
General and administrative expenses	28	(2,755)	(5,758)	(3,680)	(6,609)
Profit from operations before impairment of receivables		2,891	4,968	4,616	5,493
Provision for impairment of receivables	9	3,430	-	3,430	-
Profit from operations		6,321	4,968	8,046	5,493
Financing costs, net	30	(3,445)	(4,498)	(6,569)	(5,183)
Share in profit/(loss) of associates	6	-	-	(39)	97
Profit before tax		2,876	470	1,438	407
Income tax expense	24	(505)	(71)	(613)	(399)
Net Profit for the period		2,371	399	825	8
Equity shareholders of parent company		2,371	399	824	41
Non-controlling interests		-	-	1	(33)
		2,371	399	825	8
Profit/(Loss) per share (OMR)	31	0.006	0.001	0.002	0.000

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

Statement of Cash Flows

For the first half year ended 30 June 2018

Amount in RO '000s

	Parent Company		Consolidated	
	H1, 2018	H1, 2017	H1, 2018	H1, 2017
Operating Activities				
Profit before taxation	2,876	470	1,438	407
Non-cash adjustments:				
Depreciation on property, plant and equipment	8,128	9,207	9,171	10,299
Amortisation of intangible assets	10	184	296	290
Finance cost, net	3,445	4,498	6,569	5,183
Share of loss of associates	-	-	39	(97)
Gain on disposal of plant and equipment	(980)	(945)	(1,013)	(958)
Impairment loss for investment in associate and subsidiary	-	-	-	-
Working capital movements:				
Inventories	(753)	(956)	(945)	(363)
Trade and other receivables	(16,604)	(1,303)	(13,942)	(4,027)
Trade and other payables	4,007	(2,754)	5,520	(6,009)
Non-current operating assets/liabilities changes:				
Retention receivables	11,444	4,290	11,448	4,285
Advance payables	3,501	3,293	3,501	3,293
Employees' end of service benefits	310	345	291	305
Income tax paid	-	(977)	(222)	(1,097)
Net cash flows from operating activities	15,384	15,352	22,151	11,511
Investing Activities				
Purchase of property, plant and equipment	(2,193)	(3,627)	(2,548)	(4,596)
Disposal of property, plant and equipment	1,097	1,377	1,411	1,486
Movement in intangible assets	(4)	(5)	3,488	(7,719)
Investment in associates and subsidiaries	(696)	(28)	(809)	483
Bank deposits	320	4,412	298	4,412
Interest income	44	20	44	20
Net cash flows used in investing activities	(1,432)	2,149	1,884	(5,914)
Financing Activities				
Term loans received/(repaid), net	(374)	(15,462)	(4,260)	(7,981)
Short term loans received/(repaid), net	3,500	(16,550)	(2,377)	(20,268)
Bank borrowings received/(repaid), net	(13,673)	16,609	(10,580)	24,268
Interest expense	(3,489)	(4,518)	(6,613)	(5,203)
Net cash flows used in financing activities	(14,036)	(19,921)	(23,830)	(9,184)
Net increase/(decrease) in cash and bank balances	(84)	(2,420)	205	(3,587)
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 year	1,689	1,267	4,267	3,049

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

Statement of Changes in Equity -Parent Company

For the first half year ended 30 June 2018

Amount in RO '000s

	Attributable to equity holders of the parent company				Total
	Share Capital	Share Premium	Statutory Reserve	Retained Earnings	
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)
Balance as at 1st January 2018	41,522	18,337	13,840	(14,359)	59,340
Total profit for the year	-	-	-	2,371	2,371
Balance as at 30 June 2018	41,522	18,337	13,840	(11,988)	61,711

Statement of Changes in Equity -Consolidated

For the first half year ended 30 June 2018

Amount in RO '000s

	Attributable to equity holders of the parent company					Total	Non controlling interest	Grand Total
	Share Capital	Share Premium	Statutory Reserve	Foreign Currency Translation Reserve	Retained Earnings			
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
Total profit for the year	-	-	-	-	824	824	1	825
Transfer to statutory reserve	-	-	49	-	(49)	-	-	-
Foreign currency translation reserve	-	-	-	(1,007)	-	(1,007)	-	(1,007)
Balance as at 30 June 2018	41,522	18,337	14,327	(2,986)	(15,463)	55,737	902	56,639

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

Notes to Financial Statements

As at 30 June 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.

The Company is in the process of implementing IFRS 9 and IFRS 15, which are expected to be in place by end of September, 2018.

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 June 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.

Notes to Financial Statements**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.

Notes to Financial Statements



As at 30 June 2018

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		470	1,147	68	122	326	60	2,193
Disposals	-	(160)	(4,576)	(2,900)	(2)	(1)	-	(7,639)
As at 30 June 2018	1,278	36,587	109,215	57,913	9,804	14,185	60	229,042
Depreciation								
As at 1 January 2018	-	23,687	86,019	44,390	7,853	8,770	-	170,719
Charge for the year	-	1,240	3,765	2,102	292	729	-	8,128
Disposals	-	(159)	(4,518)	(2,843)	(1)	(1)	-	(7,522)
As at 30 June 2018	-	24,768	85,266	43,649	8,144	9,498	-	171,325
Net book value								
As at 30 June 2018	1,278	11,819	23,949	14,264	1,660	4,687	60	57,717
As at 31 December 2017	1,278	12,590	26,625	16,355	1,831	5,090	-	63,769

Notes to Financial Statements



As at 30 June 2018

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	-	481	1,457	84	140	326	60	2,548
Disposals	-	(182)	(4,712)	(3,271)	(29)	(18)	-	(8,212)
As at 30 June 2018	1,278	37,079	125,516	66,136	10,466	14,459	60	254,994
Depreciation								
As at 1 January 2018	-	23,792	96,101	48,649	8,195	8,879	-	185,616
Charge for the year	-	1,250	4,413	2,452	316	740	-	9,171
Disposals	-	(159)	(4,558)	(3,079)	(11)	(5)	-	(7,812)
As at 30 June 2018	-	24,883	95,956	48,022	8,500	9,614	-	186,975
Net book value								
As at 30 June 2018	1,278	12,196	29,560	18,114	1,966	4,845	60	68,019
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 June 2018

Amount in RO '000s

	Parent Company		Consolidated	
	June, 2018	Dec., 2017	June, 2018	Dec., 2017
3. Property, plant and equipment (continued)				
Depreciation of property, plant and equipment is allocated as follows:				
Contract costs (note 27)	7,667	8,746	8,665	9,762
General and administrative expenses (note 28)	461	461	506	537
	8,128	9,207	9,171	10,299
4. Intangible assets				
Costs				
Balance at beginning of the year	2,743	2,735	52,415	43,703
Movement during the period	4	8	(3,488)	8,712
Balance at end of the period	2,747	2,743	48,927	52,415
Amortisation				
Balance at beginning of the year	2,700	2,339	3,773	2,393
Charge for the year to date	10	361	296	1,380
Balance at end of the period	2,710	2,700	4,068	3,773
Net book value at end of the year	37	43	44,859	48,642

Intangible assets comprise of computer software RO 37 (2017: RO 43) thousands in parent company and computer software RO 55 (2017: RO 69) thousands and concessionaire rights RO 44804 (2017: RO 48573) thousands in consolidation.

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	-	-
	15,348	14,652	-	-

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

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%

Notes to Financial Statements

As at 30 June 2018

Amount in RO '000s

	Parent Company		Consolidated	
	June, 2018	Dec., 2017	June, 2018	Dec., 2017
6. Investment in associates				
Galfar Engineering & Contracting Kuwait KSC (GEC)	6,966	6,966	4,976	4,737
Mahakaleswar Tollways Pvt. Ltd. (MTPL)	2,255	2,255	(1,128)	(1,185)
Shree Jagannath Expressway Pvt. Ltd. (SJEPL)	739	739	1,080	1,161
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL)	344	344	292	744
International Water Treatment LLC (IWT)	4,144	4,144	-	-
Binani Aspire LLC	-	-	-	-
	14,448	14,448	5,220	5,457
Provision for impaired investment	(6,399)	(6,399)	-	-
	8,049	8,049	5,220	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	5,947	3,834
Costs of revenue	5,986	3,737
Net loss for the year	(39)	97

Share of net profit for the year comprises of profit from GEC Kuwait RO 244 (Year 2017: RO 319) thousands, MTPL India RO 17 (Year 2017: loss RO 59) thousands and SJEPL India RO 64 (Year 2017: loss RO 70) thousands and loss from GAEPL India RO 364 (Year 2017: RO 93) thousands.

7. Inventories

Materials and consumables	11,680	11,631	13,773	13,532
Allowance for non-moving inventories	(868)	(1,572)	(897)	(1,601)
	10,812	10,059	12,876	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	(704)	(1,701)	(704)	(1,701)
At the end of the year	868	1,572	1,601	3,302

Notes to Financial Statements

As at 30 June 2018

Amount in RO '000s

	Parent Company		Consolidated	
	June, 2018	Dec., 2017	June, 2018	Dec., 2017
8. Contract work in progress				
Work-in-progress on long term contracts at cost plus attributable profit considered as receivables	64,293	56,872	65,280	57,788
Provision for impaired contract work in progress	(17,116)	(17,116)	(17,116)	(17,116)
	<u>47,177</u>	<u>39,756</u>	<u>48,164</u>	<u>40,672</u>
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
Charged for the year	-	7,769	-	7,769
Written back during the year	-	(227)	-	(227)
Written off during the year	-	(343)	-	(343)
At the end of the year	<u>17,116</u>	<u>17,116</u>	<u>17,116</u>	<u>17,116</u>
To customers under construction contracts recorded as billings in excess of work done (note 23)	<u>4,578</u>	<u>5,376</u>	<u>8,021</u>	<u>9,323</u>
9. Contract and trade receivables				
Contract billed receivables	170,850	167,961	172,729	169,655
Trade receivables	4,585	4,923	10,368	11,213
Retention receivables - current	16,467	18,640	16,643	18,765
	<u>191,902</u>	<u>191,524</u>	<u>199,740</u>	<u>199,633</u>
Provision for impaired receivables	(8,796)	(13,315)	(8,913)	(13,432)
	<u>183,106</u>	<u>178,209</u>	<u>190,827</u>	<u>186,201</u>
Retentions receivables				
Non-current portion	<u>17,678</u>	<u>29,122</u>	<u>17,737</u>	<u>29,185</u>
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
Charge for the year	-	1,015	-	935
Written back during the year	(3,430)	(4,295)	(3,430)	(4,295)
Written off during the year	(1,089)	(10,597)	(1,089)	(10,597)
At the end of the year	<u>8,796</u>	<u>13,315</u>	<u>8,913</u>	<u>13,432</u>

Notes to Financial Statements

As at 30 June 2018

Amount in RO '000s

	Parent Company		Consolidated	
	June, 2018	Dec., 2017	June, 2018	Dec., 2017
10. Advances, prepayment and other receivables				
Advance on sub-contracts and supplies	9,554	6,042	10,431	7,261
Advances to employees	440	384	481	416
Advance tax	-	-	897	998
Prepaid expenses	4,776	4,565	5,007	4,690
Due from related parties - others (note 33)	4,333	3,806	8,307	7,419
Insurance claims receivable	34	34	35	34
Deposits	425	425	465	469
Other receivables	16	36	1,414	1,578
	<u>19,578</u>	<u>15,292</u>	<u>27,037</u>	<u>22,865</u>
Provision for due from related party -others	(1,304)	(1,304)	(1,304)	(1,304)
Provision for impaired debts	-	-	(1,135)	(1,217)
	<u>18,274</u>	<u>13,988</u>	<u>24,598</u>	<u>20,344</u>
Movement on the provision for impairment of debts are as follows:				
At the beginning of the year	1,304	695	2,521	1,120
Charge for the year	-	692	(82)	1,484
Written off during the year	-	(83)	-	(83)
At the end of the year	<u>1,304</u>	<u>1,304</u>	<u>2,439</u>	<u>2,604</u>
11. Deposits with bank				
Term deposits	3,633	3,953	3,633	3,953
Margin deposits	-	-	26	4
	<u>3,633</u>	<u>3,953</u>	<u>3,659</u>	<u>3,957</u>
The term deposit carry interest rates of 0.9% to 2.0% (2017: 0.9% to 2.0%) per annum and are kept for a period more than three months from the date of placement.				
12. Cash and bank balances				
Cash in hand	168	177	203	253
Bank balances with current accounts	1,521	1,596	4,064	3,809
	<u>1,689</u>	<u>1,773</u>	<u>4,267</u>	<u>4,062</u>
13. Share capital				
Authorised:				
500,000,000 (2016: 500,000,000) ordinary shares of par value RO 0.100 (2016: 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 year	<u>41,522</u>	<u>41,522</u>	<u>41,522</u>	<u>41,522</u>

The issued and fully paid share capital comprises of 415,215,637 (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.

Notes to Financial Statements

As at 30 June 2018

Amount in RO '000s

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

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

Term loans:

- from banks	39,201	41,438	73,142	79,006
- finance companies	6,352	4,489	8,921	7,317
	<u>45,553</u>	<u>45,927</u>	<u>82,063</u>	<u>86,323</u>
Current portion				
- from banks	21,312	19,724	21,354	21,106
- finance companies	2,037	1,698	2,049	2,471
	<u>23,349</u>	<u>21,422</u>	<u>23,403</u>	<u>23,577</u>
Non-current portion				
- from banks	17,889	21,714	51,788	57,900
- finance companies	4,315	2,791	6,872	4,846
	<u>22,204</u>	<u>24,505</u>	<u>58,660</u>	<u>62,746</u>
The term loans are repayable as follows:				
Within one year	23,349	21,422	23,403	23,577
In the second year	8,643	12,134	9,733	12,949
In the third year onwards	13,561	12,371	48,927	49,797
	<u>45,553</u>	<u>45,927</u>	<u>82,063</u>	<u>86,323</u>

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	4.5% to 8.0%	4.25% to 7.5%

19. Short term loans

- from banks	34,400	30,900	34,400	36,777
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Short term loans from banks are repayable in one year and are secured against the contract assignments and/or joint registration of vehicle/equipment. The interest rates on these loans vary between 4.75% to 7.0% (2017: 4.75% to 7.0%) per annum.

Notes to Financial Statements

As at 30 June 2018

Amount in RO '000s

	Parent Company		Consolidated	
	June, 2018	Dec., 2017	June, 2018	Dec., 2017
20. Bank borrowings				
Bank overdrafts	5,461	8,108	9,494	8,891
Loan against trust receipts	18,858	25,895	18,858	26,052
Bills discounted	13,376	17,365	13,376	17,365
	<u>37,695</u>	<u>51,368</u>	<u>41,728</u>	<u>52,308</u>
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.				
21. Trade payables				
Sundry creditors	48,692	53,890	54,543	63,007
Provision for purchases and sub-contracts	39,593	28,637	40,990	31,249
	<u>88,285</u>	<u>82,527</u>	<u>95,533</u>	<u>94,256</u>
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	954	2,118	1,034	2,253
Paid during the year to date	(644)	(1,720)	(743)	(1,860)
Balance at end of the year	<u>13,940</u>	<u>13,630</u>	<u>14,162</u>	<u>13,871</u>
23. Other payables and provisions				
Provision for employees' leave pay and passage	6,043	5,826	6,190	5,982
Creditors for capital purchases	818	349	818	349
Advance from customers -current	29,208	29,783	29,550	30,211
Due to customers on contracts (note 8)	4,578	5,376	8,021	9,323
Provision for future loss on contracts	1,684	2,209	1,684	2,209
Retention on sub-contracts	2,634	2,328	3,024	2,297
Accrued expenses	10,686	9,690	11,373	10,274
Due to related parties (note 33)	2,043	3,901	9,067	2,134
Statutory dues payable	355	368	803	1,033
Other payables	787	757	1,023	1,068
	<u>58,836</u>	<u>60,587</u>	<u>71,553</u>	<u>64,880</u>
Advance payables				
Non-current portion	<u>22,715</u>	<u>19,214</u>	<u>22,715</u>	<u>19,214</u>
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				
Tax charge for the current year	505	71	613	399
Deferred tax charge for the year	-	-	-	-
	<u>505</u>	<u>71</u>	<u>613</u>	<u>399</u>

Notes to Financial Statements

As at 30 June 2018

Amount in RO '000s

	Parent Company		Consolidated	
	June, 2018	Dec., 2017	June, 2018	Dec., 2017
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:				
Balance at beginning of the year	5	1,176	487	3,749
Charge during the year	505	-	613	317
Tax paid during the year	-	(1,171)	(222)	(3,579)
Balance at end of the period	<u>510</u>	<u>5</u>	<u>878</u>	<u>487</u>
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.				
Balance at beginning of the year	-	-	700	715
Charge during the year	-	-	-	(15)
Balance at end of the period	<u>-</u>	<u>-</u>	<u>700</u>	<u>700</u>
25. Sales and services income				
Sales and services	983	1,679	7,392	7,423
Toll collection	-	-	2,140	549
Hiring services	607	571	1,371	1,426
Training services	-	-	14	14
	<u>1,590</u>	<u>2,250</u>	<u>10,917</u>	<u>9,412</u>
26. Other income				
Gain on sale of assets	980	945	1,013	958
Miscellaneous income	222	647	254	654
	<u>1,202</u>	<u>1,592</u>	<u>1,267</u>	<u>1,612</u>
27. Cost of contract and sales				
Materials	26,555	32,913	29,684	33,544
Manpower costs (note 29)	41,537	46,157	43,717	48,508
Sub-contracting costs	30,588	25,616	28,825	24,759
Plant and equipment repair and maintenance	4,969	5,761	5,475	6,403
Plant and equipment hiring costs	2,171	3,599	2,574	4,190
Fuel expenses	7,535	7,467	8,471	8,481
Toll operating expenses	-	-	199	109
Training expenses	-	-	244	353
Duties and taxes	-	-	25	23
Depreciation and amortisation (notes 3 and 4)	7,667	8,746	8,987	9,859
General and administrative expenses (note 28)	5,774	5,669	6,500	6,172
	<u>126,796</u>	<u>135,928</u>	<u>134,701</u>	<u>142,401</u>

Notes to Financial Statements

As at 30 June 2018

Amount in RO '000s

	Parent Company		Consolidated	
	June, 2018	Dec., 2017	June, 2018	Dec., 2017
28. General and administrative expenses				
Manpower costs (note 29)	1,334	2,605	2,453	3,258
Rent	1,762	1,939	1,950	2,150
Electricity and water charges	1,604	1,385	1,650	1,434
Professional and legal charges	679	1,513	721	1,572
Insurance charges	760	1,134	839	1,210
Bank guarantee and other charges	697	740	738	773
Communication expenses	276	406	305	456
Repairs and maintenance - others	420	399	432	410
Traveling expenses	102	190	131	243
Printing and stationery	131	161	140	179
Business promotion expenses	16	48	21	63
Tender fees	83	53	83	55
Directors' expenses	50	50	50	57
Corporate social responsibility expenses	2	42	2	42
Miscellaneous expenses	142	117	185	149
Depreciation and amortisation	471	645	480	730
	<u>8,529</u>	<u>11,427</u>	<u>10,180</u>	<u>12,781</u>
Pertaining to cost of contract and sales	5,774	5,669	6,500	6,172
	<u>2,755</u>	<u>5,758</u>	<u>3,680</u>	<u>6,609</u>
29. Manpower costs				
Salary and wages	32,253	35,116	34,598	37,085
Employees' service benefits	5,147	5,773	5,417	6,068
Camp and catering expenses	3,825	4,747	4,175	5,164
Hired salary and wages	452	1,125	521	1,198
Other expenses	1,680	2,001	1,904	2,136
Staff incentives	(486)	-	(445)	115
	<u>42,871</u>	<u>48,762</u>	<u>46,170</u>	<u>51,766</u>
Pertaining to cost of contract and sales	41,537	46,157	43,717	48,508
Pertaining to general and administration expenses	1,334	2,605	2,453	3,258
30. Financing costs, net				
Interest expense	3,489	4,518	6,613	5,203
Interest income	(44)	(20)	(44)	(20)
	<u>3,445</u>	<u>4,498</u>	<u>6,569</u>	<u>5,183</u>

Notes to Financial Statements

As at 30 June 2018

Amount in RO '000s

	Parent Company		Consolidated	
	June, 2018	Dec., 2017	June, 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:				
Profit/(loss) for the period	2,371	399	825	41
Number of shares in '000 (note 13)	415,220	415,220	415,220	415,220
Profit/(loss) per share for the period (RO)	<u>0.006</u>	<u>0.001</u>	<u>0.002</u>	<u>0.000</u>

32. Net assets per share

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

Net assets	61,711	59,340	55,737	55,920
Number of shares in '000 (note 13)	415,220	415,220	415,220	415,220
Net assets per share (RO)	<u>0.149</u>	<u>0.143</u>	<u>0.134</u>	<u>0.135</u>

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:

Contract income	307	28	1,197	17,091
Sales and services	524	666	524	666
Purchase of property, plant and equipment	7	59	7	59
Purchase of goods and services	6,913	8,495	6,913	8,495
Director's sitting fees	50	50	50	50

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

Due from shareholders	9	9	9	9
Due from subsidiary and associate companies	2,906	1,593	6,880	7,636
Due from other related parties	1,418	2,204	1,418	2,204
	<u>4,333</u>	<u>3,806</u>	<u>8,307</u>	<u>9,849</u>
Due to shareholders	131	57	131	57
Due to subsidiary and associate companies	893	1,312	1,404	1,973
Due to other related parties	1,019	2,532	7,532	2,534
	<u>2,043</u>	<u>3,901</u>	<u>9,067</u>	<u>4,564</u>

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.