Q3 DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2017

Dear Shareholders,

On behalf of the Board of Directors, the report on the performance of Galfar Engineering & Contracting SAOG ('the Parent Company') and its subsidiaries (collectively 'the Consolidated Group') for the third quarter ended 30th September 2017 is presented below:

Financial Performance (OMR '000s)	**Parent Company**		**Consolidated Group** (OMR '000s)	
	Q3, 2017	Q3, 2016	**Q3, 2017**	Q3, 2016
Revenue	**209,092**	245,529	**221,506**	257,520
EBITDA	**17,017**	22,634	**20,567**	25,147
Operating profit	**3,017**	7,530	**4,387**	8,390
Net profit before tax	**(3,408)**	1,750	**(3,355)**	700
Net profit after tax	**(3,408)**	1,544	**(3,761)**	198

The Parent Company reported a positive operating result despite the revenue falling by 15.1%. Revenue has reduced in the non-oil and gas sectors to match receipt of cash, mainly from government related entities. EBITDA margins has also reduced to 8.1% (FY16: 9.2%), as did Operating Profit margin (FY17 1.4% v FY16: 3.1%). The Consolidated Group reported a decrease in EBITDA margin from 9.8% in FY16 to 9.3% for the current reporting period.

Operations

The revenue for Parent Company of OMR 209.1 million (FY16 245.5 million) was significantly impacted by reduced levels of activity in public infrastructure. As a result, this shifted the contract revenue contribution toward Oil & Gas (FY17 48% v FY16 38%) and Civil & Marine (FY17 24% v FY16 16%) away from Roads & Bridges (FY17 21% v FY16 30%) and Utilities & Services (FY17 7% v FY16 16%).

Galfar India Operation

Board of Directors had a detailed review of the investments in India through its Subsidiaries and Associate Company in India and directed the management to explore potential divestment of these investments. The Company will keep you informed with the details as and when these get formalized in compliance with regulation.

Outlook

The Directors have the pleasure to inform you that the Parent Company has an order book of OMR 527.6 million at the end of the current reporting period. The value of new contracts, extensions and variations included for the first nine months was OMR 83.2 million, comprising a new award on the Batinah Expressway for the Ministry of Transport & Communications, Grid Stations at Birkat Al Mouz and Sumail for Oman Electricity Transmission Company SAOG and additional packages under our Petroleum Development Oman (PDO) ODC contract.

Despite challenging conditions, we maintain a solid work pipeline with a significant number of tenders under evaluation across a diverse array of sectors and clients, particularly upstream oil & gas and downstream refining and petrochemical industries. We expect to be successful in a number of those which will ensure stability and sustainability of our market position.

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

Galfar has been significantly affected by the delays in receiving its dues of the projects, in particular already completed projects, and the pressure on its payments to suppliers and subcontractors. Due to this situation, the ability of the company to meet its commitments is dependent on the ability of our clients to make project payments without delay as and when they are due going forward. The expected settlement of Muscat Express Way did not materialise in the reporting period.

On Record

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

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

Majid Salim Said Al Fannah Al Araimi
Chairman

Galfar Engineering & Contracting SAOG & Subsidiaries

Consolidated Statement of Financial Position

As at 30th September, 2017 Amount in RO '000s

		Parent Company		Consolidated	
	Notes	Sep, 2017	Sep, 2016	Sep, 2017	Sep, 2016
ASSETS					
Non-current Assets					
Property, plant and equipment	3	67,212	78,312	78,656	90,754
Intangible assets	4	127	491	47,924	36,707
Investment in subsidiaries	5	12,137	11,937	-	-
Investment in associates	6	8,330	8,706	5,805	2,780
Investment available for sale		125	125	145	145
Retentions receivables	9	26,159	28,272	26,221	28,308
		114,090	127,843	158,751	158,694
Current Assets					
Inventories	7	11,881	13,590	14,127	15,401
Contract work in progress	8	47,858	56,268	48,801	56,684
Contract and trade receivables	9	200,929	196,355	208,345	206,394
Advances, prepayments and other receivables	10	15,094	22,366	27,912	28,903
Deposits with bank	11	4,116	3,716	4,120	3,720
Cash and bank balances	12	835	611	1,867	2,847
		280,713	292,906	305,172	313,949
Total Assets		394,803	420,749	463,923	472,643
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	14,278	14,203
Foreign currency translation reserve	16	-	-	(2,328)	(2,609)
(Accumulated losses) / Retained earnings		(14,068)	2,549	(14,168)	639
		59,631	76,248	57,641	72,092
Non controlling interest		-	-	913	964
Total Equity		59,631	76,248	58,554	73,056
Non-current Liabilities					
Term loans	18	31,716	46,816	70,551	73,294
Employees' end of service benefits	22	13,761	12,878	13,990	13,118
Advance from customers payables	23	14,110	8,886	14,110	8,886
Deferred tax liability	24	-	679	715	1,358
		59,587	69,259	99,366	96,656
Current Liabilities					
Term loans -current portion	18	23,410	36,811	23,833	37,493
Short term loans	19	31,160	40,400	31,160	44,254
Bank borrowings	20	62,217	35,496	70,649	36,245
Trade payables	21	98,376	88,351	109,045	95,278
Other payables and provisions	23	60,417	73,151	68,452	86,309
Provision for taxation	24	5	1,033	2,864	3,352
		275,585	275,242	306,003	302,931
Total Liabilities		335,172	344,501	405,369	399,587
Total Equity and Liabilities		394,803	420,749	463,923	472,643
Net Assets per share (RO)	32	0.144	0.184	0.139	0.174

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

Consolidated Statement of Comprehensive Income

For the period ended 30th September, 2017 — Amount in RO '000s

		Parent Company		Consolidated	
	Notes	**Q3, 2017**	Q3, 2016	**Q3, 2017**	Q3, 2016
Contract revenue		**205,690**	244,031	**206,791**	246,184
Sales and services income	**25**	**3,402**	1,498	**14,715**	11,336
Total revenue		**209,092**	245,529	**221,506**	257,520
Other income	**26**	**2,023**	3,101	**2,057**	3,111
Cost of contracts and sales	**27**	**(199,963)**	(232,062)	**(209,961)**	(242,160)
Gross profit		**11,152**	16,568	**13,602**	18,471
General and administrative expenses	**28**	**(8,135)**	(9,038)	**(9,215)**	(10,081)
Profit from operations		**3,017**	7,530	**4,387**	8,390
Financing costs, net	**30**	**(6,425)**	(5,780)	**(8,117)**	(6,548)
Share in profit / (loss) of associates	**6**	**-**	-	**375**	(1,142)
Profit before tax		**(3,408)**	1,750	**(3,355)**	700
Income tax expense	**24**	**-**	(206)	**(406)**	(502)
Profit after tax		**(3,408)**	1,544	**(3,761)**	198
Income attributable to:					
Equity shareholders of parent company		**(3,408)**	1,544	**(3,709)**	210
Non-controlling interests				**(52)**	(12)
		(3,408)	1,544	**(3,761)**	198
Basic earnings per share	**31**	**(0.008)**	0.004	**(0.009)**	0.001

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

Consolidated Statement of Cash Flows

For the period ended 30th September, 2017

Amount in RO '000s

	Parent Company		Consolidated	
	Q3, 2017	Q3, 2016	**Q3, 2017**	Q3, 2016
Operating Activities				
Profit before taxation	**(3,408)**	1,750	**(3,355)**	700
Non-cash adjustments:				
Depreciation on property, plant and equipments	**13,726**	14,817	**15,366**	16,460
Amortisation of intangible assets	**274**	287	**814**	297
Finance cost, net	**6,425**	5,780	**8,117**	6,548
Share of (profit) / loss of associates	**-**	-	**(375)**	1,142
Gain on disposal of plant and equipments	**(1,256)**	(1,405)	**(1,272)**	(1,429)
Working capital movements:				
Inventories	**(1,772)**	(237)	**(1,772)**	(346)
Trade and other receivables	**7,977**	5,579	**3,330**	5,812
Trade and other payables	**12,713**	1,152	**9,455**	(5,193)
Non-current operating assets/liabilities changes:				
Retention receivables	**7,309**	2,235	**7,304**	2,231
Advance payables	**(8,384)**	(18,338)	**(8,384)**	(18,338)
Employees' end of service benefits	**529**	697	**512**	722
Income tax paid	**(1,171)**	(751)	**(1,291)**	(1,821)
Net cash flows from operating activities	**32,962**	11,566	**28,449**	6,785
Investing Activities				
Purchases of property, plant and equipments	**(5,266)**	(5,345)	**(6,203)**	(6,374)
Purchases of intangible assets	**(5)**	(18)	**(7,432)**	(7,698)
Disposal of property, plant and equipments	**1,723**	1,903	**1,757**	2,000
Investment in associates and subsidiaries	**(228)**	(1,734)	**252**	28
Bank deposits	**4,776**	(2,458)	**4,776**	(2,457)
Interest income	**71**	83	**71**	83
Net cash flows for investing activities	**1,071**	(7,569)	**(6,779)**	(14,418)
Financing Activities				
Term loans repaid, net	**(20,407)**	(15,943)	**(12,373)**	(3,683)
Short term loans repaid, net	**(24,440)**	7,650	**(28,158)**	6,707
Bank borrowings received / (repaid), net	**14,458**	(4,025)	**22,280**	(3,948)
Interest expenses	**(6,496)**	(5,863)	**(8,188)**	(6,631)
Net cash flows for financing activities	**(36,885)**	(18,181)	**(26,439)**	(7,555)
Net increase/(decrease) in cash and bank balances	**(2,852)**	(14,184)	**(4,769)**	(15,188)
Cash and bank balances at beginning of the year	**3,687**	14,795	**6,636**	18,035
Cash and bank balances at end of the period	**835**	611	**1,867**	2,847

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

Galfar Engineering & Contracting SAOG & Subsidiaries

Statement of Changes in Equity -Parent Company

For the period ended 30th September, 2017

Amount in RO '000s

	Attributable to equity holders of the parent company							
	Share Capital	Share Premium	Statutory Reserve	Foreign Currency Translation Reserve	Retained Earnings	**Total**	Non controlling interest	**Grand Total**
Balance as at 1st January, 2016	**41,522**	**18,337**	**13,840**		**1,005**	**74,704**		
Total loss for the year	-	-	-		(11,665)	**(11,665)**		
Transfer to statutory reserve	-	-	-		-	**-**		
Balance as at 1st January, 2017	**41,522**	**18,337**	**13,840**		**(10,660)**	**63,039**		
Total profit for the year to date	-	-	-		(3,408)	**(3,408)**		
Transfer to statutory reserve	-	-	-		-	**-**		
Balance as at 30th Sep, 2017	**41,522**	**18,337**	**13,840**		**(14,068)**	**59,631**		

Statement of Changes in Equity -Consolidated

For the period ended 30th September, 2017

Balance as at 1st January, 2016	**41,522**	**18,337**	**14,093**	**(2,660)**	**539**	**71,831**	**975**	**72,806**
Total loss for the year	-	-	-	-	(10,813)	**(10,813)**	(10)	**(10,823)**
Transfer to statutory reserve	-	-	185	-	(185)	**-**	-	**-**
Foreign currency translation reserve	-	-	-	(106)	-	**(106)**	-	**(106)**
Balance as at 1st January, 2017	**41,522**	**18,337**	**14,278**	**(2,766)**	**(10,459)**	**60,912**	**965**	**61,877**
Total profit for the year to date	-	-	-	-	(3,709)	**(3,709)**	(52)	**(3,761)**
Transfer to statutory reserve	-		-	-	-	**-**	-	**-**
Foreign currency translation reserve	-	-	-	438	-	**438**	-	**438**
Balance as at 30th Sep, 2017	**41,522**	**18,337**	**14,278**	**(2,328)**	**(14,168)**	**57,641**	**913**	**58,554**

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 financial statements for the period ended 30 September 2017 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 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 relevant requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and Capital Market Authority (CMA) of the Sultanate of Oman.

These 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 the financial statements of the parent company and its subsidiaries as at 30 September 2017. 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.

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.

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.

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.

2. Significant Accounting Policies (continued)

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.

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.

2. Significant Accounting Policies (continued)

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.

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.

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
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

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

Provision for employees' benefits

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

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

2. Significant Accounting Policies (continued)

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.

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.

2. Significant Accounting Policies (continued)

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 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.

2. Significant Accounting Policies (continued)

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.

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. Major reclassifications are -

(i) provision for the future losses on contracts amounting to RO 1889 thousand has been reclassified from contract work in progress to other payables and provisions.

(ii) provision amounting to RO 5057 thousands relating to the provision for work in progress has been reclassified from provision for receivables and retention.

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								
As at 1st January 2017	1,278	33,892	121,711	67,794	9,283	13,173	294	247,425
Additions		2,404	515	162	478	1,487	220	5,266
Disposals	-	(474)	(5,754)	(4,372)	(188)	(1,192)	-	(11,980)
Transfers	-	166	100	-	28		(294)	-
As at 30th September, 2017	1,278	35,988	116,572	63,584	9,601	13,468	220	240,711
Depreciation								
As at 1st January 2017	-	21,847	86,751	46,612	7,495	8,581	-	171,286
Charge for the period	-	1,699	6,710	3,895	414	1,008	-	13,726
Disposals	-	(472)	(5,508)	(4,162)	(180)	(1,191)	-	(11,513)
Transfers	-		-		-			-
As at 30th September, 2017	-	23,074	87,953	46,345	7,729	8,398	-	173,499
Net book value								
As at 30th September, 2017	1,278	12,914	28,619	17,239	1,872	5,070	220	67,212
As at 30th September, 2016	1,278	10,891	37,125	22,535	1,623	4,511	349	78,312

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								
As at 1st January 2017	1,278	34,371	137,036	76,313	9,894	13,444	305	272,641
Additions	-	2,418	1,037	493	527	1,508	220	6,203
Disposals	-	(472)	(5,727)	(4,865)	(188)	(1,192)	-	(12,444)
Transfers	-	166	111	-	28	-	(305)	-
As at 30th September, 2017	1,278	36,483	132,457	71,941	10,261	13,760	220	266,400
Depreciation								
As at 1st January 2017	-	21,948	95,479	50,480	7,778	8,656	-	184,341
Charge for the period	-	1,754	7,691	4,436	455	1,030	-	15,366
Disposals	-	(470)	(5,490)	(4,636)	(178)	(1,189)	-	(11,963)
Transfers	-	-	-	-	-	-	-	-
As at 30th September, 2017	-	23,232	97,680	50,280	8,055	8,497	-	187,744
Net book value								
As at 30th September, 2017	1,278	13,251	34,777	21,661	2,206	5,263	220	78,656
As at 30th September, 2016	1,278	10,984	44,165	27,069	1,922	4,675	661	90,754

As at 30th September, 2017 Amount in RO '000s

	Parent Company		Consolidated	
	Sep, 2017	Sep, 2016	Sep, 2017	Sep, 2016

3. Property, plant and equipment (continued)

Capital work-in-progress RO 220 (2016: RO 661) thousands represents building and camps under construction.

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

Contract costs (note 27)	13,027	14,130	14,574	15,753
General and administrative expenses (note 28)	699	687	792	707
	13,726	14,817	15,366	16,460

4. Intangible assets

Costs				
Balance at beginning of the year	2,735	2,716	43,703	31,287
Addition for the year to date	5	18	7,432	7,698
Balance at end of the period	2,740	2,734	51,135	38,985
Amortisation				
Balance at beginning of the year	2,339	1,956	2,393	1,981
Charge for the year to date	274	287	814	297
Balance at end of the period	2,613	2,243	3,207	2,278
Net book value at end of the period	127	491	47,928	36,707

Intangible assets comprise of computer software RO 127 (2016: RO 491) thousands in parent company and computer software RO 164 (2016: RO 545) thousands and concessionaire rights under development RO 47764 (2016: RO 36162) thousands in consolidation.

5. Investment in subsidiaries

Galfar Engineering & Contracting India Pvt. Ltd.	6,486	6,286	-	-
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	-	-
	12,137	11,937	-	-

As at 30th September, 2017 Amount in RO '000s

	Parent Company		Consolidated	
	Sep, 2017	Sep, 2016	Sep, 2017	Sep, 2016

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

6. Investment in associates

Galfar Engineering & Contracting Kuwait KSC (GEC)	6,966	5,323	4,807	2,619
Mahakaleswar Tollways Pvt. Ltd. (MTPL)	2,255	2,255	(1,070)	(981)
Shree Jagannath Expressway Pvt. Ltd. (SJEPL)	739	739	1,230	1,260
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL)	344	344	735	768
International Water Treatment LLC (IWT)	4,144	45	28	(961)
Binani Aspire LLC	-	-	75	75
	14,448	8,706	5,805	2,780
Provision for impaired investment	(6,118)	-	-	-
	8,330	8,706	5,805	2,780

Provision for impairment in associates comprises:

(i) RO 4,116 thousand for investment in IWT, being parent companies share in cumulative loss of IWT till 2016, as IWT is unable to recover the loss from their future business.

(ii) RO 2,002 thousand for investment in MTPL, based on capitalization of earning method with discounted cash flow as per requirement of IAS 39.

	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%
Binani Aspire LLC (iv)	0%	0%	50%	50%

Notes to Consolidated Financial Statements

As at 30th September, 2017 Amount in RO '000s

	Parent Company		Consolidated	
	Sep, 2017	Sep, 2016	Sep, 2017	Sep, 2016
6. Investment in associates (continued)				
The following table illustrates summarised information of the group's investment in its associates:				
Share of associate's statement of financial position:				
Current assets			5,930	6,073
Non-current assets			53,822	47,778
Current liabilities			(9,647)	(11,385)
Non-current liabilities			(44,300)	(39,686)
Net assets and carrying amount of the investment			5,805	2,780
Share of associate's statement of income:				
Revenue			7,041	4,694
Costs of revenue			6,666	5,836
Net profit /(loss) for the period			375	(1,142)

Share of net profit for the year comprises of profit from GEC Kuwait RO 389 (Year 2016: loss RO -1) thousands and loss from MTPL India RO 46 (Year 2016: RO 209) thousands, GAEPL India RO -101 (Year 2016: RO 898) thousands and SJEPL India RO 94 (Year 2016: RO nil).

	Parent Company		Consolidated	
	Sep, 2017	Sep, 2016	Sep, 2017	Sep, 2016
7. Inventories				
Materials and consumables	14,002	16,149	16,277	17,989
Allowance for non-moving inventories	(2,121)	(2,559)	(2,150)	(2,588)
	11,881	13,590	14,127	15,401
8. Contract work in progress				
Work-in-progress on long term contracts at cost plus attributable profit considered as receivables	57,775	61,325	58,718	61,741
Provision for impaired contract work in progress	(9,917)	(5,057)	(9,917)	(5,057)
	47,858	56,268	48,801	56,684
To customers under construction contracts recorded as billings in excess of work done (note 23)	3,524	5,965	9,151	15,391
9. Contract and trade receivables				
Contract billed receivables	196,373	189,855	197,914	194,338
Trade receivables	4,901	3,277	10,741	8,779
Due from related parties -contract and trade (note 33)	1,009	4,765	1,118	4,765
Retention receivables - current	25,838	24,823	25,961	24,920
	228,121	222,720	235,734	232,802
Provision for due from related party -contracts	(74)		(74)	-
Provision for impaired receivables	(27,118)	(26,365)	(27,315)	(26,408)
	200,929	196,355	208,345	206,394
Retentions receivables				
Non-current portion	26,159	28,272	26,221	28,308

Notes to Consolidated Financial Statements

As at 30th September, 2017 Amount in RO '000s

	Parent Company		Consolidated	
	Sep, 2017	Sep, 2016	Sep, 2017	Sep, 2016
10. Advances, prepayment and other receivables				
Advance on sub-contracts and supplies	6,896	9,952	8,812	12,396
Advances to employees	380	548	408	561
Advance Tax	-	-	3,306	3,106
Prepaid expenses	5,158	4,618	5,362	4,779
Due from related parties - others (note 33)	2,864	6,714	7,451	6,615
Insurance claims receivable	34	35	35	36
Deposits	429	452	470	490
Other receivables	28	47	3,188	1,345
	15,789	22,366	29,032	29,328
Provision for due from related party -others	(695)	-	(695)	-
Provision for impaired debts	-	-	(425)	(425)
	15,094	22,366	27,912	28,903
11. Deposits with bank				
Term deposits	4,116	3,716	4,116	3,716
Margin deposits	-	-	4	4
	4,116	3,716	4,120	3,720
12. Cash and bank balances				
Cash in hand	85	185	119	239
Bank balances with current accounts	750	426	1,748	2,608
	835	611	1,867	2,847
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
Increase during the period	-	-	-	-
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 (2016: 415,215,637) shares having a par value of RO 0.100 (2016: 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 (2016: 289,980,637) ordinary shares and 125,235,000 (2016: 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.

As at 30th September, 2017 Amount in RO '000s

	Parent Company		Consolidated	
	Sep, 2017	Sep, 2016	Sep, 2017	Sep, 2016

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 2016, no dividend is proposed and paid.

18. Term loans

	Parent Sep, 2017	Parent Sep, 2016	Consolidated Sep, 2017	Consolidated Sep, 2016
Term loans:				
- from banks	50,053	78,254	86,840	103,328
- finance companies	5,073	5,373	7,544	7,459
	55,126	83,627	94,384	110,787
Current portion				
- from banks	21,463	33,553	21,709	33,970
- finance companies	1,947	3,258	2,124	3,523
	23,410	36,811	23,833	37,493
Non-current portion				
- from banks	28,590	44,701	65,131	69,358
- finance companies	3,126	2,115	5,420	3,936
	31,716	46,816	70,551	73,294
The term loans are repayable as follows:				
Within one year	23,410	36,811	23,833	37,493
In the second year	13,667	20,120	14,482	20,970
In the third year onwards	18,049	26,696	56,069	52,324
	55,126	83,627	94,384	110,787

The long term loans are stated at amortised cost and amounts repayable within 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 yar
Floating rate loans	LIBOR + 2.0%	LIBOR + 2.0%
Fixed interest rate loans	4.25% to 7.5%	4.25% to 7.0%

Notes to Consolidated Financial Statements

As at 30th September, 2017

Amount in RO '000s

	Parent Company		Consolidated	
	Sep, 2017	Sep, 2016	Sep, 2017	Sep, 2016
19. Short term loans				
- from banks	31,160	40,400	31,160	44,254

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 5.0% to 7.0% (2016: 4.5% to 5.5%) per annum.

	Parent Company		Consolidated	
	Sep, 2017	Sep, 2016	Sep, 2017	Sep, 2016
20. Bank borrowings				
Bank overdrafts	7,107	9,320	15,539	10,069
Loan against trust receipts	25,894	18,660	25,894	18,660
Bills discounted	29,216	7,516	29,216	7,516
	62,217	35,496	70,649	36,245

Bank borrowings are repayable on demand or within one year. The interest rates on bank borrowings vary between 4.0% to 6.0% (2016: 4.0% to 6.0%) per annum. Bank borrowings are secured against the contract receivables assignments.

	Parent Company		Consolidated	
	Sep, 2017	Sep, 2016	Sep, 2017	Sep, 2016
21. Trade payables				
Sundry creditors	61,189	41,931	69,189	47,408
Provision for purchases and sub-contracts	37,187	46,420	39,856	47,870
	98,376	88,351	109,045	95,278
22. Employees' end of service benefits				
Balance at beginning of the year	13,232	12,181	13,478	12,396
Charge for the year to date	1,622	1,656	1,732	1,767
Paid during the year to date	(1,093)	(959)	(1,220)	(1,045)
Balance at end of the period	13,761	12,878	13,990	13,118
23. Other payables and provisions				
Provision for employees' leave pay and passage	6,266	6,286	6,401	6,389
Creditors for capital purchases	66	7	66	7
Advance payables -current	31,418	41,507	31,772	43,257
Due to customers on contracts (note 8)	3,524	5,965	9,151	15,391
Provision for future loss on contracts	2,607	1,889	2,607	1,889
Retention on sub-contracts	1,878	1,599	2,299	1,803
Accrued expenses	11,085	12,737	11,458	13,143
Due to related parties (note 33)	2,235	1,128	2,746	1,665
Statutory dues payable	591	534	913	1,022
Provision for fair value loss on forex forward contracts	-	825	-	825
Other payables	747	674	1,039	918
	60,417	73,151	68,452	86,309
Advance payables				
Non-current portion	14,110	8,886	14,110	8,886

As at 30th September, 2017 Amount in RO '000s

	Parent Company		Consolidated	
	Sep, 2017	Sep, 2016	Sep, 2017	Sep, 2016

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 @ 15% of taxable profit 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	-	852	406	1,148
Deferred tax charge for the year	-	(646)	-	(646)
	-	206	406	502

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	1,176	932	3,749	4,025
Charge during the year	-	852	406	1,148
Tax paid during the year	(1,171)	(751)	(1,291)	(1,821)
Balance at end of the year	5	1,033	2,864	3,352

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	-	1,325	715	2,004
Charge during the year	-	(646)	-	(646)
Balance at end of the year	-	679	715	1,358

25. Sales and services income

Sales and services	2,634	1,066	12,659	9,519
Hiring services	768	432	2,031	1,693
Training services	-	-	25	124
	3,402	1,498	14,715	11,336

26. Other income

Gain on sale of assets	1,256	1,405	1,272	1,429
Dividend income	-	-	-	-
Miscellaneous income	767	1,696	785	1,682
	2,023	3,101	2,057	3,111

Notes to Consolidated Financial Statements

As at 30th September, 2017

Amount in RO '000s

	Parent Company		Consolidated	
	Sep, 2017	Sep, 2016	Sep, 2017	Sep, 2016
27. Cost of contract and sales				
Materials	47,736	68,972	48,972	70,089
Manpower costs (note 29)	69,031	70,497	72,576	73,736
Sub-contracting costs	36,692	38,831	34,399	38,191
Plant and equipments repair and maintenance	8,674	11,217	9,658	12,367
Plant and equipments hiring costs	5,379	5,435	6,156	6,711
Fuel expenses	10,871	11,981	12,348	13,393
Training expenses	-	-	616	152
Duties and taxes	-	-	562	(45)
Depreciation and amortisation (note 3)	13,027	14,130	15,101	15,753
General and administrative expenses (note 28)	8,553	10,999	9,573	11,813
	199,963	232,062	209,961	242,160
28. General and administrative expenses				
Manpower costs (note 29)	3,822	3,480	4,806	4,395
Rent	2,880	2,783	3,183	3,037
Electricity and water charges	2,513	2,394	2,603	2,455
Professional and legal charges	1,660	4,823	1,891	5,053
Insurance charges	1,665	2,051	1,776	2,204
Bank guarantee and other charges	1,152	1,450	1,203	1,488
Communication expenses	603	644	675	698
Repairs and maintenance - others	546	611	565	624
Traveling expenses	243	284	323	334
Printing and stationery	228	195	252	215
Business promotion expenses	57	68	78	77
Tender fees	88	44	97	46
Directors' expenses	50	50	57	62
Corporate social responsibility expenses	42		42	-
Miscellaneous expenses	166	173	156	189
Depreciation and amortisation (note 3 and 4)	973	974	1,079	1,004
Debts impaired	-	13	2	13
	16,688	20,037	18,788	21,894
Pertaining to cost of contract and sales	8,553	10,999	9,573	11,813
	8,135	9,038	9,215	10,081
29. Manpower costs				
Salary and wages	52,468	53,855	55,440	55,617
Employees' service benefits	8,631	9,063	9,069	9,474
Camp and catering expenses	7,019	7,243	7,545	7,716
Hired salary and wages	1,646	901	1,728	1,978
Other expenses	3,089	2,915	3,433	3,119
Staff incentives	-	-	167	227
	72,853	73,977	77,382	78,131
Pertaining to cost of contract and sales	69,031	70,497	72,576	73,736
Pertaining to general and administration expenses	3,822	3,480	4,806	4,395

Notes to Consolidated Financial Statements

As at 30th September, 2017 Amount in RO '000s

	Parent Company		Consolidated	
	Sep, 2017	Sep, 2016	Sep, 2017	Sep, 2016
30. Financing costs, net				
Interest expense	6,496	5,863	8,188	6,631
Interest income	(71)	(83)	(71)	(83)
	6,425	5,780	8,117	6,548

31. Profit 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:

Profit for the year	(3,408)	1,544	(3,761)	210
Number of shares in '000 (note 13)	415,220	415,220	415,220	415,220
Profit per share for the year to date (RO)	(0.008)	0.004	(0.009)	0.001

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	59,631	76,248	57,641	72,092
Number of shares in '000 (note 13)	415,220	415,220	415,220	415,220
Net assets per share (RO)	0.144	0.184	0.139	0.174

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	28	287	19,281	13,157
Sales and services	877	1,492	877	1,492
Purchase of property, plant and equipment	83	160	83	160
Purchase of goods and services	12,823	11,589	12,823	11,589
Director's remuneration	50	50	50	50

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

Due from shareholders	9	33	9	33
Due from subsidiary and associate companies	1,575	7,962	6,271	7,863
Due from other related parties	2,289	3,484	2,289	3,484
	3,873	11,479	8,569	11,380
Due to shareholders	96	101	96	101
Due to subsidiary and associate companies	402	69	911	599
Due to other related parties	1,737	958	1,739	965
	2,235	1,128	2,746	1,665