1 CORPORATE INFORMATION

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 10 March 2010. 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. The registered address of the Company is at P O Box 533, Muscat, Postal Code 113, Sultanate of Oman.

The principal activities of the Company are civil and mechanical construction, public health engineering, road construction, electrical, plumbing and maintenance contracts.

Statement of compliance

These consolidated and parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applicable requirements of the Commercial Companies Law and the Capital Market Authority of the Sultanate of Oman.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available for sale investments, investment carried at fair value through profit and loss, derivatives instruments and the revaluation of land and buildings.

These financial statements have been presented in Rial Omani which is the functional and reporting currency for these financial statements.

Basis of consolidation

The consolidated financial statements comprise those of Galfar Engineering and Contracting SAOG and its subsidiary as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

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

Losses are attributed to non-controlling interests even if that results in a deficit balance

The consolidated financial statements incorporate the financial statements of Galfar Engineering and Contracting SAOG and its subsidiary, Al-Khalij Heavy Equipment and Engineering LLC (together "the Group").

During the year the Parent Company established a 100% subsidiary in India "Galfar India Limited", with a Share Capital of Indian Rupees One Million (Omani Rial Eight Thousand). The operations of Galfar India Limited are at an initial stage therefore the group has not consolidated the subsidiary, but included amounts due from the subsidiary in other receivables (note 11)

The Parent Company has also established a 100 % subsidiary in Oman 'Galfar Training Institute' (GTI), by subscribing to the share capital of RO 148,500/- on 24th November 2009, for training to nationals in Oman. The company has yet to commence any significant activity,

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures
The accounting policies are consistent with those used in the previous financial year except as follows:

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRS 7 *Financial Instruments: Disclosures* effective 1 January 2009
- IFRS 8 *Operating Segments* effective 1 January 2009
- IAS 1 *Presentation of Financial Statements* effective 1 January 2009
- IAS 23 *Borrowing Costs (Revised)* effective 1 January 2009
- IFRIC 9 *Remeasurement of Embedded Derivatives* and *IAS 39 Financial Instruments: Recognition and Measurement* effective for periods ending on or after 30 June 2009
- FRIC 16 *Hedges of a Net Investment in a Foreign* Operation effective 1 October 2008
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009, early adopted)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the group, its impact is described below:

IAS 1 Presentation of Financial Statements
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The group has elected to present two statements.

IFRS 7 Financial Instruments: Disclosures
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 36. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 35.

IFRS 8 'Operating Segments'
IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are not significantly impacted and are presented in note 34.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Improvements to IFRSs
In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of these amendments resulting from improvements to IFRS did not have any impact on the accounting policies, financial position or performance of the group.

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 8 Operating Segment Information: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 16 Property, Plant and Equipment: Replaces the term “net selling price” with “fair value less costs to sell”. The group amended its accounting policy accordingly, which did not result in any change in the financial position.
- IAS 18 Revenue: The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

(1) Has primary responsibility for providing the goods or service
(2) Has inventory risk
(3) Has discretion in establishing prices
(4) Bears the credit risk

The group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements.

- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance: Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates.
- IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of ‘borrowing costs’ into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.
- IAS 36 Impairment of Assets: When discounted cash flows are used to estimate ‘fair value less cost to sell’ additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate ‘value in use’. The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill
Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

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

When the group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiary
A subsidiary is a company in which the group owns more than one half of the voting power or exercises control. The financial statements of the subsidiary are included in the consolidated financial statements. In the parent company's separate financial statements, the investment in the subsidiary is carried at cost.

Investment in an associate
The group's investment in its associates is accounted for under the equity method of accounting. 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 balance sheet 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 income statement 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 associates' accounting policies conform to those used by the group for like transactions and events in similar circumstances.

The consolidated financial statements include the group's share of the total recognised gains or losses of associate on an equity accounted basis. The same treatment is adopted in parent company's separate financial statements, since the management's view is that this represents an acceptable and conservative method of measuring the fair value as per IAS 39.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Subsidaries
A subsidiary is a company over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

A subsidiary is fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiary by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiary are changed, where necessary, to ensure consistency with the policies adopted by the group.

In parent company’s financial statements, the investments in subsidiaries are stated at cost less impairment losses.

The consolidated financial statements comprise those of the parent company and its subsidiary drawn up to 31 December each year.

Non Controlling interests
Minority interest represents the interests in the subsidiary, not held by the parent company.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Acquisitions result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Goodwill
Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill is allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The attributable amount of goodwill is included in the determination of the profit or loss on disposal of subsidiary.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment
All items of property, plant and equipment held for the use of Group's activities are recorded at cost less accumulated depreciation and any identified impairment loss.

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:

	Years
Site accommodation	4
Ghala camp	15
Tools	4
Plant and machinery	3- 10
Lab equipment	5
Furniture and equipment	3 - 6
Software development	7
Motor vehicles and heavy equipment	3- 10

Sundry assets costing less than RO 100 are written off in the year of purchase. The gain or loss on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

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.

Impairment
At each balance 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.

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 income statement.

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.

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.

Inventories
Inventories are stated at the lower of cost and net realizable 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 realizable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments
Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The principal financial assets are cash and bank balances and trade and other receivables.

Trade and other receivables are stated at their nominal values as reduced by appropriate allowances for estimated impaired debts.

The principal financial liabilities are trade payables, term loans and bank borrowings. Trade and payables are stated at their nominal value.

Interest-bearing loans and borrowings are recorded at the proceeds received, net of direct issue costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet 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.

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

Provision for non-Omani employees has been made for termination gratuities, leave pay and passage in accordance with the terms of the Labour Law of the Sultanate of Oman.

Taxation
Taxation is provided for in accordance with the fiscal regulations of the Sultanate of Oman.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Provisions
Provisions are recognized when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Foreign currencies
Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date. Gains and losses arising from foreign currency transactions are included in the profit or loss for the year.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the construction activity at the balance sheet date, as measured by surveys of work performed. Variation in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Contract costs are recognised as expenses in the period in which they are incurred.

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

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. 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 in accounts payable and accruals.

Net financing costs
All interest costs incurred in connection with borrowings, net of interest received are recognised in the period in which they are incurred as net financing costs.

Directors' remuneration
In accordance with the Capital Market Authority circular E/10/2009, directors' remuneration is computed in accordance with the Article 101 of the Commercial Companies Law of 1974, as per the requirements of Capital Market Authority and is charged as an expense in the income statement.

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.

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 income statement.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values
For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on expected discounted cash flows. Fair value cannot be reliably measured for certain unquoted foreign investments. Such investments are measured at cost.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Significant accounting judgments, estimates and assumptions
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

3. Standards issued but not yet effective
Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below.

IFRIC 17 Distributions of Non-cash Assets to Owners
This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The Group does not expect IFRIC 17 to have an impact on the consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements
The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests.

IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009

IFRIC 18 Transfers of Assets from Customers effective 1 July 2009

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

4 PROPERTY, PLANT AND EQUIPMENT – PARENT COMPANY

	Land *RO*	*Site accommo-dation* *RO*	*Tools* *RO*	*Ghala camp* *RO*	*Plant and machinery* *RO*	*Lab equipment* *RO*	*Furniture and equipment* *RO*	*Software develop-ment* *RO*	*Motor vehicles & heavy equipment* *RO*	*Capital work in progress* *RO*	*Total* *RO*
Cost											
1 January 2008	332,139	16,296,174	-	4,204,296	68,578,363	58,802	9,272,536	562,747	53,108,924	1,264,287	153,678,268
Additions	-	3,584,808	-	-	25,664,525	17,341	1,666,743	131,231	14,564,715	2,123,408	47,752,771
Disposals	-	(191,797)	-	-	(1,390,764)	-	(31,034)	-	(1,957,139)	-	(3,570,734)
Transfers	-	-	-	-	21,120	-	-	-	(21,120)	-	-
At 1 January 2009	332,139	19,689,185	-	4,204,296	92,873,244	76,143	10,908,245	693,978	65,695,380	3,387,695	197,860,305
Additions	-	2,647,488	129,386	2,899,653	13,690,009	47,911	2,294,889	24,664	5,487,560	570,292	27,791,852
Disposals	-	(725)	(6,189)	-	(1,976,997)	-	(4,631)	-	(1,531,294)	(250)	(3,520,086)
Transfers	190,000	(1,856,590)	1,874,229	1,874,284	62,080	-	1,892	-	-	(2,145,895)	-
31 December 2009	522,139	20,479,358	1,997,426	8,978,233	104,648,336	124,054	13,200,395	718,642	69,651,646	1,811,842	222,132,071
Depreciation											
1 January 2008	-	9,684,067	-	2,271,541	24,359,426	38,162	3,792,616	207,784	15,703,970	-	56,057,566
Charge for the year	-	2,649,782	-	145,484	7,535,402	17,947	1,359,225	97,506	5,766,052	-	17,571,398
Disposals	-	(26,037)	-	-	(1,118,358)	-	(5,177)	-	(1,552,367)	-	(2,701,939)
Transfers	-	-	-	-	15,499	-	-	-	(15,499)	-	-
1 January 2009	-	12,307,812	-	2,417,025	30,791,969	56,109	5,146,664	305,290	19,902,156	-	70,927,025
Charge for the year	-	3,183,157	227,541	606,001	9,584,226	19,381	1,539,871	103,518	6,873,198	-	22,136,893
Disposals	-	(489)	(6,167)	-	(927,564)	-	(2,657)	-	(998,224)	-	(1,935,101)
Transfers	-	(1,373,664)	1,373,664	-	-	-	-	-	-	-	-
31 December 2009	-	14,116,816	1,595,038	3,023,026	39,448,631	75,490	6,683,878	408,808	25,777,130	-	91,128,817
Net book value											
At 31 December 2009	522,139	6,362,542	402,388	5,955,207	65,199,705	48,564	6,516,517	309,834	43,874,516	1,811,842	131,003,254

* This includes structural buildings constructed on lease land

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

4 PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED

	Land *RO*	*Site accommo-dation* *RO*	*Tools* *RO*	*Ghala camp* *RO*	*Plant and machinery* *RO*	*Lab equipment* *RO*	*Furniture and equipment* *RO*	*Software develop-ment* *RO*	*Motor vehicles & heavy equipment* *RO*	*Capital work in progress* *RO*	*Total* *RO*
Cost											
1 January 2008	332,139	16,296,174	-	4,204,296	72,381,494	58,912	9,352,118	562,747	57,234,639	1,264,287	161,686,806
Additions	-	3,584,808	-	-	26,609,673	20,241	1,672,707	131,231	14,721,265	2,123,408	48,863,333
Disposals	-	(191,797)	-	-	(2,425,364)	-	(31,034)	-	(1,957,139)	-	(4,605,334)
Transfers	-	-	-	-	21,120	-	-	-	(21,120)	-	-
At 1 January 2009	332,139	19,689,185	-	4,204,296	96,586,923	79,153	10,993,791	693,978	69,977,645	3,387,695	205,944,805
Additions	-	2,647,488	129,386	2,899,653	14,473,396	47,911	2,297,413	24,664	5,685,060	570,292	28,775,263
Disposals	-	(725)	(6,189)	-	(1,976,997)	-	(4,631)	-	(1,746,294)	(250)	(3,735,086)
Transfers	190,000	(1,856,590)	1,874,229	1,874,284	62,080	(3,010)	4,902	-	-	(2,145,895)	-
31 December 2009	522,139	20,479,358	1,997,426	8,978,233	109,145,402	124,054	13,291,475	718,642	73,916,411	1,811,842	230,984,982
Depreciation											
1 January 2008	-	9,684,067	-	2,271,541	26,612,169	38,318	3,866,715	207,784	18,399,130	-	61,079,724
Charge for the year	-	2,649,782	-	145,484	7,833,182	17,946	1,364,606	97,506	6,062,774	-	18,171,281
Disposals	-	(26,037)	-	-	(1,799,515)	-	(5,177)	-	(1,536,868)	-	(3,367,597)
Transfers	-	-	-	-	15,499	-	-	-	(15,499)	-	-
1 January 2009	-	12,307,812	-	2,417,026	32,661,336	56,264	5,226,144	305,290	22,909,537	-	75,883,408
Charge for the year	-	3,183,156	227,546	606,000	10,176,553	19,380	1,545,847	103,518	6,975,017	-	22,837,017
Disposals	-	(489)	(6,166)	-	(927,564)	-	(2,657)	-	(1,200,350)	-	(2,137,226)
Transfers	-	(1,373,664)	1,373,664	-	-	(156)	156	-	-	-	-
31 December 2009	-	14,116,816	1,595,044	3,023,026	41,910,325	75,488	6,769,490	408,808	28,684,204	-	96,583,199
Net book value											
At 31 December 2009	522,139	6,362,542	402,382	5,955,207	67,235,077	48,566	6,521,985	309,834	45,232,207	1,811,842	134,401,783

4 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Capital work-in-progress represents expenses incurred on improvements in corporate office and other assets.

(b) Land consists of 5,184 sq. mt. located at Salalah and is registered in the name of one of the shareholders Mr. Majid bin Salim Al-Fannah Al-Araimi.

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

	Parent company		*Consolidated*	
	2009	*2008*	*2009*	*2008*
	RO	*RO*	*RO*	*RO*
Contract costs (note 25)	**21,600,508**	17,285,264	**21,600,508**	17,285,264
Hire operating costs (note 26)	**-**	-	**700,111**	599,283
General and administrative expenses (note 27)	**444,636**	279,080	**444,636**	279,085
Income from training center (note 29)	**91,749**	7,054	**91,749**	7,054
	22,136,893	17,571,398	**22,837,004**	18,170,686

(d) The carrying value of plant and equipment held under finance leases at 31 December 2009 was R.O. 13,803,403 (2008: R.O. 17,832,248). Additions during the year include R.O. 198,000 (2008: R.O. 5,570,956) of plant and equipment under finance leases. Leased assets are pledged as security for the related finance lease liabilities.

5 INVESTMENT IN SUBSIDIARY

Name of the subsidiary	*Principal activity*	*Date of acquisition*	*Proportion of shares acquired %*	*Cost of acquisition RO*	*Net assets acquired RO*	*Good-will RO*	*Place of incorpo-ration*
Al-Khalij Heavy Equipment and Engineering LLC	Hiring out of cranes	1 Jan 2006	52.17	600,000	324,994	275,006	Sultanate of Oman
Galfar Training Institute LLC	Training	-	-	148,500	-	-	-
				748,500			

6 INVESTMENT IN ASSOCIATE

	Parent company		*Consolidated*	
	2009	*2008*	*2009*	*2008*
	RO	*RO*	*RO*	*RO*
Mahakaleshwar Tollways Pvt. Ltd.	**1,066,573**	-	**1,066,573**	-

7 AVAILABLE FOR SALE INVESTMENTS

	Parent company		Consolidated	
	2009	2008	2009	2008
	RO	RO	RO	RO
Unquoted local investments	**125,000**	125,000	**145,000**	145,000

8 INVENTORIES

	Parent company		Consolidated	
	2009	2008	2009	2008
	RO	RO	RO	RO
Materials and consumables	**23,252,855**	46,283,491	**23,325,183**	46,362,770
Less: allowance for slow-moving inventories	**(67,633)**	(67,633)	**(80,442)**	(67,633)
	23,185,222	46,215,858	**23,244,741**	46,295,137

9 TRADE RECEIVABLES

	Parent company		Consolidated	
	2009	2008	2009	2008
	RO	RO	RO	RO
Contract receivables	**113,554,680**	95,335,852	**113,554,680**	95,335,852
Trade receivables	**-**	-	**345,485**	792,228
Less: allowance for impaired debts	**(212,580)**	(212,580)	**(212,580)**	(212,580)
	113,342,100	95,123,272	**113,687,585**	95,915,500
Retentions receivable	**8,434,570**	6,831,011	**8,434,570**	6,831,011
	121,776,670	101,954,283	**122,122,155**	102,746,511

10 CONTRACTS IN PROGRESS AT THE BALANCE SHEET DATE

a) Recognized and included in the financial statements as amount due:

	Parent company and Consolidated	
	2009	2008
	RO	RO
From customers under construction contracts (note 10[b])	**45,449,611**	47,740,081
To customers under construction contracts (note 23)	**(15,903,223)**	(5,827,219)
	29,546,388	41,912,862

b) WORK IN PROGRESS

	Parent company and Consolidated	
	2009	2008
	RO	RO
Work in progress on long term contracts at cost plus attributable profit	**45,449,611**	47,740,081

11 PREPAYMENTS, ADVANCES AND OTHER RECEIVABLES

	Parent company		Consolidated	
	2009	2008	2009	2008
	RO	RO	RO	RO
Deposits and prepaid expenses	**3,738,639**	4,134,187	**3,753,706**	4,144,659
Insurance claims	**1,924,333**	1,674,850	**1,924,333**	1,674,850
Due from employees	**327,572**	161,923	**327,999**	162,885
Due from related parties (note 32)	**897,512**	2,184,312	**1,179,706**	2,184,312
Advance tax paid	**128,280**	1,453,483	**150,410**	1,459,883
Other receivables	**4,627,983**	3,931,672	**4,631,370**	3,961,879
	11,644,319	13,540,427	**11,967,524**	13,588,468

12 DEPOSITS WITH BANKS

	Parent company		Consolidated	
	2009	2008	2009	2008
	RO	RO	RO	RO
Term deposits	**1,506,985**	9,845,476	**1,506,985**	9,845,476
Margin deposits	**1,249,381**	2,569,067	**1,252,021**	2,571,707
	2,756,366	12,414,543	**2,759,006**	12,417,183

The term deposits carry interest rates of 1.75% to 4% per annum (2008 - 1.75 % to 4% per annum) and are kept for a period of more than three months from the date of placement.

13 CASH AND BANK BALANCES

	Parent company		Consolidated	
	2009	2008	2009	2008
	RO	RO	RO	RO
Cash on hand	**341,402**	593,145	**342,296**	594,528
Bank balances:				
Current accounts	**1,303,071**	1,283,205	**1,455,165**	1,285,795
Call deposits		4,110		4,110
	1,644,473	1,880,460	**1,797,461**	1,884,433

14 SHARE CAPITAL

	Parent company and Consolidated	
	2009	2008
	RO	RO
Authorised:		
500,000,000 (2008 - 500,000,000) ordinary shares of par value RO 0.100 (2008 - RO 0.100) each	**50,000,000**	50,000,000
Issued and fully paid:		
At 1 January	**25,000,000**	25,000,000
Cash brought in by promoting shareholders	-	
Proceeds from IPO		
Increased during the period – Bonus Shares	**5,000,000**	
At 31 December	**30,000,000**	25,000,000

14 SHARE CAPITAL (continued)

At the balance sheet date the issued and fully paid share capital comprises of 300,000,000 (2008 - 250,000,000) shares having a par value of RO 0.100 (2008 - 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 210,000,000 ordinary shares and 90,000,000 preferential voting rights shares. The preferential voting rights shares will be held by the promoting shareholders and shall carry two votes at all general meetings while otherwise ranking pari-passu with ordinary shares in all rights including the dividend receipt.

In 2007 pursuant to the Parent Company’s IPO, the promoting shareholders of the Company offered a portion of their shares to the public for subscription and proposed to increase the Company’s share capital through a fresh issue of share capital.

Prior to the IPO, the parent company increased its share capital through an issue of additional shares of 1,000,000 of RO 1 each to the promoting shareholders.

As part of the IPO process, the par value of the shares was split from RO 1 per share to RO 0.100 per share thereby increasing the number of shares from the existing 21,000,000 to 210,000,000.

15 Share premium

Under the terms of the IPO, 100 million shares were offered for subscription to the general public @ RO 0.600 per share representing RO 0.100 nominal value and RO 0.500 share premium. This resulted in a cash inflow of RO 60 million. Of the amount collected, RO 36 million (comprising premium of RO 30 million and nominal value of RO 6 million for 60 million shares of RO 0.100 per share) was repaid to the promoting shareholders as consideration for their shares offered for sale, while the remaining RO 24,000,000 accrued to the Company resulting in a share premium of RO 20,000,000 and an increase in share capital of RO 4,000,000 for 40 million shares of RO 0.100 per share. Share premium is stated net of share issue expenses of RO 830,491.

16 DIVIDEND

A stock dividend of 20% totalling to 50,000,000 shares of RO 0.100 each and cash dividend of RO 0.020 per ordinary share totalling to RO 5,000,000 proposed for the financial year 2008 was approved at the Annual General Meeting held in March 2009 and subsequently credited to shareholders account during the year .

For the year 2009, a cash dividend of 10% amounting to RO 3,000,000 and a stock dividend of 10% totalling to 30,000,000 shares of RO 0.100 each has been proposed by the Board of Directors and will be submitted for the formal approval at the Annual General Meeting of the company to be held in March 2010.

17 STATUTORY RESERVE

The statutory reserve, which is not available for distribution is calculated in accordance with Article 154 of the Commercial Companies Law. The annual appropriation shall be 10% of the profit after taxes for each year until such time as the reserve equals to at least one third of the share capital. At 31 December 2009 the statutory reserve has reached one third of the issued share capital after the transfer of RO 1,666,667 to the reserve from the share premium account.

18 RETAINED EARNINGS

Retained earnings includes statutory reserve of the subsidiary of RO 145,579 (2008 - RO 107,944), which is not available for distribution.

19 TERM LOANS

	Parent company		Consolidated	
	2009	2008	**2009**	2008
	RO	RO	**RO**	RO
Term loans:				
- from banks	**45,581,047**	41,717,719	**45,581,047**	41,717,719
- finance companies (Note 33)	**-**	-	**1,944,378**	-
	45,581,047	41,717,719	**47,525,425**	41,717,719
Less: Current portion				
- from banks	**20,000,616**	14,639,713	**20,000,616**	14,639,713
- finance companies (Note 33)	**-**	-	**795,863**	-
Long term portion	**20,000,616**	14,639,713	**20,796,479**	14,639,713
- from banks	**25,580,435**	27,078,006	**25,580,435**	27,078,006
- finance companies (Note 33)	**-**	-	**1,148,515**	-
	25,580,435	27,078,006	**26,728,950**	27,078,006

The term loans are stated at the proceeds received net of repayments and amounts repayable within next twelve months have been shown as a current liability. The term loans from banks are secured against the contract receivables. The term loans from finance companies are secured against the jointly registered assets [note 4 (c)].

The interest rates on term loans were as follows:

	2009	2008
Floating rate loans	LIBOR + 1.2% to 2%	LIBOR + 1.2% to 1.75%
Fixed interest rate loans	6.25% to 9%	6.5% to 8.5%

The term loans are repayable as follows:

	Parent company		Consolidated	
	2009	2008	**2009**	2008
	RO	RO	**RO**	RO
Within one year	**20,000,616**	14,639,713	**20,796,479**	14,639,713
In the second year	**12,352,657**	14,326,429	**12,886,608**	14,326,429
In the third to fifth year inclusive	**13,277,774**	12,751,577	**13,842,338**	12,751,577
	45,581,047	41,717,719	**47,525,425**	41,717,719

20 PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITY

	Parent company		*Consolidated*	
	2009	*2008*	***2009***	*2008*
	RO	*RO*	***RO***	*RO*
At 1 January	**5,084,380**	3,825,795	**5,181,698**	**3,905,198**
Charge for the year	**2,177,118**	2,115,831	**2,186,606**	2,137,304
Amounts paid	**(1,210,629)**	(857,246)	**(1,221,038)**	(860,804)
At 31 December	**6,050,869**	5,084,380	**6,147,266**	5,181,698

21 BANK BORROWINGS

	Parent company		*Consolidated*	
	2009	*2008*	***2009***	*2008*
	RO	*RO*	***RO***	*RO*
Bank overdrafts	**2,611,033**	5,906,141	**2,694,588**	5,959,222
Loan against trust receipts	**20,267,545**	30,082,969	**20,267,545**	30,082,969
Bills discounted	**301**	2,832,300	**301**	2,832,300
	22,878,879	38,821,410	**22,962,434**	38,874,491

Bank borrowings are repayable on demand or within one year. The interest rates on bank borrowings vary between 6% to 9% per annum (2008 - 6% to 9% per annum). Bank borrowings are secured against the contract receivables.

22 SHORT TERM LOANS

	Parent company		*Consolidated*	
	2009	*2008*	***2009***	*2008*
	RO	*RO*	***RO***	*RO*
Short term loans:				
From banks	**22,499,920**	17,671,692	**22,499,920**	17,671,692
From a related party (note 29)	**-**	-	**-**	-
	22,499,920	17,671,692	**22,499,920**	17,671,692

The interest rates on bank loans vary between 4.5% to 9% per annum (2008 - 4.2% to 8% per annum). Bank loans are repayable within one year and are secured against the contract receivables.

23 TRADE AND OTHER PAYABLES

	Parent company		Consolidated	
	2009	2008	**2009**	2008
	RO	RO	**RO**	RO
Trade payables	**94,940,502**	85,953,246	**95,231,809**	88,332,654
Due to related parties (note 29)	**4,239,722**	2,829,595	**4,897,237**	3,445,440
Due to subsidiary	**774,774**	819,105	**-**	-
Creditors for purchase of property, plant and equipment	**4,785,671**	6,500,497	**4,864,901**	6,500,497
Amounts due to customers under construction contracts (note 10)	**15,903,223**	5,827,219	**15,903,223**	5,827,219
Advances on contracts	**25,272,123**	22,145,104	**25,291,046**	22,161,527
Accrued expenses	**8,305,519**	6,737,475	**8,366,261**	6,809,010
Provision for employees' leave pay and passage	**4,942,806**	3,829,904	**4,962,975**	3,853,475
Due to employee	**391,844**	-	**391,844**	-
	159,556,185	134,642,145	**159,909,297**	136,929,822

24 TAXATION

Income tax is provided as per the provisions of the "Law of Income Tax on Companies" in Oman after adjusting the items which are non-assessable or disallowed. Income tax is calculated at 12% on the adjusted taxable income after deducting the statutory exemption of RO 30,000.

a) Income tax expense

	Parent company		Consolidated	
	2009	2008	**2009**	2008
	RO	RO	**RO**	RO
Current tax charge	**-**	878,143	**-**	878,143
Deferred tax charge [note 24 (b)]	**576,528**	2,212,291	**689,643**	2,212,291
	576,528	3,090,434	**689,643**	3,090,434

The reconciliation between tax on accounting profit and tax profit is as follows:

	Parent company		Consolidated	
	2009	2008	**2009**	2008
	RO	RO	**RO**	RO
Profit before tax	**4,621,385**	25,789,574	**4,443,907**	26,199,424
Tax @12% after deducting RO 30,000 each	**550,966**	3,091,149	**526,069**	3,136,731
Tax effect of expenses that are not deductible and temporary differences	**25,562**	(715)	**163,574**	(46,297)
	576,528	3,090,434	**689,643**	3,090,434

24 TAXATION (continued)

The Group's income tax assessment up to the year 2003 has been finalized by the Taxation Department. The management believes that any taxation for the unassessed years will not be material to the financial position of the Group as at the balance sheet date.

b) Deferred tax liability

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a principal tax rate of 12% (2008- 12%).

The net deferred tax liability and deferred tax charge / (release) in the income statement are attributable to the following items:

Parent Company

	1 Jan 2009 RO	***Charged to Income statement RO***	***31 Dec 2009 RO***	*1 Jan 2008 RO*	*Charged to Income statement RO*	*31 Dec 2008 RO*
Property, plant and Equipment	**6,444,584**	**1,751,956**	**8,196,540**	4,232,293	2,212,291	6,444,584
Unabsorbed losses					-	-
(per tax laws)	**-**	**(1,175,428)**	**(1,175,428)**		-	-
Trade receivables	**(25,510)**	**-**	**(25,510)**	(25,510)	-	(25,510)
Inventories	**(8,116)**	**-**	**(8,116)**	(8,116)	-	(8,116)
	6,410,958	**576,528**	**6,987,486**	4,198,667	2,212,291	6,410,958

b) Deferred tax liability (continued)

Consolidated

	1 Jan 2009 RO	***Charged to income statement RO***	***31 Dec 2009 RO***	*1 Jan 2008 RO*	*Charged to income statement RO*	*31 Dec 2008 RO*
Property, plant and Equipment	**6,619,985**	**1,865,071**	**8,485,056**	4,418,669	2,212,291	6,619,985
Unabsorbed losses		**-**			-	-
(per tax laws)	**-**	**(1,175,428)**	**(1,175,428)**		-	-
Trade receivables	**(29,119)**	**-**	**(29,119)**	(24,995)	**-**	(29,119)
Inventories	**(8,116)**	**-**	**(8,116)**	(8,116)	**-**	(8,116)
Effect of unutilised tax	**-**	**-**	**-**		**-**	-
Losses	**(52,741)**	**-**	**(52,741)**	(71,265)	**-**	(52,741)
	6,530,009	**689,643**	**7,219,652**	4,314,293	2,212,291	6,530,009

25 CONTRACT COSTS

	Parent company		Consolidated	
	2009	2008	**2009**	2008
	RO	RO	**RO**	RO
Materials	**176,146,389**	141,184,407	**176,146,389**	141,184,407
Salaries and wages	**82,027,382**	70,070,395	**82,027,382**	70,070,395
Sub-contracting	**76,953,140**	64,694,198	**76,953,140**	64,694,198
Depreciation of property, plant and equipment [note 4 (d)]	**21,600,508**	17,285,264	**21,600,508**	17,285,264
Hire of equipment and vehicles	**6,469,148**	7,894,210	**5,878,419**	6,750,586
Fuel	**14,628,653**	13,485,380	**14,628,653**	13,485,380
Camp maintenance	**3,143,615**	2,295,415	**3,143,615**	2,295,415
Insurance	**2,811,477**	2,489,587	**2,811,477**	2,489,587
Repairs and maintenance	**1,770,047**	1,526,845	**1,770,047**	1,526,845
Rent of accommodation	**2,495,226**	1,356,731	**2,495,226**	1,356,731
Communication	**819,712**	700,756	**819,712**	700,756
Bank guarantee and other charges	**1,735,061**	1,934,700	**1,735,061**	1,934,700
Miscellaneous	**4,089,913**	2,833,014	**4,089,913**	2,833,014
	394,690,271	327,750,902	**394,099,542**	326,607,278

26 HIRE OPERATING COSTS

	Consolidated	
	2009	2008
	RO	RO
Depreciation of property, plant and equipment [note 4 (d)]	**700,111**	599,883
Salaries and wages	**498,661**	519,129
Equipment hire charges	**207,035**	137,400
Stores and consumables	**287,589**	455,767
Salary to Managing Director (note 32)	**6,000**	36,000
Repairs and maintenance	**92,877**	79,418
Employees' benefits	**41,632**	55,413
Insurance	**60,090**	60,235
Rent	**27,770**	27,445
Inward shipping charges	**6,001**	18,821
Communication	**9,077**	11,119
Office maintenance	**3,759**	4,138
Other staff expenses	**24,939**	22,187
Utilities	**3,000**	2,539
Printing and stationery	**2,224**	2,523
Business promotion	**2,093**	509
Visa and recruitment	**12,800**	12,795
Clearing and forwarding	**341**	1,202
Provision for impaired debt	**-**	-
Miscellaneous expenses	**17,689**	9,705
	2,003,688	2,056,228

27 GENERAL AND ADMINISTRATIVE EXPENSES

	Parent company		Consolidated	
	2009	2008	**2009**	2008
	RO	RO	**RO**	RO
Personnel costs	**5,127,172**	4,467,848	**5,127,172**	4,467,848
Directors' expenses (note 29)	**194,111**	196,668	**194,111**	196,668
Office maintenance	**933,417**	1,399,222	**933,417**	1,399,222
Depreciation of property, plant and equipment [note 4(d)]	**361,416**	204,942	**361,416**	204,942
Office expenses	**586,941**	530,403	**586,941**	530,403
Business promotion	**473,573**	328,865	**473,573**	328,865
Communication	**197,545**	178,554	**197,545**	178,554
Tender fees	**175,495**	126,124	**175,495**	126,124
Professional fees	**164,881**	133,863	**164,881**	133,863
Insurance	**61,002**	77,518	**61,002**	77,518
Repairs and maintenance	**71,319**	70,804	**71,319**	70,804
Bad debts written off	**-**	36,543	**-**	36,543
Printing and stationery	**53,621**	62,932	**53,621**	62,932
Travel	**231,064**	67,870	**231,064**	67,870
Income Tax for earlier years	**119,655**	-	**119,655**	-
	8,751,212	7,882,156	**8,751,212**	7,882,156

Office maintenance includes depreciation of RO 83,228 (2008 - RO 74,138).

28 NET FINANCING COSTS

	Parent company		Consolidated	
	2009	2008	**2009**	2008
	RO	RO	**RO**	RO
Interest costs	**4,719,288**	3,980,245	**4,888,948**	4,095,877
Interest income	**(585,396)**	(118,157)	**(585,396)**	(118,157)
	4,133,892	3,862,088	**4,303,552**	3,977,720

29 OTHER INCOME

	Parent company		Consolidated	
	2009	2008	**2009**	2008
	RO	RO	**RO**	RO
Income from training centre	**(397,393)**	558,957	**(397,393)**	558,957
Gain on disposal of property, plant and Equipment	**62,997**	398,540	**128,206**	398,540
Insurance claims	**1,892,157**	974,889	**1,893,057**	1,009,854
Miscellaneous	**363,991**	376,082	**369,373**	388,619
	1,921,752	2,308,468	**1,993,243**	2,355,970

Income from training center is net of all expenses, including depreciation of RO 91,749 (2008:RO 7,054) [note 4(d)].

30 EARNINGS PER SHARE

	Parent company		*Consolidated*	
	2009	*2008*	***2009***	*2008*
	RO	*RO*	***RO***	*RO*
Profit for the year (RO)	**4,044,857**	22,699,140	**3,754,264**	22,912,959
Weighted average number of shares	**287,500,000**	250,000,000	**287,500,000**	250,000,000
Basic earnings per share (RO)	**0.014**	0.091	**0.013**	0.092

The par value of each share is 100 baizas. During the year ended 31 December 2009, the company issued 50,000,000 shares of RO 0.1 for each share which was transferred from retained earnings to share capital to the existing shareholders. As the bonus issue was without consideration, the number of ordinary shares outstanding before the event is adjusted for the proportionate change in the number of ordinary shares outstanding as if the event had occurred at the beginning of the earliest period presented

The basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the parent Company by the weighted average number of shares outstanding during the year.

31 NET ASSETS PER SHARE

Net assets per share is calculated by dividing the shareholder's equity at the year end by the number of shares issued and paid up, as follows:

	Parent company		*Consolidated*	
	2009	*2008*	***2009***	*2008*
	RO	*RO*	***RO***	*RO*
Net assets (RO)	**81,905,704**	82,860,846	**82,015,926**	83,329,136
Number of shares outstanding at the year end	**300,000,000**	250,000,000	**300,000,000**	250,000,000
Net assets per share (RO)	**0.273**	0.331	**0.273**	0.333

32 RELATED PARTY TRANSACTIONS

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

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

32 RELATED PARTY TRANSACTIONS (continued)

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

	Parent company		Consolidated	
	2009	2008	**2009**	2008
	RO	RO	**RO**	RO
Hire charges	**590,729**	1,143,624	**1,687,074**	2,899,792
Contract income	**53,833**	414,773	**53,833**	414,773
Interest paid	**-**	23,838	**-**	23,838
Purchase of property, plant and equipment	**372,508**	559,532	**372,508**	559,532
Purchase of goods / services	**5,157,682**	7,299,903	**5,207,182**	7,356,404

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

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise).

The remuneration of directors and other members of key management during the year was as follows:

	Parent company		Consolidated	
	2009	2008	**2009**	2008
	RO	RO	**RO**	RO
Short term benefits to members of key management	**1,062,242**	1,841,766	**1,091,513**	1,841,766
Post employment benefits to members of key management	**7,060**	12,950	**7,060**	12,950
Director's remuneration	**-**	-	**-**	36,000
	1,069,303	1,854,716	**1,098,573**	1,890,716

33 COMMITMENTS AND CONTINGENCIES

	Parent company		Consolidated	
	2009	2008	**2009**	2008
	RO	RO	**RO**	RO
Bonds and guarantees	**140,069,030**	147,054,798	**140,071,670**	147,057,438
Letters of credit	**23,845,210**	55,704,806	**23,845,210**	55,704,806
Capital commitments	**9,622,840**	6,902,378	**9,622,840**	6,902,378
	173,537,081	209,661,982	**173,539,721**	209,664,622

33 COMMITMENTS AND CONTINGENCIES (continued)

Finance lease commitments
The Group has finance leases for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	31/12/2009		*31/12/2008*	
	Minimum Payments	***Present Value of payments***	*Minimum Payments*	*Present Value of payments*
	RO	**RO**	*RO*	*RO*
Within one year	**2,930,502**	**2,648,431**	4,423,878	3,957,264
After one year but not more than five years	**3,054,503**	**2,897,155**	5,772,433	5,333,287
Total minimum lease payments	**5,985,005**	**5,545,586**	10,196,310	9,290,551
Less amounts representing finance charges	**439,419**	**-**	905,759	-
Present value of minimum lease payments	**5,545,586**	**5,545,586**	9,290,551	9,290,551

34 BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group operates only in one geographical segment in the Sultanate of Oman.

Segmental information is presented in respect of the Group's business segments. Business segment is based on the Group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business segment
For management purposes, the Group is organized into two operating divisions. These Divisions are the basis on which the Group reports its segmental information. The principal activities of the Divisions are as follows:

Construction
The principal activities are civil and mechanical construction, public health engineering, road construction, electrical, plumbing and maintenance contracts.

Hiring
The main activities are hiring out of cranes, equipment and other vehicles.

34 BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

The financial results, assets and liabilities of business segments are as follows:

	Construction		*Hiring*		*Eliminations*		*Consolidated*	
	2009	*2008*	***2009***	*2008*	***2009***	*2008*	***2009***	*2008*
	RO	*RO*	*RO*	*RO*	*RO*	*RO*	*RO*	*RO*
Segment revenue	**412,196,760**	365,284,720	**2,160,648**	2,581,710	**(590,729)**	(1,143,624)	**413,766,679**	366,722,806
Segment expenses	**(408,151,903)**	(342,585,580)	**(2,286,463)**	(2,171,860)	**590,729**	1,143,624	**(410,012,415)**	(343,613,816)
Segment results	**4,044,857**	22,699,140	**(125,815)**	409,850	**-**	-	**3,754,264**	23,108,990
Segmental assets and liabilities								
Segment assets	**364,699,827**	367,396,593	**5,125,447**	4,893,295	**(1,571,564)**	(1,144,099)	**368,253,710**	371,145,789
Segment liabilities	**282,794,125**	284,535,747	**3,764,189**	3,372,720	**(971,564)**	(819,104)	**285,586,749**	287,081,363

35 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

The Group's principal financial liabilities other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finances for the group's operations. The group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments, held to maturity investments and enters into derivative transactions.

The group's activities expose it to various financial risks, primarily being, market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk. The Group's risk management is carried out internally in accordance with the policies approved by the Board of Directors.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments, and derivative financial instruments

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (short term bank deposits, held to maturity investments, bank borrowings and term loans). The management manages the interest rate risk by constantly monitoring the changes in interest rates and availing lower interest bearing facilities.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates in international markets and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euros, Pound sterling and all GCC currencies.

The majority of the Group's financial assets and financial liabilities are either demoninated in local currency (Rials Omani) or currency fixed against Rials Omani. Term loan is due in US Dollars. As the Omani Rial is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk Hence the management believes that there would not be a material impact on the profitability if these foreign currencies weakens or strengthens against the Omani Rials with all other variables held constant.

Commodity price risk

The group is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase and manufacturing of electric cables and therefore require a continuous supply of copper, aluminum and steel. Due to the significantly increased volatility of the price of the underlying, the group's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

To manage metal price fluctuation risk, the management uses futures contracts to hedge any significant risks arising from fluctuations in metal prices. Future contracts have maturities of less than one year after the balance sheet date. Hence the management believes that there would not be a material impact on the profitability if these commodity prices weakens or strengthens.

35 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

Equity price risk
The Group is exposed to price risk related to quoted investments held by the Group and traded in organized financial markets. To manage its price risk arising from investments in equity, the management continuously monitors the market and the key factors that effect stock market movements. The management believes that the impact of price fluctuation on the quoted investments will not be material considering the amount of quoted investments at the balance sheet date.

Credit risk
Credit risk primarily arises from credit exposures to customers, including outstanding receivables and committed transactions. The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

Capital management
The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern and benefit other stake holders. The management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

Management is confident of maintaining the current level of profitability by enhancing top line growth and prudent cost management. The group is not subject to externally imposed capital requirements.

There has been no change in the group's objectives, policies or process during the year ended 31 December 2009 and 31 December 2008.

35 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

(A) CREDIT RISK

a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

	Parent company		*Consolidated*	
	2009	*2008*	***2009***	*2008*
	RO	*RO*	***RO***	*RO*
Retentions receivables	**33,734,409**	22,823,610	**33,734,409**	22,823,610
Trade receivables	**159,004,291**	147,852,783	**159,349,776**	148,158,060
Prepayments, advances and other receivables	**11,644,319**	13,540,427	**11,967,524**	13,882,532
Deposits with banks	**2,756,366**	12,414,543	**2,759,006**	12,417,183
Bank balances	**1,303,071**	1,287,314	**1,306,665**	1,289,905
	208,442,456	197,918,677	**209,117,380**	198,571,290

The exposure to credit risk for trade receivables at the balance sheet date by type of customer was:

	Parent company		*Consolidated*	
	2009	*2008*	***2009***	*2008*
	RO	*RO*	***RO***	*RO*
Petroleum Development Oman	**30,590,452**	30,081,391	**30,590,452**	30,081,391
Government customers	**91,089,466**	86,376,684	**91,089,466**	87,168,912
Private customers	**37,324,373**	31,394,708	**37,669,858**	31,364,708
	159,004,291	147,852,783	**159,349,776**	148,615,011

The Company has established credit policies and procedures that are considered appropriate for the operations of the Company. The Company's business is conducted mainly by participating in tenders / bids. On acceptance of a tender / bid it enters into a detailed contract with the customer. This contract specifies the payment and performance terms as well as the credit terms.

b) The age of trade receivables at the balance sheet date was:

	Parent company		*Consolidated*	
	Gross	*Impairment*	***Gross***	*Impairment*
	RO	*RO*	***RO***	*RO*
31 December 2009				
Not past due	**57,928,805**	-	**58,156,934**	-
Past due 0 - 60 days	**56,836,882**	-	**56,905,960**	-
Past due 61 - 180 days	**8,602,729**	-	**8,651,007**	-
Past due 181 - 270 days	**7,253,452**	-	**7,253,452**	-
More than 270 days	**28,382,423**	212,580	**28,382,423**	233,901
	159,004,291	212,580	**159,349,776**	233,901

35 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

(A) CREDIT RISK (continued)

	Parent company		*Consolidated*	
	Gross	*Impairment*	*Gross*	*Impairment*
	RO	*RO*	*RO*	*RO*
31 December 2008				
Not past due	71,473,789	-	71,577,443	-
Past due 0 - 60 days	21,352,670	-	21,452,777	-
Past due 61 - 180 days	24,996,605	-	25,332,266	-
Past due 181 - 270 days	15,093,670	-	15,149,260	-
More than 270 days	14,936,049	212,580	15,103,265	215,083
	147,852,783	212,580	148,615,011	215,083

(B) LIQUIDITY RISK

The following are the contractual maturities of financial liabilities, including interest payments:

a) Parent company

Year ended 31 December 2009	*Carrying amount RO*	*0 - 90 days RO*	*91 - 180 days RO*	*181 - 365 days RO*	*>365 days RO*
Term loans	**45,581,047**	**5,000,153**	**5,000,153**	**10,000,307**	**25,580,434**
Creditors for purchase of property, plant and equipment	**3,909,088**				**3,909,088**
Bank borrowings	**22,878,879**	**14,015,601**	**8,863,278**	**-**	**-**
Short term loans	**22,499,920**	**22,499,920**	**-**	**-**	**-**
Trade and other payables	**159,556,185**	**127,644,948**	**23,933,428**	**7,977,809**	
	254,425,119	**169,160,622**	**37,796,859**	**17,978,116**	**29,489,522**

b) Consolidated

Year ended 31 December 2009	*Carrying amount RO*	*0 - 90 days RO*	*91 - 180 days RO*	*181 - 365 days RO*	*>365 days RO*
Term loans	53,071,011	5,855,982	5,855,982	11,711,965	29,647,082
Creditors for purchase of property, plant and equipment	3,909,088	-	-	-	3,909,088
Bank borrowings	22,878,879	14,015,601	8,863,278	-	-
Short term loans	22,499,920	22,499,920	-	-	-
Trade and other payables	159,909,297	127,927,437	23,986,394	7,995,466	
	262,268,195	170,298,940	38,705,654	19,707,431	33,556,170

35 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

(B) LIQUIDITY RISK (Continued)

The following are the contractual maturities of financial liabilities, including interest payments:

a) Parent company

Year ended 31 December 2008	*Carrying amount RO*	*0 - 90 days RO*	*91 - 180 days RO*	*181 - 365 days RO*	*>365 days RO*
Term loans	51,008,270	4,649,244	4,649,244	9,298,489	32,411,293
Creditors for purchase of property, plant and equipment	5,834,341	-	-	-	5,834,341
Bank borrowings	38,821,410	23,779,926	15,041,484	-	-
Short term loans	17,671,692	17,671,692	-	-	-
Trade and other payables	134,642,145	107,330,725	7,161,400	20,150,020	-
	247,977,858	153,431,587	26,852,128	29,448,509	38,245,634

b) Consolidated

Year ended 31 December 2008	*Carrying amount RO*	*0 - 90 days RO*	*91 - 180 days RO*	*181 - 365 days RO*	*>365 days RO*
Term loans	51,008,270	4,649,244	4,649,244	9,298,489	32,411,293
Creditors for purchase of property, plant and equipment	5,834,341	-	-	-	5,834,341
Bank borrowings	38,874,491	23,833,007	15,041,484	-	-
Short term loans	17,671,692	17,671,692	-	-	-
Trade and other payables	136,929,822	109,618,402	7,161,400	20,150,020	-
	250,318,616	155,772,345	26,852,128	29,448,509	38,245,634

(C) INTEREST RATE RISK

The Group's exposure to interest rate risk relates to its bank deposits, borrowings, and term loans.

Term loans of RO 16,391,764 (2008 - RO 35,534,435) are recognized at fixed interest rates and expose the Group to the fair value interest rate risk. The remaining term loans of RO 29,189,283 (2008 - RO 15,473,835) are recognized at floating rates thus exposing the Group to cash flow interest rate risk.

The company's short term bank deposits carry fixed rates of interest and therefore are not exposed to interest rate risk.

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values
Financial instruments comprise financial asset, financial liabilities and derivatives.

Financial assets consist of bank balances, receivables and available for sale investments. Financial liabilities consist of term loans, government soft loan and payables. Derivatives relates to forward currency and commodity hedging contracts.

Set out below is a comparison by class of the carrying amounts and fair value of the group's financial instruments that are carried in the financial statements.

	Carrying amount				**Fair value**			
	2009		2008		**2009**		2008	
	Group RO	**Parent RO**	Group RO	Parent RO	**Group RO**	**Parent RO**	Group RO	Parent RO
Financial assets								
Trade and other receivables	**122,122,155**	**121,776,670**	102,746,511	101,954,283	**122,122,155**	**121,776,670**	102,746,511	101,954,283
Available for sale investments	**145,000**	**125,000**	145,000	125,000	**145,000**	**125,000**	145,000	125,000
Held to maturity investments	**-**	**-**	-	-	**-**	**-**	-	-
Due from related parties	**1,179,706**	**897,512**	2,184,312	2,184,312	**1,179,706**	**897,512**	2,184,312	2,184,312
Cash and bank balances	**1,648,961**	**1,644,473**	1,884,433	1,880,460	**1,648,961**	**1,644,473**	1,884,433	1,880,460
Investment in associate	**1,066,573**	**1,066,573**	-	-	**1,066,573**	**1,066,573**	-	-
Total	**126,162,395**	**125,510,228**	106,960,256	106,144,055	**126,162,395**	**125,510,228**	106,756,084	106,144,055
Financial liabilities								
Trade and other payables	**159,909,297**	**159,556,185**	141,706,672	139,418,995	**159,909,297**	**159,556,185**	139,669,692	139,418,995
Due to related parties	**4,897,237**	**5,014,496**	3,445,440	3,648,700	**4,897,237**	**5,014,496**	3,445,440	3,648,700
Bank borrowings	**22,962,434**	**22,878,879**	38,874,491	38,821,410	**22,962,434**	**22,878,879**	38,874,491	38,821,410
Taxation	**-**	**-**	-	-	**-**	**-**	-	-
Term loans	**75,570,934**	**68,679,962**	68,679,962	68,679,962	**75,570,934**	**68,679,962**	68,679,962	68,679,962
Total	**263,339,902**	**256,129,522**	252,706,565	250,569,067	**263,339,902**	**256,129,522**	252,706,565	250,569,067

37 KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below :

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

At the balance sheet date, gross trade accounts receivable were RO 159,349,776 (2008: RO 148,615,011), and the provision for doubtful debts was RO 233,901 (2008: RO 215,083). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Percentage of completion
The company uses the survey method when accounting for contract revenue. Use of the survey method requires the company to reliably estimate the costs by reference to the stage of completion of the construction activity at the balance sheet date. The accuracy of this estimate has a material impact on the amount of revenue and related profits recognised. Any revision to profit arising from changes in estimates is accounted for in the period when the changes become known.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

At the balance sheet date, gross inventories were RO 23,325,183 (2008: RO 46,362,770) with provisions for old and obsolete inventories of RO 80,442 (2008: RO 67,633) respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Useful lives of property, plant and equipment
The group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of equity investments
The group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is ‘significant’ or ‘prolonged’ requires judgment, which is critically evaluated by the group on a case to case basis.

Taxes
Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The group establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of respective group companies. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

38 COMPARATIVE AMOUNTS

Certain of the corresponding figures for 2008 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.