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 on the Muscat Security Exchange.

The principal activities of Galfar Engineering and Contracting SAOG and its subsidiaries ("the group") are road, bridge and airport construction, oil and gas including EPC works, civil and mechanical construction, public health engineering, electrical, plumbing and maintenance contracts and Design, Build, Finance , Operate and Transfer (DBFOT) projects.

2. Significant Accounting Policies

Basis of preparation

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

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of 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. The assumptions concerning the key sources of estimation uncertainty at the reporting date are set out in note 38.

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

Going concern

During the year ended 31 December 2015 the group incurred a loss of RO 28,859 (2014 - profit of RO 197) thousands. As at that date the retained earnings amounted to RO 539 (2014 - RO 29,421) thousands. The Board of Directors are committed to take necessary measures to strengthen the financial position of the Group to ensure that the Group becomes profitable. The parent company has taken necessary steps to strengthen the company's financial position and has mandated Oman Arab Bank as Issue Manager for convertible bonds or any other instrument. Further to support the company's Business Plan for the coming years, the Company has decided to appoint a Lead Financial Advisor for financial re-engineering as well as to arrange necessary banking facilities including term loans. A leading global strategy consultancy, Roland Berger, with strong track record in operational, organizational and financial company transformation has been also appointed with a long-term mandate to achieve a sustainable improvement in the company's financial performance and operational efficiency. A holistic transformation program has been initiated to drive sustainable profitability. Key building blocks of this process include organizational transformation and enhanced talent management, enhanced liquidity management and assets optimisation, overhead cost reductions, productivity improvement and lean on-site execution, supply chain management optimisation, and IT transformation.

The Parent Company has been profitable in the past and has a dividend paying history. The parent company has never defaulted in servicing its lenders. Though at the reporting date, there were certain breach of covenants with two banks (as referred in note 18), the company continues enjoying adequate ongoing banking facilities. The group is committed to meeting all the loan repayment obligations as they fall due. The parent company regularly pays its employees and creditors and not defaulted in tax payment. Building on the company's strong market position as Oman's largest construction entity and having a strong order book, the business in year 2016 is expected to be better than previous year levels despite an increasingly challenging market environment.

Change in accounting policy and disclosures

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

Standards and amendments effective in 2015 and relevant for the group's operations:

For the year ended 31 December 2015, the group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2015.

The adoption of these standards and interpretations has not resulted in changes to the group's accounting policies and has not affected the amounts reported in the consolidated financial statements.

Basis of preparation (continued)
Change in accounting policy and disclosures (continued)

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2016 or later periods, but the group has not early adopted them and the impact of these standards and interpretations is not reasonably estimable as at 31 December 2015:

IFRS 9, 'Financial instruments', (effective on or after 1 January 2018);
IFRS 15, 'Revenue from contracts with customers' (effective on or after 1 January 2018); and
IFRS 16, 'Leases' (effective on or after 1 January 2019)

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

Basis of consolidation

The consolidated financial statements comprise those of Galfar Engineering and Contracting SAOG, its subsidiaries and its associates as at closing of each year. A subsidiary is a company in which the group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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

The financial statements of the subsidiary are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

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

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

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

If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit

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

Business combinations and goodwill

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through statement of comprehensive income.

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

2. Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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

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

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

Changes in ownership interests in subsidiaries without change of control:
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as 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.

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.

The financial statements of the associates are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

Property, plant and equipment

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

Property, plant and equipment (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, 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)

Impairment of non-financial assets (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,overdrafts and advaces from clients.

Derivative financial instruments

Derivatives are initially recognised at fair value 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.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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 in the statement of financial position at amortised cost using the effective interest method.

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.
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest-bearing loans and borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method. 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 until such time as the assets are substantially ready for their intended use. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Significant Accounting Policies (continued)

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Group as a lessee

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

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

Derecognition of financial assets and liabilities

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

The rights to receive cash flows from the asset have expired; or

The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

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

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

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 between the fair value of new liability and the carrying value of exsisting liability 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:

(a) For available for sale assets carried at fair value, impairment is the difference between cost and fair value;

(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the weighted avereage of cost of capital.

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

Offsetting

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

2. Significant Accounting Policies (continued)

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 can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and the risks specific to the obligation.

Provision for employees' benefits

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

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

Dividend on ordinary shares

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

Taxation

Current income tax

Taxation is provided based on relevant laws of the respective countries in which the group operates. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the companies subsidiaries and associates operate and generate taxable income

Deferred taxation

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

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

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

2. Significant Accounting Policies (continued)

Contract revenue recognition

A construction contract is defined by IAS 11 as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue, and they can be reliably measured.

A variation is included in contract revenue when:
(a) it is probable that the customer will approve the variation and the amount of revenue arising from the variation; and (b) the amounts of revenue can be reliably measured.

Claims are included in contract revenue only when:
(a) negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and
(b) the amount that it is probable will be accepted by the customer can be measured reliably.

Incentive payments are included in contract revenue when:
(a) the contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded; and
(b) the amount of the incentive payment can be measured reliably.

The company uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Contract work in progress

Work in progress on long term contracts is calculated at cost plus attributable profit, to the extent that this is reasonably certain after making provision for contingencies, less any losses foreseen in bringing contracts to completion and less amounts received and receivable as progress payments. These are disclosed as 'Due from customers on contracts'. Cost for this purpose includes direct labour, direct expenses and an appropriate allocation of overheads. For any contracts where receipts plus receivables exceed the book value of work done, the excess is included as ' Due to customers on contracts' in accounts payable and accruals.

Sales and service income

Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date.

Contract costs

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Contract costs are recognised as expenses 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.

2. Significant Accounting Policies (continued)

Interest income

Interest income and expense are accounted for on an accrual basis using the effective interest rate method.

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Foreign currency translation

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Items included in the financial statements of the company are measured and presented in Rials Omani being the currency of the primary economic environment in which the parent company operates.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors. A segment is a distinguishable component of the group that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The segment information is set out in note 35.

3. Property, plant and equipment - Parent Company

Amount in RO '000s

Particulars	Land	Building & Camps	Plant & Machinery	Motor Vehicles & Equipment	Furniture & Equipment's	Project Equipment & Tools	Capital Work-in-Progress	Total
Costs								
At 1 January 2014	1,278	33,404	127,694	74,999	14,584	15,055	-	267,014
Additions		772	2,076	1,508	401	252	16	5,025
Disposals/writtenoff	-	(2,040)	(8,055)	(6,525)	(5,443)	(6,888)	-	(28,951)
Transfers	-	212	315	-	(1,386)	670		(189)
At 1 January 2015	1,278	32,348	122,030	69,982	8,156	9,089	16	242,899
Additions		750	7,480	9,400	578	430	(6)	18,632
Disposals	-	(147)	(4,297)	(6,251)	(56)	(2)	-	(10,753)
Transfers	-			10			(10)	-
At 31 December 2015	**1,278**	**32,951**	**125,213**	**73,141**	**8,678**	**9,517**	**-**	**250,778**
Depreciation								
At 1 January 2015	-	19,400	73,742	44,825	6,603	6,438	-	151,008
Charge for the year	-	1,696	11,100	6,448	514	1,014	-	20,772
Disposals	-	(144)	(3,651)	(5,431)	(56)	(2)	-	(9,284)
Transfers	-							-
At 31 December 2015	**-**	**20,952**	**81,191**	**45,842**	**7,061**	**7,450**	**-**	**162,496**
Net book value								
At 31 December 2015	**1,278**	**11,999**	**44,022**	**27,299**	**1,617**	**2,067**	**-**	**88,282**
At 31 December 2014	1,278	12,948	48,288	25,157	1,553	2,651	16	91,891

3. Property, plant and equipment - Consolidated

Amount in RO '000s

Description	Land	Building & Camps	Plant & Machinery	Motor Vehicles & Equipment	Furniture & Equipment's	Project Equipment & Tools	Capital Work-in- Progress	Total
Costs								
At 1 January 2015	1,278	32,517	136,012	76,752	8,613	9,306	383	264,861
Additions	-	750	8,688	10,758	653	451	(2)	21,298
Disposals	-	(147)	(4,669)	(6,420)	(71)	(11)	-	(11,318)
Transfers	-	-	15	10	22	-	(74)	(27)
At 31 December 2015	**1,278**	**33,120**	**140,046**	**81,100**	**9,217**	**9,746**	**307**	**274,814**
Depreciation								
At 1 January 2015	-	19,459	80,070	47,383	6,787	6,473	-	160,172
Charge for the year	-	1,708	12,428	7,118	552	1,029	-	22,835
Disposals	-	(145)	(3,916)	(5,481)	(59)	(3)	-	(9,604)
Transfers	-	-	(13)	-	13	-	-	-
At 31 December 2015	**-**	**21,022**	**88,569**	**49,020**	**7,293**	**7,499**	**-**	**173,403**
Net book value								
At 31 December 2015	**1,278**	**12,098**	**51,477**	**32,080**	**1,924**	**2,247**	**307**	**101,411**
At 31 December 2014	1,278	13,058	55,942	29,369	1,822	2,833	383	104,685

As at 31 December 2015 — Amount in RO '000s

	Parent Company		Consolidated	
	2015	2014	**2015**	2014

3. Property, plant and equipment (continued)

Capital work-in-progress represents a building under construction in a subsidiary company.

Land and buildings with a net book value of RO 10,820 (2014: RO 11,674) thousands have been mortgaged in favour of the Bank against term loan obtained by the parent company. Vehicles and equipment have been jointly registered with bank / finance companies for insured value of RO 181,420 (2014: RO 121,958) thousands to obtain term loan. (note 18)

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

	Parent 2015	Parent 2014	Consolidated 2015	Consolidated 2014
Contract costs (note 27)	**19,445**	20,402	**21,479**	22,149
General and administrative expenses (note 28)	**1,327**	1,392	**1,356**	1,422
	20,772	21,794	**22,835**	23,571

4. Intangible assets

	Parent 2015	Parent 2014	Consolidated 2015	Consolidated 2014
Costs				
Balance at beginning of the year	**2,689**	2,693	**20,793**	2,713
Addition for the year	**27**	15	**10,468**	18,099
Written off	**-**	(208)	**-**	(208)
Transfer from property,plant and equipment	**-**	189	**27**	189
Balance at end of the year	**2,716**	2,689	**31,288**	20,793
Amortisation				
Balance at beginning of the year	**1,558**	1,179	**1,568**	1,180
Charge for the year	**398**	400	**408**	409
Written off	**-**	(208)	**-**	(208)
Transfer from property, plant and equipment	**-**	187	**5**	187
Balance at end of the year	**1,956**	1,558	**1,981**	1,568
Net book value at end of the year	**760**	1,131	**29,307**	19,225

The intangible assets of the parent company comprise of the computer soft ware.

The intangible assets of the group comprise of the computer soft ware and concessionaire rights under development as follows:

	Computer soft ware		Concessionaire rights under	
	2015	2014	**2015**	2014
Costs				
Balance at beginning of the year	**2,744**	2,713	**18,049**	-
Addition for the year (Refer note 5(1))	**34**	50	**10,434**	18,049
Written off	**-**	(208)	**-**	-
Transfers	**27**	189	**-**	-
Balance at end of the year	**2,805**	2,744	**28,483**	18,049
Amortisation				
Balance at beginning of the year	**1,568**	1,180	-	-
Charge for the year	**408**	409	-	-
Written off	**-**	(208)	-	-
Transfers	**5**	187	-	-
Balance at end of the year	**1,981**	1,568	-	-
Net book value at end of the period	**824**	1,176	**28,483**	18,049

5. Investment in subsidiaries

	Parent 2015	Parent 2014	Consolidated 2015	Consolidated 2014
Galfar Engineering & Contracting India Pvt. Ltd.	**4,552**	1,595	**-**	-
Galfar Aspire Readymix LLC	**2,898**	148	**-**	-
Salasar Highways Pvt. Ltd.	**1,276**	1,276	**-**	-
Al Khalij Heavy Equipment & Engineering LLC	**600**	600	**-**	-
Kashipur Sitarganj Highways Pvt. Ltd.	**307**	307	**-**	-
Aspire Projects & Services LLC	**200**	200	**-**	-
Galfar Mott MacDonald LLC	**163**	163	**-**	-
Galfar Training Institute LLC	**149**	149	**-**	-
Galfar Wasen Contracting Company	**58**	58	**-**	-
	10,203	4,496	**-**	-

As at 31 December 2015 Amount in RO '000s

	Parent Company		Consolidated	
	2015	2014	**2015**	2014

5. Investment in subsidiaries (continued)

Information on principal activities and shareholding is summarised below:

	Principal activity	Place and year of incorporation	
Galfar Engineering & Contracting India Pvt. Ltd.	Construction	India	2009
Galfar Aspire Readymix LLC	Manufacturing	Oman	2012
Salasar Highways Pvt. Ltd. (i)	Concessionaire	India	2013
Al Khalij Heavy Equipment & Engineering LLC	Hiring Equipment's	Oman	2006
Kashipur Sitarganj Highways Pvt. Ltd. (i)	Concessionaire	India	2013
Galfar Training Institute LLC	Training	Oman	2009
Aspire Projects & Services LLC	Construction	Oman	2011
Galfar Mott MacDonald LLC	EPC consultancy	Oman	2013
Galfar Wasen Contracting Company	Construction	Libya	2010

	Shares acquired by parent company		Shares acquired by the group	
Galfar Engineering & Contracting India Pvt. Ltd.	100%	100%	100%	100%
Galfar Aspire Readymix LLC (ii)	100%	99%	100%	100%
Salasar Highways Pvt. Ltd. (i)	20%	24%	100%	100%
Al Khalij Heavy Equipment & Engineering LLC	52%	52%	52%	52%
Kashipur Sitarganj Highways Pvt. Ltd. (i)	4%	9%	100%	100%
Galfar Training Institute LLC	99%	99%	100%	100%
Aspire Projects & Services LLC	100%	100%	100%	100%
Galfar Mott MacDonald LLC	65%	65%	65%	65%
Galfar Wasen Contracting Company	65%	65%	65%	65%

(i) Salasar Highways Pvt. Ltd. and Kashipur Sitarganj Highways Pvt. Ltd., the two companies are incorporated in India as concessionaire to handle DBFOT road projects with total project costs at equivalent RO 37,750 thousands and RO 42,500 thousands respectively. The projects were awarded to the parent company in November, 2012 and are being executed by the subsidiary company Galfar Engineering and Contracting India Pvt. Ltd. (GECIPL). The total investment in these companies made by the parent company and GECIPL is RO 1,583 thousands (2014 - 1583 thousands) and RO 11434 thousands (2014 - 7046 thousands) respectively . The construction of both the projects are under progress and expected to be completed in year 2016.

(ii) During the year, Galfar Aspire Redimix LLC where the parent company now owns 100% of the issued share capital, has further issued shares amounting to RO 2,750 thousands (2014 - 100 Thousands) to the parent company.

6. Investment in associates

	Parent 2015	Parent 2014	Consolidated 2015	Consolidated 2014
Galfar Engineering & Contracting Kuwait KSC (GEC) (i)	**5,323**	5,323	**2,598**	2,590
Mahakaleswar Tollways Pvt. Ltd. (MTPL) (ii)	**2,255**	2,255	**(771)**	(710)
Shree Jagannath Expressway Pvt. Ltd. (SJEPL) (ii)	**739**	739	**1,264**	1,427
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL) (ii)	**344**	344	**1,659**	2,010
International Water Treatment LLC (IWT) (iii)	**45**	45	**(926)**	(456)
Binani Aspire LLC (iv)	**-**	-	**75**	-
	8,706	8,706	**3,899**	4,861

As at 31 December 2015 Amount in RO '000s

	Parent Company		Consolidated	
	2015	2014	**2015**	2014

6. Investment in associates (continued)

Information on principal activities and shareholding is summarised below:

	Principal activity	Place of incorporation	Year of incorporation
Galfar Engineering & Contracting Kuwait KSC (i)	Construction	Kuwait	2010
Mahakaleswar Tollways Pvt. Ltd. (MTPL) (ii)	Concessionaire	India	2010
Shree Jagannath Expressway Pvt. Ltd. (SJEPL) (ii)	Concessionaire	India	2011
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL) (ii)	Concessionaire	India	2011
International Water Treatment LLC (IWT) (iii)	Construction	Oman	2013
Binani Aspire LLC (iv)	Manufacturing	Oman	2015

	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%	0%

(i) The Group holds 26% shareholding in this company (earlier known as 'Shaheen Al Ghanim Contracting Co. KSC'). The company is engaged in construction activities.

(ii) The Group holds 26% shareholding in these companies incorporated in India to handle DBFOT road projects. The MTPL and GAEPL have commenced commercial activities in year 2011 and 2015 respectively while SJEPL project is still under construction.

(iii) The parent company have 30% shareholding in this company in partnership with VA Tech Wabag Ltd. of India and Cadagua SA of Spain with 32.5% and 37.5% shareholding respectively. IWT has completed the construction of 'Al Ghubrah independent water desalination project' during the current year which is being executed by the parent company as one of the sub contractors.

(iv) This company is incorporated in the current year, where subsidiary company Galfar Aspire Readymix and Binani Cement, UAE holds 50% shareholding each. The company is yet to start any operation.

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

	2015	2014
Share of associate's statement of financial position:		
Current assets	**6,221**	10,124
Non-current assets	**51,593**	54,543
Current liabilities	**(10,840)**	(12,139)
Non-current liabilities	**(43,075)**	(47,667)
Net assets and carrying amount of the investment	**3,899**	4,861
Share of associate's statement of income:		
Revenue	**11,559**	18,635
Costs of revenue	**12,317**	20,001
Loss for the year	**(758)**	(1,366)

Loss for the period comprises of MTPL, India RO 16 (2014: RO 296) thousands, GAEPL, India RO 416 (2014: RO Nil) thousands,GEC, Kuwait 2015 Profit RO 144 (2014: Loss RO 584) thousands and IWT Oman Loss RO 470 (2014: RO 486) thousands.

As at 31 December 2015 Amount in RO '000s

	Parent Company		Consolidated	
	2015	2014	**2015**	2014

6. Investment in associates (continued)

The summarised financial information of two major associate companies are stated below -

	GEC, Kuwait		MTPL, India	
Statement of financial position:				
Current assets	**8,173**	10,919	**99**	219
Non-current assets	**15,404**	15,829	**15,047**	14,483
Current liabilities	**(6,654)**	(10,682)	**(1,721)**	(1,651)
Non-current liabilities	**(6,932)**	(6,105)	**(16,390)**	(15,781)
Net assets and carrying amount of the investment	**9,991**	9,961	**(2,965)**	(2,730)
Reconciliation of carrying amount:				
Net assets at the beginning of the year	**9,961**	12,419	**(2,730)**	(1,562)
Profit / (loss) for the year	**554**	(2,242)	**(60)**	(1,138)
Profit on self assets elimination	**-**	-	**(212)**	(42)
Currency translation impact	**(524)**	(216)	**37**	13
Net assets at the end of the year	**9,991**	9,961	**(2,965)**	(2,730)
Group's share in %	**26%**	26%	**26%**	26%
Carrying amount	**2,598**	2,590	**(771)**	(710)
Statement of comprehensive income:				
Revenue	**18,204**	11,937	**1,329**	1,341
Costs of revenue	**(17,650)**	(14,179)	**(463)**	(2,744)
Profit / (loss) before tax	**554**	(2,242)	**(866)**	(1,403)
Taxation	**-**	-	**(926)**	(265)
Profit / (loss) after tax	**554**	(2,242)	**(60)**	(1,138)

7. Inventories

Materials and consumables	**16,183**	22,916	**17,914**	24,190
Less: allowance for non-moving inventories	**(2,830)**	(1,785)	**(2,859)**	(1,811)
	13,353	21,131	**15,055**	22,379
Movement for the provisions for inventories is as follows:				
At the beginning of the year	**1,785**	451	**1,811**	477
Charged for the year	**1,045**	1,334	**1,048**	1,334
At the end of the year	**2,830**	1,785	**2,859**	1,811

Notes to Consolidated Financial Statements

As at 31 December 2015

Amount in RO '000s

	Parent Company 2015	Parent Company 2014	Consolidated 2015	Consolidated 2014
8.Due from / (to) customers on Contracts				
Work-in-progress on long term contracts at cost plus attributable profit considered as receivables	**59,547**	67,557	**59,985**	68,743
To customers under construction contracts recorded as billings in excess of work done (note 23)	**11,941**	1,470	**20,315**	7,713
Due from customers on construction contracts:				
Revenue recognised at cost plus attributable profit	**1,224,022**	1,162,655	**1,224,977**	1,166,071
Less: Progress claims received and receivable	**(1,164,475)**	(1,095,098)	**(1,164,992)**	(1,097,328)
	59,547	67,557	**59,985**	68,743
Due to customers on construction contracts:				
Progress claims received and receivable	**109,418**	154,627	**137,892**	181,117
Less: Revenue recognised at cost plus attributable profit	**(97,477)**	(153,157)	**(117,577)**	(173,404)
	11,941	1,470	**20,315**	7,713
9. Contract and trade receivables				
Contract billed receivables	**210,067**	182,382	**216,540**	190,647
Trade receivables	**2,021**	1,491	**7,426**	5,951
Retention receivables - current	**15,278**	29,289	**15,327**	29,372
Less : provision for impaired receivables and retentions	**(31,422)**	-	**(31,465)**	(43)
	195,944	213,162	**207,828**	225,927
Retentions receivables				
Non-current portion	**30,507**	30,816	**30,539**	30,896
Movement on the provision for impairment of receivables and retentions are as follows:				
At beginning of year	**-**	-	**43**	43
Charge for the year	**31,917**	-	**31,917**	-
Written off	**(495)**	-	**(495)**	-
At end of year	**31,422**	-	**31,465**	43
10. Advances, prepayment and other receivables				
Advance on sub-contracts and supplies	**3,147**	5,316	**6,464**	6,468
Advances to employees	**400**	452	**408**	458
Income tax receivables	**-**	-	**2,512**	2,418
Prepaid expenses	**5,163**	4,139	**5,265**	4,247
Due from related parties (note 33)	**13,804**	11,024	**11,555**	7,570
Insurance claims receivable	**905**	606	**906**	606
Deposits	**483**	510	**519**	544
Other receivables	**34**	47	**1,635**	155
Less : provision for impaired advances	**-**	-	**(425)**	(934)
	23,936	22,094	**28,839**	21,532
Movement on the provision for impairment of advances are as follows:				
At beginning of year	**-**	-	**934**	274
Charge/(reversal) for the year	**-**	-	**(509)**	660
At end of year	**-**	-	**425**	934
11. Deposits with bank				
Term deposits	**1,258**	1,293	**1,258**	1,293
Margin deposits	**-**	-	**5**	31
	1,258	1,293	**1,263**	1,324

The term deposit carry interest rates of 1.0% to 2.0% (2014: 1% to 2%) per annum and are kept for a period more than three months from date of placement.

	Parent Company 2015	Parent Company 2014	Consolidated 2015	Consolidated 2014
12. Cash and cash equivalents				
Cash in hand	**330**	204	**365**	223
Bank balances with current accounts	**14,465**	531	**17,670**	2,345
	14,795	735	**18,035**	2,568

Notes to Consolidated Financial Statements

As at 31 December 2015 | Amount in RO '000s

	Parent Company		Consolidated	
	2015	2014	**2015**	2014
13. Share capital				
Authorised:				
500,000,000 (2014: 500,000,000) ordinary shares of par value RO 0.100 (2014: RO 0.100) each	**50,000**	50,000	**50,000**	50,000
Issued and fully paid:				
Balance at beginning of the year	**37,747**	37,747	**37,747**	37,747
Bonus shares issued during the year	**3,775**	-	**3,775**	-
Balance at end of the Year	**41,522**	37,747	**41,522**	37,747

The issued and fully paid share capital comprises of 415,215,637 (2014: 377,468,761) shares having a par value of RO 0.100 (2014: 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 (2014: 263,618,761) ordinary shares and 125,235,000 (2014: 113,850,000) 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, the company has issued 37,747 thousands bonus shares to shareholders as stock dividend at 10% out of share premium account, for which RO 3,775 thousands are reduced from this account. In addition to this RO 1,258 thousands transferred to statutory reserve account.

This reserve is available for distribution to the shareholders.

15. Statutory reserve

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

During the current year, the company has transferred RO 1,258 thousands (2014 : Nil) , being one third of share capital addition, to statutory reserve account from share premium account, in order to state the statutory reserve at one third of the revised issued 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 2014, a stock dividend of 10% totaling to 37,747 thousands shares of RO 0.100 each was proposed out of share premium account in the Board meeting on 7th March, 2015 and approved at Annual General Meeting of the parent company on 25th March, 2015.

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

Amount in RO '000s

	Parent Company		Consolidated	
	2015	2014	**2015**	2014
18. Term loans				
Term loans:				
- from banks	**91,249**	89,665	**104,764**	94,449
- finance companies	**8,321**	10,917	**9,706**	12,121
	99,570	100,582	**114,470**	106,570
Current portion				
- from banks	**35,061**	28,108	**35,399**	28,342
- finance companies	**3,851**	4,272	**4,124**	4,640
	38,912	32,380	**39,523**	32,982
Non-current portion				
- from banks	**56,188**	61,557	**69,365**	66,107
- finance companies	**4,470**	6,645	**5,582**	7,481
	60,658	68,202	**74,947**	73,588
The term loans are repayable as follows:				
Within one year	**38,912**	32,380	**39,523**	32,982
In the second year	**27,007**	27,002	**27,728**	27,589
In the third onwards	**33,651**	41,200	**47,219**	45,999
	99,570	100,582	**114,470**	106,570

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. Also refer note 3 for land and buildings mortgaged in favour of a comemcial bank against term loan obtained by the company.

The interest rates on term loans were as follows:

	Current period	Previous period
Floating rate loans	**LIBOR + 2.0%**	LIBOR + 2.0%
Fixed interest rate loans	**4.0% to 7.0%**	4.25% to 7.0%

At 31 December 2015, the company is in breach of following financial covenants with two commercial banks with term loan facilities

Bank 1

- Minimum net worth of RO 85 million to be maintained with one of the commercial banks
- Maximum gearing ratio to be maintained at 1.5

Bank 2

'- Maximum leverage ratio to be maintained at 4.5

'- Maximum adjusted leverage ratio to be maintained at 6.5

The long term portion of the respective term loans have been reclassified under short terms loans in accordance with IAS 1.

	Parent 2015	Parent 2014	Consolidated 2015	Consolidated 2014
19. Short term loans				
- from banks	**32,750**	28,000	**37,547**	33,027

Bank short term loans are repayable in one year and are secured against the contract receivables assignments and/or joint registration of vehicle/equipment. The interest rates on these loans vary between 4.0% to 4.5% (2014: 4.0% to 4.75%) per annum.

	Parent 2015	Parent 2014	Consolidated 2015	Consolidated 2014
20. Bank borrowings				
Bank overdrafts	**3,937**	6,950	**4,609**	7,762
Loan against trust receipts	**14,684**	48,491	**14,684**	48,491
Bills discounted	**20,900**	7,250	**20,900**	7,250
	39,521	62,691	**40,193**	63,503

Bank borrowings are repayable on demand or within one year. The interest rates on bank borrowings vary between 4.0% to 5.5% (2014: 4.0% to 5.5%) per annum. Bank borrowings are secured against the contract receivables assignments and/or joint registration of vehicle/equipment.

Notes to Consolidated Financial Statements

As at 31 December 2015

Amount in RO '000s

	Parent Company		Consolidated	
	2015	2014	**2015**	2014
21. Trade payables				
Sundry creditors	**44,210**	46,318	**53,897**	55,256
Provision for purchases and sub-contracts	**33,891**	31,189	**34,875**	31,788
	78,101	77,507	**88,772**	87,044
22. Employees' end of service benefits				
Balance at beginning of the year	**11,066**	10,919	**11,253**	11,067
Charge for the Year	**2,029**	2,084	**2,156**	2,213
Paid during the Year	**(914)**	(1,937)	**(1,013)**	(2,027)
Balance at end of the year	**12,181**	11,066	**12,396**	11,253
23. Other payables and provisions				
Advance from customers -current	**33,802**	32,776	**36,406**	35,798
Creditors for capital purchases	**12,655**	1,034	**12,929**	1,139
Due to customers on contracts (note 8)	**11,941**	1,470	**20,315**	7,713
Accrued expenses	**10,799**	9,926	**13,714**	13,021
Provision for employees' leave pay and passage	**6,142**	6,637	**6,233**	6,664
Retention on sub-contracts	**1,920**	2,006	**2,141**	2,200
Fair value changes on Forex forward contracts	**1,229**	-	**1,229**	-
Due to related parties (note 33)	**1,612**	1,980	**2,128**	2,422
Other payables	**647**	507	**790**	601
Statutory dues payable	**361**	384	**982**	601
	81,108	56,720	**96,867**	70,159
Advance from customers				
Non-current portion	**27,224**	16,146	**27,224**	17,744

The company has entered into a forex forward contracts with a commercial bank against orders placed for a specific project in order to manage its foreign exchange risk . The changes in the fair value of foreign currency forward contract as at 31 December 2015 are charged to the statement of comprehensive income. The fair value loss is due to the timing difference. On utilization/maturity of forex contracts, the fair value loss will be adjusted against the actual gain or loss (refer note 34).

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

24. Taxation

Income tax is provided for parent company and Omani subsidiaries as per the provisions of the 'Law of Income Tax on Companies' in Oman @ 12% of taxable profit after adjusting non-assessable and disallowable items and statutory exemption of RO 30,000. It is provided for Indian subsidiary as per 'Income tax Act' in India @ 33% of taxable profit after adjusting non-admissible expenses and depreciation difference.

	Parent Company		Consolidated	
	2015	2014	**2015**	2014
Income tax expense				
Current tax charge for current year	**774**	1,045	**1,234**	1,397
Deferred tax credit for current year	**(4,597)**	(860)	**(4,597)**	(670)
Current tax credit for prior years	**11**	-	**98**	(4)
Deferred tax charge for prior years	**-**	-	**-**	3
	(3,812)	185	**(3,265)**	726

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

	Parent Company		Consolidated	
	2015	2014	**2015**	2014
(Loss)/Profit before tax	**(32,321)**	1,394	**(30,046)**	923
Tax on accounting (Loss) /profit	**(3,882)**	164	**(3,371)**	494
Tax effect on non admissible expenditure and adjustments	**70**	21	**106**	232
	(3,812)	185	**(3,265)**	726

As at 31 December 2015 Amount in RO '000s

	Parent Company		Consolidated	
	2015	2014	**2015**	2014

24. Taxation (Continued)

Provision for tax

The parent company income tax assessment up to the year 2011 has been completed by the taxation department. The income tax 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	**1,173**	1,177	**3,853**	2,787
Charge during the year	**785**	1,045	**1,332**	1,397
Tax paid during the year	**(1,026)**	(1,049)	**(1,078)**	(331)
Balance at end of the year	**932**	1,173	**4,107**	3,853

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	**6,039**	6,899	**6,638**	7,305
Charge during the year	**(4,714)**	(860)	**(4,831)**	(667)
Balance at end of the Year	**1,325**	6,039	**1,807**	6,638

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

Property, plant and equipment:				
Balance at beginning of the year	**6,253**	6,953	**6,807**	7,314
Release to income statement	**(967)**	(700)	**(967)**	(507)
Balance at end of the year	**5,286**	6,253	**5,840**	6,807
Trade receivables and inventories				
Balance at beginning of the year	**(214)**	(54)	**(169)**	(9)
Release to income statement	**(3,747)**	(160)	**(3,747)**	(160)
Balance at end of the year	**(3,961)**	(214)	**(3,916)**	(169)
	1,325	6,039	**1,924**	6,638

25. Sales and services income

Sales and services	**2,792**	2,024	**17,028**	12,014
Hiring services	**620**	958	**2,426**	2,738
Training services	**-**	-	**88**	476
	3,412	2,982	**19,542**	15,228

26. Other income

Gain on sale of assets	**2,014**	1,549	**2,011**	1,555
Dividend income	**30**	38	**-**	-
Miscellaneous income	**1,378**	1,425	**1,411**	1,484
	3,422	3,012	**3,422**	3,039

Notes to Consolidated Financial Statements

As at 31 December 2015 — Amount in RO '000s

	Parent Company		Consolidated	
	2015	2014	**2015**	2014
27. Contract and other direct costs				
Materials	**97,892**	111,600	**102,097**	115,633
Manpower costs (note 29)	**93,591**	99,187	**97,509**	103,031
Sub-contracting costs	**51,423**	53,527	**51,587**	53,051
Plant and equipment's repair and maintenance	**16,402**	18,180	**17,804**	19,518
Fuel expenses	**13,412**	13,868	**14,949**	15,536
Plant and equipment's hiring costs	**4,383**	4,326	**5,998**	5,070
Training expenses	**-**	-	**80**	368
Duties and taxes	**-**	-	**738**	741
Depreciation (note 3)	**19,445**	20,402	**21,479**	22,149
General and administrative expenses (note 28)	**13,665**	14,375	**14,467**	14,973
	310,213	335,465	**326,708**	350,070
28. General and administrative expenses				
Manpower costs (note 29)	**4,006**	5,035	**5,182**	6,139
Rent	**4,134**	4,357	**4,446**	4,640
Electricity and water charges	**3,971**	3,250	**4,072**	3,364
Insurance charges	**2,664**	3,740	**2,841**	3,959
Bank guarantee and other charges	**2,165**	2,045	**2,212**	2,123
Professional and legal charges	**1,740**	1,079	**1,878**	1,314
Communication expenses	**960**	1,105	**1,055**	1,187
Repairs and maintenance -others	**719**	679	**733**	695
Business promotion expenses	**154**	274	**169**	287
Traveling expenses	**358**	400	**429**	474
Printing and stationery	**297**	386	**327**	415
Tender fees	**160**	153	**162**	161
Directors fees	**74**	200	**74**	200
Miscellaneous expenses	**337**	237	**398**	343
Depreciation and amortisation (note 3 and 4)	**1,725**	1,792	**1,764**	1,831
	23,464	24,732	**25,742**	27,132
Pertaining to contract and other direct costs (note 27)	**13,665**	14,375	**14,467**	14,973
	9,799	10,357	**11,275**	12,159
29. Manpower costs				
Salary and wages	**71,798**	73,731	**74,605**	76,891
Employees service benefits	**11,808**	12,144	**12,294**	12,600
Camp and catering expenses	**9,310**	12,049	**9,859**	12,606
Hired salary and wages	**1,069**	2,996	**1,798**	3,413
Staff incentives	**-**	-	**340**	234
Other expenses	**3,612**	3,302	**3,795**	3,426
	97,597	104,222	**102,691**	109,170
Pertaining to contract and other direct costs	**93,591**	99,187	**97,509**	103,031
Pertaining to general and administration expenses	**4,006**	5,035	**5,182**	6,139
30. Financing costs, net				
Interest expense	**8,640**	9,853	**9,487**	10,481
Interest income	**(85)**	(98)	**(85)**	(110)
	8,555	9,755	**9,402**	10,371

As at 31 December 2015 Amount in RO '000s

	Parent Company		Consolidated	
	2015	2014	**2015**	2014

31. (Loss) / Earnings per share

The basic (loss) / 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 as follows:

(Loss) / profit for the year	**(28,509)**	1,209	**(28,859)**	197
Number of shares in '000 (note 13)	**415,220**	377,470	**415,220**	377,470
Basic (loss)/earnings per share for the year (RO)	**(0.069)**	0.003	**(0.070)**	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	**74,704**	103,213	**71,831**	101,514
Number of shares outstanding at the year end in '000 (note 13)	**415,220**	377,470	**415,220**	377,470
Net assets per share (RO)	**0.180**	0.273	**0.173**	0.269

33. Related party transactions

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

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

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

Contract income	**4,587**	2,835	**17,518**	18,457
Sales and services	**2,443**	2,001	**2,443**	2,009
Sale of property, plant and equipment	**-**	617	**-**	617
Purchase of property, plant and equipment	**197**	169	**197**	169
Purchase of goods and services	**13,096**	16,949	**13,096**	16,949
Director's remuneration	**74**	200	**74**	200

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

Due from shareholders	**23**	171	**23**	171
Due from subsidiary and associate companies	**9,727**	8,254	**7,477**	4,799
Due from other related parties	**4,054**	2,599	**4,055**	2,600
	13,804	11,024	**11,555**	7,570
Due to shareholders	**62**	156	**62**	156
Due to subsidiary and associate companies	**93**	322	**609**	764
Due to other related parties	**1,457**	1,502	**1,457**	1,502
	1,612	1,980	**2,128**	2,422

The amounts outstanding are unsecured and fully receoverable. No expense has been recognized in the year for bad or doubtful debts in respect of the amounts owed by related parties.

As at 31 December 2015 Amount in RO '000s

	Parent Company		Consolidated	
	2015	2014	**2015**	2014

33. Related party transactions (continued)

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 the members of key management during the year was as follows:

Short term benefits	**497**	505	**1,002**	997
Post employment benefits	**30**	30	**30**	30
	527	535	**1,032**	1,027

Included in due from related parties RO 486 (2014: RO 486) thousands is due from key management personnel of the parent company.

34. Commitments and contingencies

Bonds and guarantees	**178,075**	167,018	**178,075**	167,483
Letter of credit	**28,537**	25,727	**28,537**	25,727
Corporate guarantees	**17,851**	27,021	**63,598**	75,396
Forex forward contracts	**9,420**	10,895	**9,420**	10,895
Capital commitments	**78**	260	**78**	260
	233,961	230,921	**279,708**	279,761

The parent company has provided corporate guarantees for subsidiaries and associates amounting to RO 8,641 (2014: RO 8,334) thousands and RO 9,210 (2014: RO 18,687) thousands respectively. The parent company does not anticipate any material liability to arise from these guarantees.

The parent company has provided support sponsor's undertakings for any shortfall in project funding and repayment obligations of all concessionaire companies (MTPL, SJEPL, GAEPL, KSHPL and SHPL) for DBFOT road projects in India, on joint and several basis. The contingent liability for the same is not determinable.

Legal cases

The parent company and its subsidiaries, in common with the significant majority of contractors, is subject to litigation in the normal course of its business. The parent company and its subsidiaries, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the group's income or financial condition.

Penalties

Penalties amounting to RO 6,653 (2014: RO 9,203) thousands have been levied and notified to the parent company. Though the penalties are countered by the extension of time claims from the parent company and cases are under various stages of negotiations/arbitration and expected to be settled in due course, the provision is made RO 6,653 (2014: nil), which is included in 'Provision for impaired receivables' shown under note 9.

35. Business segments

The Group operates in two geographical segments, Sultanate of Oman and India.

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.

The group business is divided in four segments - construction, manufacturing, hiring of equipment and training of personnel. The principal activities of 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. The other activities are hiring out of cranes, equipment and other vehicles and training of drivers, operators, manufacturing of readymix concrete and others.

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

Amount in RO '000s

	Construction		Manufacturing		Hiring		Training		Inter segments		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Segment revenue and expenses												
Segment revenue	**342,975**	371,742	**20,009**	17,381	**1,839**	1,814	**88**	476	**(19,677)**	(18,903)	**345,234**	372,510
Segment expenses	**370,511**	370,192	**19,044**	16,327	**1,789**	1,753	**348**	602	**(17,599)**	(16,561)	**374,093**	372,313
Segment results	**(27,536)**	1,550	**965**	1,054	**50**	61	**(260)**	(126)	**(2,078)**	(2,342)	**(28,859)**	197
Segment assets and liabilities												
Segment assets	**516,442**	514,568	**11,061**	6,387	**3,208**	2,893	**(202)**	133	**(34,203)**	(21,696)	**496,306**	502,285
Segment liabilities	**417,239**	394,736	**4,838**	3,879	**1,343**	1,021	**80**	155	**-**	-	**423,500**	399,791

36. 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 loans 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.

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.

As at the reporting date, had the interest rate were to move up or down by 1%, the impact on the parent and consolidated income statement would have been RO 1,772 thousands (2014: RO 2,004 thousands) and RO 1,946 thousands (2014: RO 2,134 thousands) respectively.

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 denominated 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.

However, the management has set up a policy to require the Company to manage its foreign exchange risk against their functional currency. The Company is required to hedge its foreign exchange risk exposure as needed. To manage its foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company uses forward contracts. These contracts are not however designated as hedges under IAS 39 and are consequently initially recognised at cost and subsequently re-measured to their fair value at each reporting date. Material changes in the fair value of foreign currency forward contracts are recorded in the statement of comprehensive income account as they arise. At 31 December 2015, with all the other variables held constant, management believes that there would be no significant impact on the post tax profits due to fluctuations in these currencies.

Commodity price risk

The Group is affected by the volatility of certain commodities. 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.

As at 31st December, 2014 Amount in RO '000s

36. Financial instruments and related risk management (continued)

Equity price risk

The Group do not hold any quoted investment.

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.

There has been no change in the group's objectives, policies or process during the year ended 31 December 2015 and 31 December 2014.

Exposure to credit risk

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

	Parent Company		Consolidated	
	2015	2014	**2015**	2014
Contract and trade receivables	**271,635**	251,430	283,951	265,341
Retention receivables	**45,785**	60,105	45,866	60,268
Advances, prepayments and other receivables	**23,936**	22,094	28,839	21,532
Deposits with banks	**1,258**	1,293	1,263	1,324
Cash and bank balances	**14,795**	735	18,035	2,568
	357,409	335,657	**377,954**	351,033

The exposure to credit risk for contract billed receivables, trade receivables and work in progress at the reporting date by type of customer was:

Government customers	**216,452**	183,083	**216,915**	183,852
Petroleum Development Oman	**42,672**	51,178	**42,672**	51,178
Other private customers	**12,511**	17,169	**24,364**	30,311
	271,635	251,430	**283,951**	265,341

The group has established credit policies and procedures that are considered appropriate for the parent company and its subsidiaries. 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. Also refer to note 38 key sources of estimation of uncertainty for the impairment of the trade receivables.

The age of receivables as above at the reporting date was:

Not past due	**120,347**	129,844	**128,596**	141,875
Past due 0- 180 days	**33,731**	33,311	**36,911**	34,397
Past due 181 - 365 days	**38,971**	25,048	**39,384**	25,461
More than 365 days	**78,586**	63,227	**79,060**	63,608
	271,635	251,430	**283,951**	265,341
Impairment	**(31,422)**	-	**(31,465)**	(43)

As at 31st December, 2014 Amount in RO '000s

36. Financial instruments and related risk management (continued)

Exposure to credit risk (continued)

The credit quality of the cash at bank and deposits with bank are as follows:

	Parent Company		Consolidated	
Rating	2015	2014	2015	2014
P - 1	1,945	1,420	2,815	2,188
P - 2	13,548	226	15,443	1,119
P - 3	-	-	319	184
Not rated	230	178	356	178
	15,723	1,824	18,933	3,669

Liquidity risk

The following are the financial liabilities including interest payments:

	Parent Company 2015	Parent Company 2014	Consolidated 2015	Consolidated 2014
Term loans	99,570	100,582	114,470	106,570
Short term loans	32,750	28,000	37,547	33,027
Bank borrowings	39,521	62,691	40,193	63,503
Trade and other payables	198,614	161,439	225,259	186,200
	370,455	352,712	417,469	389,300

The contractual maturities of above financial liabilities were:

	Parent Company 2015	Parent Company 2014	Consolidated 2015	Consolidated 2014
Term Loans:				
Upto 90 days	8,411	6,170	8,411	7,209
91 - 180 days	8,749	8,972	8,749	10,012
181 - 365 days	21,752	17,238	22,363	15,761
More than 365 days	60,658	68,202	74,947	73,588
	99,570	100,582	114,470	106,570
Short term loans:				
Upto 90 days	27,750	23,000	27,750	23,000
91 - 180 days	5,000	5,000	5,000	5,000
181 - 365 days	-	-	4,797	5,027
	32,750	28,000	37,547	33,027
Bank Borrowings:				
Upto 90 days	29,487	51,049	30,159	51,861
91 - 180 days	10,034	11,642	10,034	11,642
181 - 365 days	-	-	-	-
	39,521	62,691	40,193	63,503
Trade and other payables:				
Upto 90 days	110,085	98,550	127,247	115,698
91 - 180 days	28,889	18,403	33,152	21,774
181 - 365 days	20,235	17,274	25,240	19,731
More than 365 days	39,405	27,212	39,620	28,997
	198,614	161,439	225,259	186,200

As at 31st December, 2014 Amount in RO '000s

36. Financial instruments and related risk management (continued)

Interest rate risk

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

Term loans of RO 111,968 (2014: RO 104,068) thousands are recognized at fixed interest rates and expose the Group to the fair value interest rate risk. The remaining term loans of RO 2,502 (2014: RO 2,502) thousands 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.

37. 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.

Group's financial instruments that are carried in the financial statements are having same fair value as set out below:

Financial assets

	Parent Company		Consolidated	
	2015	2014	**2015**	2014
Contract and trade receivables	**242,377**	251,430	**254,693**	265,341
Retention receivables	**43,621**	60,105	**43,702**	60,268
Due from related parties	**13,804**	11,024	**11,555**	7,570
Other receivables (excluding prepaid expenses, advances and due from related parties)	**1,422**	1,163	**5,147**	2,789
Investment in associates and subsidiaries	**18,909**	13,202	**3,899**	4,861
Investment available for sale	**125**	125	**145**	145
Cash and bank balances and deposits	**16,053**	2,028	**19,298**	3,892
	336,311	339,077	**338,439**	344,866
Financial liabilities				
Trade payables	**78,101**	77,507	**88,772**	87,044
Due to related parties	**1,612**	1,980	**2,128**	2,422
Other payables and provisions (excluding advances and due to related parties)	**45,694**	21,964	**58,333**	31,939
Bank borrowings	**39,521**	62,691	**40,193**	63,503
Term loans	**132,320**	128,582	**152,017**	139,597
	297,248	292,724	**341,443**	324,505

38. Key sources of estimation uncertainty

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 :

(a) Revenue recognition

The company uses the percentage-of-completion method in recognising its project revenues. Use of this method requires the company to estimate revenues and costs over the remaining period of the projects. However, the deviations are not anticipated to be of a material nature as the estimates are based on historical experience, progress to date on contracts and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are regularly evaluated.

(b) Claims

The group has filed certain claims with its Government and Quasi Government customers and made an assessment of the recoverable amount of claims based on ongoing negotiations at the reporting date, which in some cases involve arbitration and litigation. In accordance with the group's accounting policy on revenue recognition, after considering the advanced stage of negotiations with customers and the independent third party consultants reports and the internal assessments, a portion of such claims has been recognised in these consolidated financial statements based on management's assessment of the amount of claims that will be recoverable from customers.

The claims raised by the Group against the customers are mainly in relation to variations from the originally agreed contract scope, changes in costs incurred due to the effects of royal decrees issued after the commencement of contracts and additional costs incurred due to extension of the project completion time. Claims are determined mostly based on evaluation by third party consultants appointed by the group and the group's internal experts. The determination of claims to be recovered requires the use of estimates based on the evaluation performed by third party consultants and stage of negotiations of these claims with customers. The amount of claims which will be accepted by the customers after negotiations may be different from the amount claims recognised in the group's financial statements. Management is of the view that the amount of claims to be recovered from customers will not be less than the amount recognised in these consolidated financial statements.

Other estimates that involve uncertainties and judgments which have significant effect on the financial statements include whether any liquidated damages will apply when there has been a delay in completion of contracts.

(c) 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.

At the reporting date, the Group's contract billed receivables were RO 216,540 (2014: RO 190,647) thousands, most of these receivables were from Government and quasi Government entities. This balance includes value of RO 138,102 (2014: RO 117,226) thousand certification in process, which is in the normal course of business activity in the construction industry. At 31 December 2015, the Provision for impaired contract receivables was RO 31,422 (2014: nil) thousand. Management believes the balance amounts are fully recoverable. In addition to this, the groups' trade receivables and provision for impaired debts were RO 7,426 (2014: RO 5,951) thousand and RO 43 (2014: RO 43) thousands respectively. (refer note 9).

During the year 2015, the Parent company has received an offer from Muscat Municipality for final account settlement of Muscat Expressway and Central corridor projects. The amount offered as settlement is less than the amounts originally recognised by the Parent company. This settlement offer is subject to certain conditions among which include clauses which the management consider represent an open-ended financial obligation that cannot be accurately quantified. Accordingly the terms of the offer have not been accepted. Further, the final offer letter with respect to Muscat Express way did not explicitly refer to any penalty amounts that may be contractually levied due to delay in projects. Accordingly management believes that no penalty is payable as the Muscat Express way was opened to traffic by end of year 2010. The Parent Company is yet to receive completion certificate which is being followed up with the client..Under the contractual terms such penalty could amount to approximately RO 13 million being 10% of the original contract value. Management believes that no penalty is payable. An Impairment provision has been recognised in 2015 the difference between the revenue recognised by the Parent company and the final contract value proposed by Muscat Municipality in their offer letter although the Parent company continues to negotiate with its customer for a higher recovery.

38. Key sources of estimation uncertainty (continued)

(c) Impairment of accounts receivable (continued)

The parent company estimated that its receivables over 365 days disclosed in note 36 of these financial statements would be collected over a period of 1 to 3 years from the reporting date. Should the actual collection period in future vary by 1 year impairment recognised under IAS 39 will increase/decrease by RO 2.4 million approximately.

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 through physical verification of inventories carried out annually. As majority of the inventories are at ongoing project sites these are considered as usable in nature by management as these are closely monitored by the respective project teams. During the year, the company has appointed an independent third party for carrying out the valuation of the inventories relating to the closed projects and central warehouse. The company has recognised an impairment provision against these inventories based on the the net realisable values reported by the independent valuer.Dedicated project teams also monitors surplus inventories on closed/completed jobs for assessing their usability to consider necessary provisions. 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. Management believes that provision of RO 2,859 (2014 : RO 1,811) thousands for the group is adequate (refer note 7).

(e) 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.

(f) Impairment of intangible assets

The Group follows the guidance of IAS 36 to determine when an intangible asset recognised is impaired. This determination requires significant judgment and in making this judgment, the management evaluates, among other factors, the carrying amount of the entity's intangible assets and the future free cash flows from the operations of these entities which are based on the project feasibility reports and long-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and the operational and financing cash flow.

The management tests annually whether these intangible assets of the group have suffered any impairment in accordance with IAS 36, 'Impairment of Assets' which require the use of the above estimates.(refer note 4)

(g) 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.

(h) Impairment of investments in associates

The parent company test annually whether investment in associates have suffered any impairment in accordance with IAS 36, 'Impairment of Assets' which require the use of estimates. The parent company considers impairment of investments in associate companies when there has been a significant decline in the carrying value below its cost or where other objective evidence of impairment exists. At 31 December 2015, management has made a specific assessment with respect to associates (GEC, Kuwait and MTPL, India) based on the future cash flows and profits of these associates and believes that the future profits would be sufficient to recover the accumulated losses existing at the reporting date. Accordingly no impairment was considered necessary in these financial statements (refer note 6).

(i) 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.(refer note 24)

39. 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.