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1. Activities

Galfar Engineering and Contracting SAOG ("The Parent Company") is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman and listed in Muscat Security Exchange.

The principal activities of Galfar Engineering and Contracting SAOG and its subsidiaries ("The Group") are road, bridge and airport construction, oil and gas including EPC works, civil and mechanical construction, public health engineering, electrical, plumbing and maintenance contracts and Design, Build, Finance, Operate and Transfer (DBFOT) projects. The Parent Company has a branch in Kingdom of Saudi Arabia.

2. Significant accounting policies

(2.1) Basis of preparation

These financial statements comprise the Parent Company and its subsidiary (together "the Group"). The separate financial statements represent the financial statements of the Parent Company on a standalone basis. The consolidated and separate financial statements are collectively referred to as "the financial statements".

These financial statements are prepared on the historical cost basis, as modified by the revaluation of derivative financial instruments and investment securities that have been measured at fair value through statement of comprehensive income and in accordance with International Financial Reporting Standards (IFRS), the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and Capital Market Authority (CMA) of the Sultanate of Oman.

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

(2.2) Significant accounting judgements, estimates and assumptions:

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 40.

(2.3) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

a) Expected to be realised or intended to sold or consumed in the normal operating cycle;
b) Held primarily for the purpose of trading;
c) Expected to be realised within twelve months after the reporting period; or
d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

2. Significant accounting policies (continued)

(2.3) Current versus non-current classification (continued)

All other assets are classified as non-current.

A liability is current when:
a) It is expected to be settled in the normal operating cycle;
b) It is held primarily for the purpose of trading;
c) It is due to be settled within twelve months after the reporting period; or
d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.
The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(2.4) Going concern

The Group has reported a profit of RO 2.2 million for the year ended 31 December 2018 (2017: loss of RO 6.5 million). As at reporting date, the Group's accumulated losses amounted to RO 16.6 million (2017: accumulated losses amounted to RO 18.42 million). These financial statements have been prepared on a going concern basis as a result of the following:

- The Group's performance during the year 2018 has resulted in positive contribution to the equity and reduction in accumulated losses. Majority of accumulated losses are from Indian operations which are in the process of being sold to a related party. The Parent Company has entered into a preliminary sale purchase agreement with the related party to sell all its investments in India. This deal will facilitate the Parent Company to concentrate on its core business in Oman and enhance value addition to the shareholders and stakeholders.
- During the year, the Parent Company expects the liquidity position to improve by realisation of old receivables and estimates that there is sufficient cashflow to continue the business without any disruption.
- The Parent Company has never defaulted in servicing its lenders and the Group is committed to meeting all the loan repayment obligations as they fall due. The Parent Company continues to have multiple avenues for raising both short term and long-term financing. Further, the Parent Company regularly pays its employees and creditors and has not defaulted in tax payment.
- The Parent Company continues to build on its market position as one of the Oman's largest construction entity and having a strong order book at RO 380 million (2017: RO 483 million), and has worked to ensure that tendering activity adequately addresses potential risk associated with non-payment.
- The Board of Directors has taken necessary measures to strengthen the financial position of the Group and also to improve Group's profitability in coming years. In addition to the initiatives set out in above, the Directors/management continue to look at various sources of funding support and other long-term investment options to provide the working capital required for the business. Non-essential capital expenditure has been frozen and initiatives to reduce corporate overheads and improve cost control have been launched.

The above coupled with the investor and market confidence restored by way of additional projects being awarded to the Parent Company in 2019 has allowed the management to view the Parent Company / Group as a going concern and is satisfied that the Parent Company / Group has the resources and shareholders support to continue in business for the foreseeable future. Therefore, these separate and consolidated financial statements continue to be prepared on the going concern basis.

2. Significant accounting policies (continued)

(2.5) Change in accounting policy and disclosures

New and amended standards adopted by Galfar

For the year ended 31 December 2018, the Company has adopted all of the following 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 2018.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The adoption of these standards and interpretations has not resulted in any significant changes to the Group's accounting policies and has not affected the amounts reported for the current year except for IFRS 9 – Financial Instruments, which is detailed out below.

IFRS 9 — Financial Instruments

The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and fair value reserve as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets as measured at FVOCI.

For impact of adopting IFRS 9, please refer to note 2A.

2. Significant accounting policies (continued)

(2.5) Change in accounting policy and disclosures (continued)

New and amended standards adopted by Galfar (continued)

IFRS 15 — Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective application or a modified retrospective approach for the adoption. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group's adoption of IFRS 15 under modified retrospective method had no material impact on the financial statements of the Group. The related party accounting policy of the Group is set out in note 2.28.

(2.6) Standards issued but not yet effective

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for the year ended 31 December 2018:

IFRS 16: Leases

The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. While the Group is in process of assessing the impact of the initial application, the management believes that the adoption of IFRS 16 would not have a material impact on the Parent Company's and the Group's consolidated financial statements.

There are no other IFRSs or IFRICs interpretations that are not yet effective that would be expected to have a material impact on the Parent Company's and the Group's consolidated financial statements.

2. Significant accounting policies (continued)

A summary of the significant accounting policies is set out below:

(2.7) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. 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 or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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2. Significant accounting policies (continued)

(2.7) Basis of consolidation (continued)
In the Parent Company's separate financial statements, the investment in the subsidiary is carried at cost less impairment.

(2.8) Transactions with non-controlling interests
The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(2.9) 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.

(2.10) Property, plant and equipment
All items of property, plant and equipment held for the use of Group's activities are recorded at cost less accumulated depreciation and any identified impairment. Land is not depreciated. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a

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2. Significant accounting policies (continued)

(2.10) Property, plant and equipment (continued)
major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is charged so as to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	15 years
Camps	4 years
Plant and machinery	7 & 10 years
Motor vehicles and heavy equipment	7 & 10 years
Furniture and office equipment	6 years
Project equipment and tools	6 years

Items costing less than RO 100 are expensed out in the year of purchase.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end. Where the carrying value of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income when the asset is derecognised.

(2.11) 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.

(2.12) Intangible assets
Computer software:

Computer software costs (including under development) 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

The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate,

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2. Significant accounting policies (continued)

(2.12) Intangible assets (continued)

and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of profit and loss when the asset is derecognized.

(2.13) Available-for-sale investments (for 2017)

Available-for-sale investments are initially recognised at cost, which includes transaction costs and are, in general, subsequently carried at fair value. Available-for-sale equity investments that do not have a quoted market price in an active market, and for which other methods of reasonably estimating fair value are inappropriate are measured at cost, as reduced by allowances for estimated impairment. Changes in fair value are reported as other comprehensive income.

An assessment is made at each reporting date to determine whether there is objective evidence that an investment may be impaired. If such evidence exists, any impairment loss (being the difference between cost and fair value, less any impairment loss previously recognised) is removed from other comprehensive income and recognised in the income statement.

(2.14) 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.

(2.15) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets.

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognised immediately in the statement of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognised earlier.

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2. Significant accounting policies (continued)

(2.15) Impairment of non-financial assets (continued)
At the time of assessing the impairment on its investments in associates, the Group determines, after application of the equity method, whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the statement of comprehensive income.

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. For the concession business, each of the concession arrangements is considered to be a CGU. The fair value less costs to sell calculation is based on available data from binding sales transactions conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years, or, in the case of concession arrangements, for the concession period and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(2.16) Financial instruments (effective from 1 January 2018)
(2.16) (a) Financial assets
Initial recognition and measurement
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

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2. Significant accounting policies (continued)

(2.16) Financial instruments (effective from 1 January 2018) (continued)
(2.16) (a) Financial assets (continued)

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes contract and trade receivables and cash and cash equivalents.

Financial assets at fair value through OCI (debt instruments)
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group does not have any such instruments.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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2. Significant accounting policies (continued)

(2.16) Financial instruments (effective from 1 January 2018) (continued)
(2.16) (a) Financial assets (continued)

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. The Group does not any such instruments.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized 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 (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets
The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVTPL.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk

2. Significant accounting policies (continued)

(2.16) Financial instruments (effective from 1 January 2018) (continued)
(2.16) (a) Financial assets (continued)
Impairment of financial assets (continued)
characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group has assumed that the credit risk on few financial instrument has not increased significantly since initial recognition as the financial instrument have low credit risk at the reporting date.

The credit risk on a financial instrument is considered low, if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. An external rating of 'investment grade' is an example of a financial instrument that may be considered as having low credit risk. They should, however, be considered to have low credit risk from a market participant perspective taking into account all of the terms and conditions of the financial instrument.

The Parent Company approximately has over 95% of its exposure to Government of Oman or related entity in the form of trade receivables, work in progress, contract assets and retention receivables. All exposure to the Government of Oman and related entities are considered very low on default probability. The existing sovereign rating of the country and the corresponding probability of default is taken as a proxy for computation of expected credit losses.

Exposure due to deposits at Banks (whether rated or not) are also considered very low on default probability. However, the appropriate default probability adjustments are made to reflect industry standard practices along with pragmatism. The rating of the respective banks and the corresponding probability of default is considered for computation of expected credit losses. The entities where no ratings are available get assigned a proxy rating of Ba1 (on Moody's external rating) which is the first grade in the non-investment grade.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit- impaired. A financial asset is 'credit- impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit- impaired includes the following observable data:

1. significant financial difficulty of the borrower or issuer;
2. a breach of contract such as a default or being past due for 365 days or more;

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2. Significant accounting policies (continued)

(2.16) Financial instruments (effective from 1 January 2018) (continued)
(2.16) (a) Financial assets (continued)
Impairment of financial assets (continued)
3. it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
4. the disappearance of an active market for a security because of financial difficulties.

In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

A provision for impairment of financial assets 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.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write- off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(2.16) (b) Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

2. Significant accounting policies (continued)

(2.16) Financial instruments (effective from 1 January 2018) (continued)
(2.16) (b) Financial liabilities (continued)

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Derecognition

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(2.17) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(2.18) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(2.19) Trade and other receivables (for 2017)

Trade receivables are amounts due from customers for billing in the ordinary course of business for construction contracts. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

(2.20) Term deposits

Term deposits are carried on the statement of financial position at their principal amount.

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2. Significant accounting policies (continued)

(2.21) Cash and cash equivalents

For the purpose of the cash flows statement, the Group considers cash on hand and bank balances with a maturity of less than three months from the date of placement as cash and cash equivalents.

(2.22) 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.

(2.23) Leases

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

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

Group as a lessee

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

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

(2.24) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

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

2. Significant accounting policies (continued)

(2.25) Provision for employees' benefits

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

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

(2.26) Dividend on ordinary shares

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

(2.27) Taxation

Current income tax

Taxation is provided based on relevant laws of the respective countries in which the Group operates. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred taxation

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

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

(2.28) Revenue recognition (Applicable from 2018)

The application of the new standard requires management to apply the following new accounting policies:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, customer returns and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

2. Significant accounting policies (continued)

(2.28) Revenue recognition (Applicable from 2018) (continued)

(a) Contract revenue and revenue from sale of goods
The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

1. Identify the contracts with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:
- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has concluded that for majority of its arrangements, it is either creating or enhancing an asset controlled by the customer or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore. it meets the criteria to recognise revenue overtime and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against

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2. Significant accounting policies (continued)

(2.28) Revenue recognition (Applicable from 2018) (continued)
(a) Contract revenue and revenue from sale of goods (continued)
specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Variations which are in the nature of extension of existing scope of work are accounted for using cumulative catch up adjustments to the cost to complete method of revenue recognition. Variation orders which require addition of distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

Claims are accounted for as variable consideration. They are included in contract revenue using the expected value or most likely amount approach (whichever is more predictive of the amount the entity expects to be entitled to receive) and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved.

A loss is recognised in the statement of comprehensive income when the expected contract costs exceed the total anticipated contract revenue.

The Group combines two or more contracts entered into at or near the same time with the same customer and accounts for the contracts as a single contract if one or more of the following criteria are:
- The two or more contracts entered into at or near the same time with the same customer are negotiated as a package, with a single commercial objective;
- The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

If the above criteria is met, the arrangements are combined and accounted for as a single arrangement for revenue recognition.

Pre-contract cost of obtaining a contract with a customer is recognised as an asset if those costs are expected to be recovered.

Revenue is recognised in the statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

(b) Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate (EIR) applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2. Significant accounting policies (continued)

(2.28) Revenue recognition (Applicable from 2018) (continued)

(c) Dividend income

Dividend income from investments is recognised when the rights to receive payment has been established.

(2.29) 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.

(2.30) Contract revenue and profit recognition (Applicable for 2017)

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

2. Significant accounting policies (continued)

(2.30) Contract revenue and profit recognition (Applicable for 2017) (continued)
(b) the amount of the incentive payment can be measured reliably.

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

(2.31) 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.

(2.32) Concession intangible and financial assets
The Group constructs and uses the infrastructure to provide a public service and also operates and maintains that infrastructure (operation services) for a specified period of time. These arrangements may include Infrastructure used in a public-to-private service concession arrangement for its entire useful life.

These arrangements are accounted for based on the nature of the consideration. The intangible asset model is used to the extent that the Group receives a right (a licence) to charge users of the public service. The financial asset model is used when the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. When the unconditional right to receive cash covers only part of the service, the two models are combined to account separately for each component. If the Group performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

- An intangible asset is measured at the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. The intangible asset is amortised over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the entity, starting from the date when the right to operate starts to be used (for example, in a toll road concession the Group uses the number of cars that use the road). Based on these principles, the intangible asset is amortised in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.
- In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest method. Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

2. Significant accounting policies (continued)

(2.33) Revenue recognition under Concession arrangements

The Group manages concession arrangements which mainly include the construction of roads followed by a period in which the Group maintains and services the infrastructure. This may also include, in a secondary period, asset replacement or refurbishment. These concession arrangements set out rights and obligations relative the infrastructure and the service to be provided. For fulfilling those obligations, the Group is entitled to receive either cash from the grantor or a contractual right to charge the users of the service. The consideration received or receivable is allocated by reference to the relative fair values of the services provided; typically:

• A construction component
• A service element for operating and maintenance services performed

As set out above, the right to consideration gives rise to an intangible asset, or financial asset:
• Revenue from the concession arrangements earned under the financial asset model consists of the (i) fair value of the amount due from the grantor; and (ii) interest income related to the capital investment in the project.
• Revenue from the concession arrangements earned under the intangible asset model consists of the fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset and payments actually received from the users.

(2.34) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is reduced from the carrying value of the asset.

(2.35) 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. For impairment on contract work in progress, refer note 2.16(a).

(2.36) Directors' remuneration

The Parent Company follows the Commercial Companies Law of 1974 (as amended), and other latest relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of comprehensive income in the succeeding year to which they relate.

(2.37) 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 it'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

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2. Significant accounting policies (continued)

(2.37) Share capital (continued)
Parent 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 Parent company's equity holders.

(2.38) 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 and its Omani subsidiaries 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.

(2.39) Assets classified as held for sale
The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of Operations; or
- Is a subsidiary acquired exclusively with a view to resale

2. Significant accounting policies (continued)

(2.39) Assets classified as held for sale (continued)
Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

(2.40) 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.

(2.41) Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The segment information is set out in note 35.

(2.42) Earnings per share (EPS)
Basic EPS amounts are calculated by dividing the propfit/(loss) for the year attributable to the equity shareholders of the Parent Company by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(2.43) Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

• In the principal market for the asset or liability, or
• In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. "
"The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2. Significant accounting policies (continued)

(2.43) Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the separate financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques include discounted cash flow analysis or other valuation models.

The fair value of unquoted derivatives is determined by reference to the counter party’s valuation at the year end.

Note 2A: Impact of adopting IFRS 9

The impact of this change in accounting policy as at 1 January 2018 is set out below:

Particulars	Parent Company	Consolidated (Restated)
Closing balance of accumulated losses as of 31 December 2017	(14,359)	(18,417)
Impact on recognition of ECL on Financial assets:		
ECL under IFRS 9 for financial assets at amortised cost	(73)	(291)
Total transition adjustment on adoption of IFRS 9 as at 1 January 2018	**(73)**	**(291)**
Opening balance as of 1 January 2018	**(14,432)**	**(18,708)**

The Parent Company had hired independent consultants for assistance in implementation of IFRS 9. The impact of implementation of IFRS 9 is not significant primarily due to the fact that 94% of the Parent Company's receivables are due from Government and Quasi-Government agencies. Further, as of the transition date, the Group carries impairment provision of RO 30,530 thousand towards it's impaired receivable balances.

Classification of financial assets on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Parent Company's financial assets as at 1 January 2018.

Financial assets	Original classification (IAS 39)	New classification (IFRS 9)	Original carrying amount	Re-measurement - ECL	New carrying amount
Contract work in progress (gross)	Loans & receivables	Amortised cost	56,872	3	56,869
Contract billed receivables	Loans & receivables	Amortised cost	167,961	14	167,947
Trade receivables	Loans & receivables	Amortised cost	4,923	4	4,919
Retention receivable - current	Loans & receivables	Amortised cost	18,640	14	18,626
Retention receivable - non-current	Loans & receivables	Amortised cost	29,122	22	29,100
Advance to employees	Loans & receivables	Amortised cost	384	1	383
Deposits	Loans & receivables	Amortised cost	425	1	424
Insurance claims receivable	Loans & receivables	Amortised cost	34	-	34
Investment available for sale	Available for sale	FVOCI	125	-	125
Bank balances - deposits	Loans & receivables	Amortised cost	3,953	5	3,948
Bank balances - Other	Loans & receivables	Amortised cost	1,596	1	1,595
Related parties receivables	Loans & receivables	Amortised cost	3,806	8	3,798
Total financial assets			**287,841**	**73**	**287,768**

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as at 1 January 2018.

Financial assets	Original classification (IAS 39)	New classification (IFRS 9)	Original carrying amount	Re-measurement - ECL	New carrying amount
Contract work in progress (gross)	Loans & Receivables	Amortised cost	56,872	3	56,869
Contract billed receivables	Loans & Receivables	Amortised cost	167,961	14	167,947
Trade receivables	Loans & Receivables	Amortised cost	13,624	209	13,415
Retention receivable - current	Loans & Receivables	Amortised cost	18,640	14	18,626
Retention receivable - non-current	Loans & Receivables	Amortised cost	29,122	22	29,100
Advance to employees	Loans & Receivables	Amortised cost	384	1	383
Deposits	Loans & Receivables	Amortised cost	425	1	424
Insurance claims receivable	Loans & Receivables	Amortised cost	34	-	34
Investment available for sale	Available for sale	FVOCI	147	-	147
Bank balances - deposits	Loans & Receivables	Amortised cost	3,953	5	3,948
Bank balances - Other	Loans & Receivables	Amortised cost	2,935	1	2,934
Related parties receivables	Loans & Receivables	Amortised cost	7,343	21	7,322
Total financial assets			**301,440**	**291**	**301,149**

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

3. Property, plant and equipment - Parent Company

Amount in RO '000s

Particulars	Land	Building and camps	Plant & machinery	Motor vehicles & equipment	Furniture & equipment	Project equipment & tools	Capital work-in-progress	Total
Costs								
At 1 January 2017	1,278	33,892	121,711	67,794	9,283	13,173	294	247,425
Additions		2,694	763	446	583	1,879		6,365
Disposals	-	(475)	(9,930)	(7,495)	(210)	(1,192)	-	(19,302)
Transfers	-	166	100	-	28		(294)	-
As at 1 January 2018	1,278	36,277	112,644	60,745	9,684	13,860	-	234,488
Additions		482	2,930	68	213	1,031		4,724
Disposals	-	(537)	(9,490)	(5,761)	(37)	(5)	-	(15,830)
As at 31 December 2018	**1,278**	**36,222**	**106,084**	**55,052**	**9,860**	**14,886**	**-**	**223,382**
Depreciation								
At 1 January 2017	-	21,847	86,751	46,612	7,495	8,581	-	171,286
Charge for the year	-	2,313	8,816	5,034	561	1,381	-	18,105
Disposals	-	(473)	(9,548)	(7,256)	(203)	(1,192)	-	(18,672)
As at 1 January 2018	-	23,687	86,019	44,390	7,853	8,770	-	170,719
Charge for the year	-	2,483	7,196	3,872	573	1,468	-	15,592
Disposals	-	(536)	(9,400)	(5,643)	(34)	(5)	-	(15,618)
As at 31 December 2018	**-**	**25,634**	**83,815**	**42,619**	**8,392**	**10,233**	**-**	**170,693**
Net book value								
As at 31 December 2018	**1,278**	**10,588**	**22,269**	**12,433**	**1,468**	**4,653**	**-**	**52,689**
As at 31 December 2017	1,278	12,590	26,625	16,355	1,831	5,090	-	63,769

3. Property, plant and equipment - Consolidated (Restated)

Amount in RO '000s

Description	Land	Building and camps	Plant & machinery	Motor vehicles & equipment	Furniture & equipment	Project equipment & tools	Capital work-in-progress	Total
Costs								
At 1 January 2017	1,278	34,371	136,587	76,313	9,894	13,444	305	272,192
Additions	-	2,718	1,554	997	643	1,899	-	7,811
Disposals	-	(476)	(9,930)	(7,987)	(210)	(1,192)	-	(19,795)
Transfers	-	166	111	-	28	-	(305)	-
As at 1 January 2018	1,278	36,779	128,322	69,323	10,355	14,151	-	260,208
Additions	-	494	3,831	250	242	1,031	-	5,848
Disposals	-	(584)	(10,250)	(6,252)	(78)	(27)	-	(17,191)
Assets held for sale (note 6A)	-	(298)	(1,556)	(3,138)	(372)	(232)	-	(5,596)
As at 31 December 2018	**1,278**	**36,391**	**120,347**	**60,183**	**10,147**	**14,923**	**-**	**243,269**
Depreciation								
At 1 January 2017	-	21,948	95,030	50,480	7,778	8,656	-	183,892
Charge for the year	-	2,340	10,166	5,811	618	1,407	-	20,342
Disposals	-	(507)	(9,235)	(7,240)	(141)	(1,169)	-	(18,292)
As at 1 January 2018	-	23,781	95,961	49,051	8,255	8,894	-	185,942
Charge for the year	-	2,498	8,523	4,547	627	1,489	-	17,684
Disposals	-	(555)	(9,930)	(5,972)	(61)	(14)	-	(16,532)
Assets held for sale (note 6A)	-	-	(777)	(1,898)	(215)	(103)	-	(2,993)
As at 31 December 2018	**-**	**25,724**	**93,777**	**45,728**	**8,606**	**10,266**	**-**	**184,101**
Net book value								
As at 31 December 2018	**1,278**	**10,667**	**26,570**	**14,455**	**1,541**	**4,657**	**-**	**59,168**
As at 31 December 2017	1,278	12,998	32,361	20,272	2,100	5,256	-	74,265

	Parent Company		Consolidated (Restated)	
	2018	2017	**2018**	2017

3. Property, plant and equipment (continued)

Land and buildings with a net book value of RO 8,040 (2017: RO 8,893) thousand have been mortgaged in favour of Bank against term loan obtained by the Parent Company. Vehicles and equipment also have been jointly registered with Bank / Finance company for insured value of RO 69,957 (2017: RO 92,591) thousand to obtain term loan.

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

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
Cost of contract and sales (note 27)	**14,658**	17,170	**16,257**	18,808
General and administrative expenses (note 28)	**934**	935	**973**	979
	15,592	18,105	**17,230**	19,787

4. Intangible assets

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
Costs				
Balance at beginning of the year	**2,743**	2,735	**52,663**	43,703
Addition during the year	**156**	8	**169**	8,960
Foreign currency translation difference	**-**	-	**(4,902)**	-
Asset held for sale (note 6A)	**-**	-	**(44,957)**	-
Balance at end of the year	**2,899**	2,743	**2,973**	52,663
Amortisation				
Balance at beginning of the year	**2,700**	2,339	**3,773**	2,393
Charge for the year	**19**	361	**27**	1,380
Charge for the year - on assets held for sale	**-**	-	**2,141**	-
Asset held for sale (note 6A) - charge for the year	**-**	-	**(2,141)**	-
Asset held for sale (note 6A) - opening amortisation	**-**	-	**(1,029)**	-
Balance at end of the year	**2,719**	2,700	**2,771**	3,773
Net book value	**180**	43	**202**	48,890

Intangible assets comprise of computer software RO 180 (2017: RO 43) thousand in Parent Company and computer software RO 210 (2017: RO 73) thousand. Assets under concessionaire rights of RO 41,789 thousand, as explained in note 6A, have been classified as held for sale.

Intangible assets of the Parent Company comprise of computer software.

Intangible assets of the Group comprise of computer software and concessionaire rights as follows:

	Computer software		Concessionaire rights	
Costs				
Balance at beginning of the year	**2,842**	2,832	**49,821**	40,871
Addition for the year	**166**	10	**3**	8,950
Foreign currency translation difference	**-**	-	**(4,902)**	-
Asset held for sale (note 6A)	**(35)**	-	**(44,922)**	-
Balance at end of the year	**2,973**	2,842	**-**	49,821
Amortisation				
Balance at beginning of the year	**2,769**	2,393	**1,004**	-
Charge for the period	**31**	376	**2,137**	1,004
Asset held for sale (note 6A)	**(29)**	-	**(3,141)**	-
Written off during the year	**-**	-	**-**	-
Balance at end of the year	**2,771**	2,769	**-**	1,004
Net book value	**202**	73	**-**	48,817

	Parent Company		Consolidated (Restated)	
	2018	2017	**2018**	2017
5. Investment in subsidiaries				
Galfar Engineering & Contracting India Pvt. Ltd. *	**11,897**	9,059		
Salasar Highways Pvt. Ltd. *	**1,276**	1,276		
Kashipur Sitarganj Highways Pvt. Ltd. *	**307**	307		
Galfar Aspire Readymix LLC	**2,898**	2,898		
Al Khalij Heavy Equipment & Engineering LLC	**600**	600		
Aspire Projects & Services LLC	**250**	200		
Galfar Mott MacDonald LLC	**163**	163		
Galfar Training Institute LLC	**149**	149		
Galfar Oman Engg. & Contg. KSC, Kuwait	**12**	-		
	17,552	14,652		
Classified as assets held for sale (refer note 6A)	**(13,480)**	-		
	4,072	29,304		

During the year, Parent Company invested RO 2,838 (2017: RO 2,773) thousand in Galfar Engineering & Contracting India Pvt. Ltd., RO 50 thousand in Galfar Aspire Projects and Services LLC and RO 12 thousand in Galfar Oman Engineering & Contracting KSC.

* As explained in note 6A, the investments in Indian subsidiaries have been classified as 'Assets held for sale'.

Information on shareholding of subsidiary companies 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
Aspire Projects & Services LLC	Construction	Oman	2011
Galfar Training Institute LLC	Training	Oman	2009
Al Khalij Heavy Equipment & Engineering LLC	Hiring Equipment	Oman	2006
Salasar Highways Pvt. Ltd.	Concessionaire	India	2013
Kashipur Sitarganj Highways Pvt. Ltd.	Concessionaire	India	2013
Galfar Mott MacDonald LLC	EPC consultancy	Oman	2013
Galfar Oman Engg. & Contg. KSC	Construction	Kuwait	2018

	Shares acquired by Parent Company		**Shares acquired by the Group**	
Galfar Engineering & Contracting India Pvt. Ltd.	100%	100%	100%	100%
Galfar Aspire Readymix LLC	100%	100%	100%	100%
Aspire Projects & Services LLC	100%	100%	100%	100%
Galfar Training Institute LLC	99%	99%	100%	100%
Al Khalij Heavy Equipment & Engineering LLC	52%	52%	52%	52%
Salasar Highways Pvt. Ltd.	20%	20%	100%	100%
Kashipur Sitarganj Highways Pvt. Ltd.	4%	4%	100%	100%
Galfar Mott MacDonald LLC	65%	65%	65%	65%
Galfar Oman Engg. & Contg. KSC, Kuwait	100%	-	100%	-

The Parent Company & Galfar India has issued has provided support sponsor's undertaking for any shortfall in project funding interset/ principal repayment of all concessionaire companies for DBFOT road projects in India.

	Parent Company		Consolidated (Restated)	
	2018	2017	**2018**	2017
6. Investment in associates				
Galfar Engineering & Contracting Kuwait KSC (GEC)	**6,966**	6,966	**4,764**	4,737
Mahakaleshwar Tollways Pvt. Ltd. (MTPL) *	**2,255**	2,255	**(1,268)**	(1,185)
Shree Jagannath Expressway Pvt. Ltd. (SJEPL) *	**739**	739	**1,204**	1,161
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL) *	**344**	344	**329**	744
International Water Treatment LLC (IWT)	**4,144**	4,144	**-**	-
	14,448	14,448	**5,029**	5,457
Provision for impaired investment	**(5,644)**	(6,399)	**-**	-
Classified as assets held for sale (note 6A)	**(3,338)**	-	**(265)**	-
	5,466	8,049	**4,764**	5,457

Provision for impairment in associates comprises:
(i) RO 4,144 (2017: RO 4,144) thousand for investment in IWT, being parent companies share in cumulative loss of IWT till 2016, as IWT is unable to recover the loss from their future business.
(ii) RO 1,500 (2017: RO Nil) thousand for investment in GEC, based on capitalization of earning method with discounted cash flow of next five years considering weighted average of capital cost @ 13% per annum.

* As explained in note 6A, the investments in Indian associates have been classified as 'Assets held for sale'.

Movement on the provision for impairment in investments is as follows:

	2018	2017
At the beginning of the year	6,399	6,118
Charge for the year	1,500	281
Classified as assets held for sale (note 6A)	(2,255)	-
At the end of the year	5,644	6,399

Information on shareholding of associate companies is summarised below:

	Principal activity	Place and year of acquisition	
Galfar Engineering & Contracting Kuwait KSC (i)	Construction	Kuwait	2010
Mahakaleshwar 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 (iii)	Construction	Oman	2013

	Shares acquired by Parent Company		Shares acquired by the Group	
Galfar Engineering & Contracting Kuwait KSC (i)	26%	26%	26%	26%
Mahakaleshwar 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%

(i) The Parent Company 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. All these companies have started commercial operations.

(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. This company has completed 'Ghubrah independent water desalination project'. The project is currently under maintenance period which is expected to be completed by February 2020. Post completion of the maintenance period, the company would be liquidated.

	Parent Company		Consolidated (Restated)	
	2018	2017	**2018**	2017

6. Investment in associates (continued)

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

Share of associates statement of financial position:		
Current assets	**4,645**	6,190
Non - current assets	**3,512**	54,955
Current liabilities	**(2,514)**	(12,119)
Non - current liabilities	**(880)**	(43,570)
Net assets and carrying amount of the investment	**4,763**	5,457
Share of associates statement of comprehensive income:		
Revenue	**5,235**	4,306
Costs of revenue	**5,171**	4,049
Net profit for the year	**64**	257

Share of profit for the year comprises of profit from GEC Kuwait RO 64 (2017: RO 285) thousand.

The summarised financial information of major associate company is as stated below -

	GEC, Kuwait	
	2018	2017
Statement of financial position:		
Current assets	**16,304**	15,705
Non - current assets	**13,508**	12,381
Current liabilities	**(8,106)**	(7,544)
Non-current liabilities	**(3,383)**	(2,322)
Net assets and carrying amount of the investment	**18,323**	18,220
Reconciliation of carrying amount:		
Net assets at the beginning of the year	**18,220**	16,863
Share capital added during the year	**-**	-
Profit for the year	**246**	1,140
Reserves / currency translation impact	**(143)**	217
Net assets at the end of the year	**18,323**	18,220
Group's share in %	**26%**	26%
Carrying amount	**4,763**	4,737
Statement of comprehensive income:		
Revenue	**20,133**	16,549
Less: Costs of revenue	**19,872**	15,397
Profit before tax	**261**	1,152
Less: tax	**15**	12
Profit after tax	**246**	1,140

Note 6A: Discontinuing operations

The Board of Directors of the Parent Company ("the seller") decided to divest the investments made in Indian subsidiaries and associates in 2017. During the year 2018, the management initiated an active programme to locate a buyer. Accordingly, it was decided by the management that the investments in the Indian operations would be classified and accounted for as 'Assets held for sale' in accordance with IFRS 5.

Subsequent to the year-end, on 18 February 2019, the Parent Company signed a non-binding preliminary sale agreement with PMA International LLC, a related party ("the buyer") , for sale of all its investments in India i.e. Galfar Engineering & Contracting (India) Pvt. Ltd and five special purpose vehicles for road projects.
The key terms of the preliminary agreement are as follows:
a) The parties have agreed for a sale price of RO 17.2 million.
b) Post obtaining necessary approvals, on execution of the Share Purchase Agreement, the buyer would pay 10% of the consideration.
c) Remaining 90% would be paid in 4 equal half-yearly instalments secured by way of post-dated cheques / corporate guarantee / pledge of the Parent Company's shares held by the related parties.
d) Deferred consideration would carry an interest @ 5% per annum.

The sale process is subject to obtaining necessary statutory and other approvals including shareholders approval at the upcoming extra-ordinary general meeting scheduled to be held in April 2019. The Parent Company is confident that the transaction will be executed in due course.

The results from the discontinuing operations classified as held for sale for the year are presented below:

Amount in RO '000s

Particulars	2018	Restated 2017
Contract revenue	**1,047**	-
Sales and services income	**17**	669
Toll revenue	**4,324**	2,625
Total revenue	**5,388**	3,294
Other income	**(96)**	90
Cost of contracts and sales	**(4,985)**	(2,353)
Gross profit	**307**	1,031
General and administrative expenses	**(586)**	(662)
Provision for impairment of receivables and other current assets (net)	**-**	(746)
Financing costs, net	**(6,495)**	(3,567)
Share in loss of associates	**(208)**	(365)
Loss before tax	**(6,982)**	(4,309)
Income tax expense / (income)	**498**	(94)
Loss for the year and total comprehensive expense from discontinuing operations	**(6,484)**	(4,403)
Loss per share:		
Basic and diluted loss for the year for discontinuing operations	(0.02)	(0.01)

Note 6A: Discontinuing operations (continued)

The major classes of assets and liabilities of discontinuing operations classified as held for sale as at 31 December 2018 is as follows:

Particulars	2018
Assets	
Property, plant and equipment (refer note 3)	**2,603**
Intangible assets (refer note 4)	**41,789**
Retention receivables	**106**
Advances and other receivables	**1,284**
Inventories	**392**
Contract work in progress	**344**
Contract and trade receivables	**106**
Advances, prepayments and other receivables	**3,696**
Deposits with bank	**3**
Cash and bank balances	**854**
Investment in associates	**266**
Total assets	**51,443**
Equity and liabilities	
Foreign currency translation reserve	**(2,566)**
Total reserves held for sale	**(2,566)**
Term loans	**31,405**
Employees' end of service benefits	**56**
Term loans - current portion	**1,645**
Trade payables	**772**
Other payables and provisions	**19,411**
Provision for taxation	**107**
Total liabilities	**53,396**
Net assets directly associated with discontinuing operations	**613**

Information on shareholding of subsidiaries and associates is set out in notes 5 and 6.

The net cash flows incurred by the discontinuing operations held for sale are as follows:

Amount in RO '000s

	2018	Restated 2017
Net cash flows from / (used in) operating activities	(1,748)	495
Net cash flows used in investing activities	(10,588)	(18,523)
Net cash flows from financing activities	5,004	9,954
Net cash (outflow) / inflow	**(7,332)**	(8,074)

Note 6A: Discontinuing operations (continued)

(i) Assets held for sale in the Parent Company

Particulars		**2018**
Investment in subsidiaries		**13,480**
Galfar Engineering & Contracting India Pvt. Ltd. (GIPL)	11,897	
Salasar Highways Pvt. Ltd. (SHPL)	1,276	
Kashipur Sitarganj Highways Pvt. Ltd. (KSHPL)	307	
Investment in associates		**3,338**
Mahakaleshwar Tollways Pvt. Ltd. (MTPL)	2,255	
Shree Jagannath Expressway Pvt. Ltd. (SJEPL)	739	
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL)	344	
Less: Provision on investment in MTPL		**(2,255)**
Total Investments value held for sale		**14,563**

* the above amounts does not include RO 560 thousand and RO 588 thousand receivable from GIPL and MTPL which forms part of the sale agreement entered into with PMA International LLC.

(ii) KSHPL, up to 31 December 2018, has completed 65.500 km road of 77.200 km. of project. As per the provisional Commercial operational certificate issued in August 2017, construction of 63.505 km. was completed. As per the concession agreement entered into with National Highways Authority of India (NHAI), the project was required to be completed by August 2016. Balance of the work is still under execution & the project is under time and cost over run. KSHPL has submitted an extension of time claim for RO 836 thousand. NHAI has also raised a claim for damages for non-completion of Punch List items of RO 59 thousand and RO 87 thousand for breach of maintenance requirement.

The management of KSHPL is confident that it will be able to claim compensation from NHAI due to delay in fulfilment of NHAI obligations under concession agreement. Currently, on the basis of percentage of completed project, KSHPL is collecting toll revenue from the road users at a certain level which would increase once the project is 100% completed. For the purpose of performing impairment evaluation of intangible assets, the management has considered the toll revenue at 100% level and other factors such as expected future traffic flow, finance cost forecasts and accordingly, the management believes that the carrying value of the intangible assets as at 31 December 2018 is appropriate.

As per the terms and conditions of the Concession Agreement, in case of default from NHAI, KSHPL can invoke the termination clause of the contract on account of default vice versa. However as on the reporting date neither of the party has intend or initiated any step to terminate the contract. The management feels the delay in completion and the claims to NHAI will be settled amicably.

(iii) The management has already initiated process to streamline the fixed assets register of Galfar Engineering & Contracting India Private Limited (GIPL). Management has assigned a dedicated team to ensure completeness of the fixed asset register and complete physical verification on or before 31 March 2019. Management believes that there would be no significant adjustments required to be recorded in the financial statements as a result of the above

(iv) GIPL management has appointed an external consultant to regularize the compliance with the rules and regulations relating to Goods and Service tax. Management has taken necessary steps to ensure that GIPL is able to complete all the formalities before 31 March 2019 i.e. timeline for compliance. Management believes that GIPL would be able to comply on or before 31 March 2019 and no significant financial adjustments would be required in the

(v) GIPL management has initiated the process of obtaining statement of accounts from vendors and reconciling the balances with the vendors. Management believes that, as a result of the reconciliation process, no material adjustments would be warranted in the financial statements.

(vi) The term loans obtained are secured by first charge on the immovable and movable properties except project assets, revenue and receivables of the respective project.

	Parent Company		Consolidated (Restated)	
	2018	2017	**2018**	2017
7. Inventories				
Materials and consumables	**9,445**	11,631	**10,553**	13,532
Allowance for non-moving inventories	**(348)**	(1,572)	**(410)**	(1,601)
	9,097	10,059	**10,143**	11,931
Movement for the provision for inventories is as follows:				
At the beginning of the year	**1,572**	3,197	**1,601**	3,226
Charge for the year	**55**	76	**88**	76
Written back during the year	**(658)**	(1,701)	**(658)**	(1,701)
Written off during the year	**(621)**	-	**(621)**	-
At the end of the year	**348**	1,572	**410**	1,601
8. Contract work in progress				
Work-in-progress on long term contracts at cost plus attributable profit considered as receivables	**74,978**	56,872	**75,742**	57,788
Provision for impaired contract work in progress	**(15,884)**	(17,116)	**(15,884)**	(17,116)
	59,094	39,756	**59,858**	40,672
Movement on the provision for impairment of contract work in progress:				
At the beginning of the year	**17,116**	9,917	**17,116**	9,917
Impact of adopting IFRS 9	**3**	-	**3**	-
Restated opening balance under IFRS 9	**17,119**	9,917	**17,119**	9,917
Charge for the year	**320**	7,769	**320**	7,769
Written back during the year	**-**	(227)	**-**	(227)
Written off during the year	**(1,555)**	(343)	**(1,555)**	(343)
At the end of the year	**15,884**	17,116	**15,884**	17,116
Due from customers on construction contracts:				
Revenue recognised at cost plus attributable profit	**810,478**	641,214	**814,649**	645,385
Less: Progress claims received and receivable	**735,500**	584,342	**738,907**	587,597
	74,978	56,872	**75,742**	57,788
To customers under construction contracts recorded as billings in excess of work done (note 23)	**4,231**	5,376	**4,327**	9,887
Due to customers on construction contracts:				
Progress claims received and receivable	**290,711**	182,085	**290,983**	252,588
Less: Revenue recognised at cost plus attributable profit	**286,480**	176,709	**286,656**	242,701
	4,231	5,376	**4,327**	9,887
9. Contract and trade receivables				
Contract billed receivables	**180,790**	167,961	**181,337**	168,837
Trade receivables	**4,850**	4,923	**10,811**	11,256
Due from related parties -contract and trade (note 33)	**859**	503	**859**	503
Retention receivables - current	**15,638**	18,640	**15,789**	18,788
	202,137	192,027	**208,796**	199,384
Provision for impaired receivables	**(8,923)**	(13,414)	**(9,248)**	(13,527)
	193,214	178,613	**199,548**	185,857
Retentions receivables				
Non-current portion	**13,973**	29,122	**13,973**	29,122

	Parent Company		Consolidated (Restated)	
	2018	2017	**2018**	2017

9. Contract and trade receivables (continued)

Provision for impaired receivables and contract work in progress, mentioned in note 8 and 9, includes RO 3,340 (2017: RO 840) thousand towards time value provision for substantial delay in receipts of certain receivables in line with IFRS 9 requirements.

Movement on the provision for impairment of receivables including current retentions are as follows:

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
At the beginning of the year	**13,414**	27,192	**13,527**	27,389
Impact of adopting IFRS 9	**32**	-	**242**	-
Restated opening balance under IFRS 9	**13,446**	27,192	**13,769**	27,389
Charge for the year	**6,889**	1,114	**6,839**	1,129
Written back during the year	**(8,231)**	(4,295)	**(8,179)**	(4,295)
Written off during the year	**(3,181)**	(10,597)	**(3,181)**	(10,696)
At the end of the year	**8,923**	13,414	**9,248**	13,527

Movement on the provision for impairment of non-current retentions are as follows:

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
At the beginning of the year	**-**	-	**-**	-
Impact of adopting IFRS 9	**22**	-	**22**	-
Restated opening balance under IFRS 9	**22**	-	**22**	-
Charge for the year	**-**	-	**-**	-
Written back during the year	**(6)**	-	**(6)**	-
Written off during the year	**-**	-	**-**	-
At the end of the year	**16**	-	**16**	-

10. Advances, prepayment and other receivables

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
Advance on sub-contracts and supplies	**2,153**	6,042	**3,925**	7,376
Advances to employees	**528**	384	**530**	416
Prepaid expenses	**4,497**	4,565	**4,658**	4,695
Due from related parties - others (note 33)	**3,073**	3,303	**5,637**	8,997
Insurance claims receivable	**34**	34	**34**	34
Deposits	**431**	425	**435**	440
Other receivables	**-**	36	**19**	51
	10,716	14,789	**15,238**	22,009
Provision for due from related parties	**(1,301)**	(1,205)	**(1,314)**	(1,205)
Provision for impaired debts	**(2)**	-	**(2)**	(1,217)
	9,413	13,584	**13,922**	19,587
Advances and other receivables - Non current	**-**	-	**-**	2,487

Movement on the provision for due from related party others of debts are as follows:

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
At the beginning of the year	**1,205**	695	**1,205**	1,120
Impact of adopting IFRS 9	**10**	-	**10**	-
Restated opening balance under IFRS 9	**1,215**	695	**1,215**	1,120
Charge for the year	**88**	593	**101**	1,385
Written off during the year	**-**	(83)	**-**	(83)
At the end of the year	**1,303**	1,205	**1,316**	2,422

	Parent Company		Consolidated (Restated)	
	2018	2017	**2018**	2017
11. Deposits with bank				
Term deposits	**3,657**	3,953	**3,657**	3,953
Margin deposits	**-**	-	**23**	4
	3,657	3,953	**3,680**	3,957

The term deposit carry interest rates of 0.9% to 3.0% (2017: 0.9% to 2.5%) per annum and are kept for a period more than three months from the date of placement.

Movement of ECL on deposits with banks are as follows:				
At the beginning of the year	**-**	-	**-**	-
Impact of adopting IFRS 9	**5**		**5**	-
Restated opening balance under IFRS 9	**5**	-	**5**	-
Charge for the year	**-**	-	**-**	-
Written back during the year	**(1)**		**(1)**	-
Written off during the year	**-**	-	**-**	-
At the end of the year	**4**	-	**4**	-

12. Cash and bank balances				
Cash in hand	**116**	177	**152**	253
Bank balances with current accounts	**488**	1,596	**2,503**	3,667
	604	1,773	**2,655**	3,920

Movement of ECL on bank balances are as follows:				
At the beginning of the year	**-**	-	**-**	-
Impact of adopting IFRS 9	**1**	-	**1**	-
Restated opening balance under IFRS 9	**1**	-	**1**	-
Charge for the year	**-**	-	**-**	-
Written off during the year	**-**	-	**-**	-
At the end of the year	**1**	-	**1**	-

13. Share capital				
Authorised:				
500,000,000 (2017: 500,000,000) ordinary shares of par value RO 0.100 (2017: RO 0.100) each	**50,000**	50,000	**50,000**	50,000
Issued and fully paid:			**-**	-
Balance at beginning of the year	**41,522**	41,522	**41,522**	41,522
Increase during the year	**-**	-	**-**	-
Balance at end of the year	**41,522**	41,522	**41,522**	41,522

The issued and fully paid share capital comprises of 415,215,637 (2017: 415,215,637) shares having a par value of RO 0.100 (2017: RO 0.100) each. Pursuant to the terms of its IPO, as detailed below, the share capital of the Parent Company has been divided into two classes comprising of 289,980,637 (2017: 289,980,637) ordinary shares and 125,235,000 (2017: 125,235,000) preferential voting rights shares. The preferential voting rights shares are held by the promoting shareholders and carry two votes at all general meetings while otherwise ranking pari-passu with ordinary shares in all rights including the dividend receipt.

	Parent Company		Consolidated (Restated)	
	2018	2017	**2018**	2017

14. Share premium

During the current year, there is no movement in share premium account.

15. Statutory reserve

As required by the Commercial Companies Law of Oman, the statutory reserve is maintained at least one third of the issued share capital. No transfer was made during the year in the Parent Company's financial statements as the Parent Company has reached the statutory requirement. A transfer of RO 27K was made during the year in the Group's consolidated financial statements on account of transfer by a subsidiary.

16. Foreign currency translation reserve

Foreign currency translation reserve represents impact of translation of associates company (Galfar Kuwait) financial statement figures in foreign currency to functional currency of the Parent Company as required under IAS 21. As per IFRS 5, foreign currency translation reserve relating to the disposal group held for sale has been classified into 'Reserves of a disposal group held for sale'.

17. Dividend

For the year 2017, no dividend was proposed and paid.

For the year 2018, no dividend was proposed for the Parent Company in the Board meeting held on 17 March 2019.

18. Term loans

	Parent Company 2018	Parent Company 2017	Consolidated 2018	Consolidated 2017
Term loans:				
- from banks	**48,774**	41,438	**49,161**	78,929
- finance companies	**6,182**	4,489	**7,786**	7,317
	54,956	45,927	**56,947**	86,246
Current portion				
- from banks	**14,938**	19,724	**15,069**	21,297
- finance companies	**2,008**	1,698	**2,681**	1,888
	16,946	21,422	**17,750**	23,185
Non-current portion				
- from banks	**33,836**	21,714	**34,092**	57,632
- finance companies	**4,174**	2,791	**5,105**	5,429
	38,010	24,505	**39,197**	63,061
The term loans are repayable as follows:				
Within one year	**16,946**	21,422	**17,750**	23,185
In the second year	**27,589**	12,134	**28,259**	12,949
From third year onwards	**10,421**	12,371	**10,938**	50,112
	54,956	45,927	**56,947**	86,246

The long term loans are stated at amortised cost and amounts repayable within the next twelve months have been shown as a current liability. The term loans from banks are secured against the contract receivable assignments and/or joint registration of vehicle/equipment/land mortgage. The term loans from finance companies are secured against the jointly registered vehicle/equipment.

The interest rates on term loans were as follows:

	Current year	Previous year
Floating rate loans	**LIBOR + 2.0%**	LIBOR + 2.0%
Fixed interest rate loans	**4.75% to 8.0%**	4.25% to 7.5%

	Parent Company		Consolidated (Restated)	
	2018	2017	**2018**	2017
19. Short term loans				
- from banks	**29,250**	30,900	**29,250**	36,777

Short term loans from banks are repayable in one year and are secured against the contract assignments and/or joint registration of vehicle/equipment. The interest rates on these loans vary between 4.75% to 7.5% (2017: 4.75% to 7.0%) per annum.

	Parent Company 2018	Parent Company 2017	Consolidated 2018	Consolidated 2017
20. Bank borrowings				
Bank overdrafts	**5,759**	8,108	**5,759**	8,891
Loan against trust receipts	**19,308**	25,895	**19,308**	26,052
Bills discounted	**19,784**	17,365	**19,784**	17,365
	44,851	51,368	**44,851**	52,308

Bank borrowings are repayable on demand or within one year. The interest rates on bank borrowings vary between 4.0% to 7.5% (2017: 4.0% to 7.5%) per annum. Bank borrowings are secured against the contract receivables assignments.

	Parent Company 2018	Parent Company 2017	Consolidated 2018	Consolidated 2017
21. Trade payables				
Sundry creditors	**48,046**	53,890	**50,070**	61,722
Provision for purchases and sub-contracts	**27,508**	28,637	**30,252**	31,249
	75,554	82,527	**80,322**	92,971
22. Employees' end of service benefits				
Balance at beginning of the year	**13,630**	13,232	**13,775**	13,478
Charge for the year	**1,948**	2,118	**2,068**	2,253
Paid during the year	**(967)**	(1,720)	**(1,094)**	(1,860)
Balance at end of the year	**14,611**	13,630	**14,749**	13,871
23. Other payables and provisions				
Provision for employees' leave pay and passage	**4,762**	5,826	**4,864**	5,982
Creditors for capital purchases	**142**	349	**275**	349
Advance from customers - current	**44,166**	29,783	**44,276**	30,240
Due to customers on contracts (note 8)	**4,231**	5,376	**4,327**	9,887
Provision for future loss on contracts	**1,883**	2,209	**1,883**	2,209
Retention on sub-contracts	**3,087**	2,328	**3,087**	2,416
Accrued expenses	**10,128**	9,690	**11,104**	10,929
Due to related parties (note 33)	**6,287**	3,901	**6,343**	4,564
Statutory dues payable	**387**	368	**388**	1,054
Other payables	**907**	757	**1,110**	1,354
	75,980	60,587	**77,657**	68,984
Advance from customers				
Non-current portion	**3,970**	19,214	**3,970**	19,214

Advances from customers are secured by bank guarantees.
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 at the rate of 15% of result after adjusting non-assessable and disallowable items. It is provided for Indian subsidiary as per 'Income tax Act' in India @ 33% of taxable profit after adjusting non-admissible expenses and depreciation difference.

	Parent Company		Consolidated (Restated)	
	2018	2017	**2018**	2017
Income tax expense for continuing operations				
Tax charge for the current year	**2,024**	-	**2,115**	222
Deferred tax charge for the year	**-**	-	**15**	71
Tax charge of prior years	**-**	-	**96**	-
	2,024	-	**2,226**	293
Income tax expense for discontinuing operations				
Tax charge / (benefit) for the current year	**-**	-	**(153)**	94
Deferred tax charge / (benefit) for the year	**-**	-	**(403)**	-
	-	-	**(556)**	94

24.1 Tax computation of the Parent Company includes deduction from taxable income amounting to RO 1,981 (2017: RO 10,597) thousand for the write off of short recovery of dues from a Government client. The write off is based on the final account settlement of the contract dues duly signed by both parties.

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

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
Accounting profit before tax from continuing operations	**7,703**	(3,699)	**8,864**	(2,441)
Loss before tax from discontinuing operations	**-**	-	**(6,484)**	(4,403)
Accounting profit before income tax	**7,703**	(3,699)	**2,380**	(6,844)
Tax as per law of respective country	**1,155**	(555)	**344**	(579)
Tax effect on write-off of contract receivables and contract work in progress	**315**	51	**315**	51
Tax effect on non admissible expenditure and adjustments	**554**	504	**1,011**	915
	2,024	-	**1,670**	387
Income tax expense reported in the statement of comprehensive income	**2,024**	-	**2,226**	293
Income tax expense / (benefit) attributable to discontinuing operation	**-**	-	**(556)**	94

Provision for tax

The Parent Company's income tax assessment up to the year 2013 has been completed by the taxation department. The income assessments of the subsidiaries are at various stages of completion. The management believes that any taxation for the unassessed years will not be material to the financial position of the Group as at the reporting date. The status of tax provision is as follows:

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
Balance at beginning of the year	**5**	1,176	**487**	3,749
Transfer relating to asset held for sale	**-**	-	**(260)**	-
Charge during the year	**2,024**	-	**2,211**	316
Tax paid during the year	**-**	(1,171)	**(163)**	(3,578)
Balance at end of the period	**2,029**	5	**2,275**	487

Deferred tax liability - for continuing operations

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a principal tax rate as per tax law of the respective country.

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
Balance at beginning of the year	**-**	-	**786**	715
Transfer relating to asset held for sale	**-**	-	**(403)**	-
Charge during the year	**-**	-	**15**	71
Balance at end of the period	**-**	-	**398**	786

	Parent Company		Consolidated (Restated)	
	2018	2017	**2018**	2017

24. Taxation (continued)

Deferred tax liability - for discontinuing operations

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	**-**	-	**-**	-
Transfer from continuing operations	**-**	-	**403**	-
Charge / (benefit) during the year	**-**	-	**(403)**	-
Balance at end of the period	**-**	-	**-**	-

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

Property, plant and equipment:				
Balance at beginning of the year	**4,293**	5,654	4,734	6,324
Release to income statement	**(800)**	(1,361)	(843)	(1,376)
Balance at end of the year	**3,493**	4,293	**3,891**	4,948
Trade receivables and inventories				
Balance at beginning of the year	**(4,293)**	(5,654)	(4,293)	(5,609)
Release to income statement	**800**	1,361	800	1,447
Balance at end of the year	**(3,493)**	(4,293)	**(3,493)**	(4,162)
	-	-	**398**	786

Deferred tax asset on deductible timing differences has been recognised in the Parent Company's financial statements to the extent of the taxable timing difference.

25. Sales and services income

Sales and services	**2,357**	3,316	**15,502**	15,239
Hiring services	**1,182**	1,145	**2,917**	2,790
Training services	**-**	-	**25**	28
	3,539	4,461	**18,444**	18,057

26. Other income

Gain on sale of assets	**2,061**	2,163	**2,184**	2,184
Miscellaneous income	**523**	1,209	**593**	1,255
	2,584	3,372	**2,777**	3,439

27. Cost of contract and sales

Materials	**57,148**	64,098	**63,715**	69,103
Manpower costs (note 29)	**84,172**	89,130	**88,491**	94,059
Sub-contracting costs	**55,525**	46,833	**50,554**	41,555
Plant and equipment repair and maintenance	**9,557**	11,551	**10,788**	12,858
Plant and equipment hiring costs	**6,741**	6,808	**7,600**	8,245
Fuel expenses	**15,077**	14,183	**17,311**	16,275
Training expenses	**-**	-	**475**	787
Depreciation and amortisation (notes 3 and 4)	**14,658**	17,170	**16,257**	18,808
General and administrative expenses (note 28)	**12,191**	11,353	**13,671**	11,940
	255,069	261,126	**268,862**	273,630

	Parent Company		Consolidated (Restated)	
	2018	2017	**2018**	2017
28. General and administrative expenses				
Manpower costs (note 29)	**1,877**	5,067	**3,764**	6,153
Rent	**3,493**	3,852	**3,833**	4,167
Electricity and water charges	**3,257**	3,122	**3,362**	3,223
Professional and legal charges	**1,763**	2,030	**1,817**	2,075
Insurance charges	**1,535**	2,166	**1,612**	2,313
Bank guarantee and other charges	**1,420**	1,507	**1,488**	1,554
Communication expenses	**449**	690	**512**	767
Repairs and maintenance - others	**625**	748	**647**	764
Traveling expenses	**505**	317	**569**	397
Printing and stationery	**226**	275	**253**	301
Business promotion expenses	**32**	72	**45**	86
Tender fees	**139**	93	**139**	102
Directors' expenses	**50**	50	**50**	50
Corporate social responsibility expenses	**7**	42	**7**	42
Miscellaneous expenses	**239**	223	**278**	223
Depreciation and amortisation	**953**	1,296	**1,000**	1,352
	16,570	21,550	**19,376**	23,569
Pertaining to cost of contract and sales	**12,191**	11,353	**13,671**	11,940
	4,379	10,197	**5,705**	11,630
29. Manpower costs				
Salary and wages	**64,490**	68,741	**68,847**	72,856
Employees' service benefits	**9,836**	11,288	**10,409**	12,109
Camp and catering expenses	**6,882**	8,146	**7,591**	8,916
Hired salary and wages	**1,815**	2,082	**1,932**	2,082
Other expenses	**3,455**	3,940	**3,832**	4,249
Staff incentives	**(429)**	-	**(356)**	-
	86,049	94,197	**92,255**	100,212
Pertaining to cost of contract and sales	**84,172**	89,130	**88,491**	94,059
Pertaining to general and administration expenses	**1,877**	5,067	**3,764**	6,153
30. Financing costs, net				
Interest expense	**7,323**	8,268	**7,467**	8,381
Interest income	**(94)**	(86)	**(94)**	(86)
	7,229	8,182	**7,373**	8,295
31. Earnings (loss) per share				
Profit/(loss) attributable to equity shareholders of the Parent Company:				
Continuing operations	**5,679**	(3,699)	**8,710**	(2,074)
Discontinuing operations	**-**	-	**(6,484)**	(4,403)
Profit/(loss) attributable to equity shareholders of the Parent Company for basic earnings:	**5,679**	(3,699)	**2,226**	(6,477)
Number of shares in '000 (note 13)	**415,220**	415,220	**415,220**	415,220
Basic and diluted loss per share (RO)	**0.014**	(0.009)	**0.005**	(0.016)

	Parent Company		Consolidated (Restated)	
	2018	2017	**2018**	2017

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	**64,946**	59,340	**54,768**	53,744
Number of shares in '000 (note 13)	**415,220**	415,220	**415,220**	415,220
Net assets per share (RO)	**0.156**	0.143	**0.132**	0.129

33. Related party transactions

Related parties represent subsidiaries, associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties.

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

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

Contract income				
- with associates	**101**	28	**101**	28
- with other related parties	**499**	-	**499**	-
Sales and services				
- with subsidiaries	**1,099**	1,476	**1,099**	1,476
- with associates	**-**	84		84
- with other related parties	**36**	63	**36**	63
Purchase of property, plant and equipment				
- with other related parties	**22**	97	**22**	97
Purchase of goods and services				
- with subsidiaries	**12,842**	15,033	**12,842**	15,033
- with other related parties	**3,953**	3,596	**3,953**	3,596
- with shareholders	**158**	160	**158**	160
Director's sitting fees	**50**	50	**50**	50

Balances of related parties recognised and disclosed in notes 9, 10 and 23 respectively are as follows:

Due from shareholders	**4**	9	**4**	9
Due from subsidiary and associate companies	**2,664**	2,438	**5,228**	8,132
Due from key management personnel	**845**	831	**845**	831
Due from other related parties	**419**	528	**419**	528
	3,932	3,806	**6,496**	9,500
Due to shareholders	**57**	57	**57**	57
Due to subsidiary and associate companies	**3,530**	2,474	**3,514**	3,135
Due to key management personnel	**1**	1	**1**	1
Due to other related parties	**2,699**	1,369	**2,771**	1,371
	6,287	3,901	**6,343**	4,564

The amounts outstanding are unsecured and will be settled. During the year, RO 223 (2017: 609) thousand has been recognised towards doubtful debts pertaining to related parties. Included in due from related parties is RO 1,819 thousand (2017: RO 1,863 thousand), net of provision, which is overdue. The Parent Company's Board of Directors have evaluated the balances to be fully recoverable.

During the year, the Parent Company has recorded payable of RO 508 thousand to Al Khalij Heavy Equipment and Engineering LLC towards the sale proceeds of fixed assets which was mistakenly recorded in the Parent Company's financial statements in earlier years.

	Parent Company		Consolidated (Restated)	
	2018	2017	**2018**	2017

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:

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
Salaries	**516**	597	**813**	1,339
End of service benefit	**23**	26	**29**	26
	539	623	**842**	1,365

Included in due from related parties RO 486 (2017: RO 486) thousand is due from key management personnel of the Parent Company. The balance is overdue and the Parent Company's Board of Directors have assessed the amount to be fully recoverable.

34. Commitments and contingencies

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
Bonds and guarantees	**88,617**	161,992	**88,798**	161,992
Letter of credit	**23,278**	19,474	**23,278**	19,474
Corporate guarantees	**6,313**	15,188	**6,313**	57,717
Capital commitments	**457**	1,364	**610**	1,364
Legal cases	**691**	1,110	**691**	1,110
	119,356	199,128	**119,690**	241,657

The Parent Company has provided corporate guarantees for subsidiaries and associates and 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 toll collection 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. As explained in note 6A, the investments in Indian subsidiaries and associates have been classified as 'Assets held for sale' and accordingly all contingent liabilities will also be assumed by the potential buyer.

34.1 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.

34.2 Penalties

Penalties amounting to RO 5,264 (2017: RO 7,038) thousand have been levied on 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 of RO 3,131 (2017: RO 5,355) thousand, is made which is included in 'Provision for impaired receivables' shown under note 9.

Further imposable penalties on account of expected completion delays amounting to RO 11,242 thousand on certain projects is not considered in the books of the Parent Company as the management believes that the delay in these projects is majorly due to the delay from the customer’s side and based on their recent discussions with these customers these penalties are not expected to be levied on the Company.

35. Operating segments

The Group operates in two geographical segments, GCC and India. During the year Investments in India was classified as held for sale.

Segmental information is presented in respect of the Group's operating segments. Operating 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 five segments - construction, manufacturing, hiring of equipment, toll collection 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 operating segments are as follows:

Amount in RO '000s

	Construction		**Manufacturing**		**Hiring**		**Toll Collection**		**Training**		**Inter segments**		**Consolidated**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Segment revenue and expenses														
Segment revenue	**274,241**	279,480	**17,826**	19,506	**1,781**	1,693	**-**	-	**229**	335	**(4,932)**	(7,940)	**289,145**	293,074
Segment expenses	**268,087**	282,560	**17,285**	19,004	**1,783**	1,828	**-**	-	**284**	356	**(7,004)**	(8,536)	**280,435**	295,212
Segment results	**6,154**	(3,080)	**541**	502	**(2)**	(135)	**-**	-	**(55)**	(21)	**2,072**	596	**8,710**	(2,138)
Segment assets and liabilities														
Segment assets	**405,815**	401,301	**12,761**	13,890	**3,497**	2,931	**40,351**	49,135	**(613)**	(413)	**(42,310)**	(40,554)	**419,501**	426,290
Segment liabilities	**323,812**	325,999	**4,825**	6,449	**1,335**	1,216	**33,702**	37,841	**157**	302	**-**	(163)	**363,831**	371,644

Inter-segment revenues are eliminated upon consolidation and reflected in the 'Inter segments' column.

36. Financial instruments and related risk management

The Group's principal financial liabilities 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 trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

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, investments at fair value through comprehensive income.

Interest rate risk

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

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, 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 statement of comprehensive income would have been RO 1,238 (2017: RO 1,417) thousand and RO 2,409 (2017: RO 2,026) thousand respectively.

Term loans amounting to RO 54,956 (2017: RO 45,927) thousand are recognised at fixed interest rates and expose the Parent Company to fair value interest rate risk. The remaining term loans of RO 1,320 thousand (2017: RO 753) thousand are recognised at floating rates thus exposing the Parent Company to cash flow interest rate risk.

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

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.

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.

Equity price risk

The Group do not hold any quoted investment.

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 2018 and 31 December 2017.

36. Financial instruments and related risk management (continued)

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.

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 (Restated)	
	2018	2017	**2018**	2017
Contract work in progress, contract and trade receivables	**261,477**	230,259	**268,749**	238,384
Retention receivables	**29,611**	47,762	**29,762**	47,950
Advances, prepayments and other receivables	**9,413**	13,584	**13,922**	19,710
Deposits with banks	**3,657**	3,953	**3,680**	3,957
Cash and bank balances	**604**	1,773	**2,655**	3,920
	304,762	297,331	**318,768**	313,921

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	**196,719**	182,503	**196,719**	182,744
Petroleum Development Oman	**45,995**	33,130	**45,995**	33,130
Other private customers	**18,763**	14,626	**26,035**	22,510
	261,477	230,259	**268,749**	238,384

The Group has established credit policies and procedures that are considered appropriate for the Parent Company and its subsidiaries. The Group'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 40 for key sources of estimation of uncertainty for the impairment of contract work in progress, contract and trade receivables.

The age of Contract work in progress, contract and trade receivables at the reporting date was:

Not past due	**97,216**	87,861	**97,719**	91,365
Past due 1- 180 days	**66,342**	30,903	**71,192**	33,368
Past due 181 - 365 days	**21,949**	20,840	**22,600**	21,864
More than 365 days	**75,970**	90,655	**77,238**	91,728
	261,477	230,259	**268,749**	238,325
Impairment on Contract work in progress, contract and trade receivables	**(24,807)**	(30,530)	**(25,132)**	(30,643)

36. Financial instruments and related risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the nature of the underlying business through the Group maintains adequate bank balances and credit facilities to fund its operations.

Management monitors the forecast of the Group's liquidity position on the basis of expected cash flows.

The Group is currently financed from shareholder's equity and bank borrowings. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows:

The following are the financial liabilities:				
Term loans	**54,956**	45,927	**56,947**	86,246
Short term loans	**29,250**	30,900	**29,250**	36,777
Bank borrowings	**44,851**	51,368	**44,851**	52,308
Trade and other payables	**170,115**	175,958	**176,714**	195,040
	299,172	304,153	**307,762**	370,371
The contractual maturities of above financial liabilities were:				
Term loans: (principle)				
Up to 90 days	**4,719**	5,637	**4,763**	5,637
91 - 180 days	**4,690**	6,024	**4,733**	6,024
181 - 365 days	**7,537**	9,761	**8,254**	11,524
More than 365 days	**38,010**	24,505	**39,197**	63,061
	54,956	45,927	**56,947**	86,246
Short term loans:				
Up to 90 days	**26,750**	30,900	**26,750**	30,900
91 - 180 days	**2,500**	-	**2,500**	-
181 - 365 days	**-**	-	**-**	5,877
	29,250	30,900	**29,250**	36,777
Bank borrowings:				
Up to 90 days	**30,852**	47,401	**30,852**	48,341
91 - 180 days	**13,035**	3,967	**13,035**	3,967
181 - 365 days	**964**	-	**964**	-
	44,851	51,368	**44,851**	52,308
Trade and other payables:				
Up to 90 days	**93,590**	91,101	**99,313**	101,592
91 - 180 days	**31,367**	25,541	**32,441**	29,637
181 - 365 days	**26,577**	26,472	**26,241**	30,726
More than 365 days	**18,581**	32,844	**18,719**	33,085
	170,115	175,958	**176,714**	195,040

37. Fair values of financial instruments

Fair values

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of bank balances, receivables and investments at fair value through other comprehensive income. Financial liabilities consist of term loans and payables.

The fair value of financial assets and financial liabilities approximate to their carrying values. The Group's forward currency contracts are recognised using level II fair value hierarchy techniques.

38. Investigation by Capital Market Authority of Oman

The Capital Market Authority of Oman ("CMA") had carried out certain investigative audits relating to the Group's certain transactions for the years from 2010 to 2014. Management has received draft audit reports which were being conducted by independent auditors. The Parent Company has submitted responses to CMA wherein the Parent Company has specified the actions taken / to be taken in the Group's operations to ensure that the process gaps identified for earlier years are not repeated. The Group has not made any adjustment and believes that no adjustment would be required in the financial statements.

39. Irregularities notified in procurement process of a subsidiary

In view of the irregularities informed in the procurement process of a subsidiary, the Company had engaged an independent third party to perform the verification of the incidences notified. As per the report on the third party verification, there were certain irregularities noted in the incidents notified and they suggested a thorough review. The Group's internal legal department have also conducted independent investigation of the notified incidences and reported that there were no substantial irregularities leading to criminal activities. The management believes that when the thorough review of the procurement process of the subsidiary would be concluded, there will not be any material impact on the financial statements of the Group.

40. 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 revenue recognition of the Group is line with IFRS 15 requirements. It uses the cost-to-cost (input method) in accounting for its construction contracts. At each reporting date, the Group is required to estimate the stage of completion and costs to complete on its construction contracts. This requires the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers.

Effects of any revision to these estimates are reflected in the period in which the estimates are revised. When the expected contract costs exceeds the total anticipated contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Group uses its commercial team to estimate the costs to complete of construction contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, labour costs and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

The Group includes variable consideration (including claims, re-measurable contract values and) in the transaction price to which it expects to be entitled from the inception of the contract. The amount of variable consideration will have to be restricted to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(b) Impairment of claims recognised in contract work in progress and contract receivables

(i) 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 recognized in these 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 recognized 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 recognized in these consolidated financial statements.

40. Key sources of estimation uncertainty (continued)

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.

(ii) 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 182,196 (2017: RO 169,340) thousand, most of these receivables were from Government and quasi Government entities. This balance includes value of RO 100,407 (2017: RO 104,098) thousand certification in process, which is in the normal course of business activity in the construction industry. At 31 December 2018, the provision for impaired contract receivables and work in progress was RO 25,132 (2017: RO 30,643) thousand. Management believes the balance amounts are fully recoverable. In addition to this, the Groups' trade receivables were RO 10,811 (2017: RO 11,256) thousand.

(iii) The final account of Muscat Expressway project was agreed with Muscat Municipality for an amount of RO 39 million. Out of this RO 19.5 million has been realized till date, and the balance is expected to be collected in 2019. A portion of provision made in earlier year amounting to RO 2.1 million was reversed in the year 2017 as the settled amount is more than the project's receivable amount net of provisions. In accordance with IFRS 9, the Parent Company has recorded provision of RO 1,119 thousand as at 31 December 2018.

The final account of Central Corridor project has been concluded during 2018. Total outstanding as of 31 December 2018 is RO 3.3 million. This amount is expected to be collected in 2019. As a result of the settlement, the Parent Company has recorded a write-off of RO 1.98 million in the year 2018, as the settled amount is less than the project's receivable amount. In accordance with IFRS 9, the Parent Company has recorded provision of RO 190 thousand as at 31 December 2018.

As informed by the customer in Muscat Expressway project and Central Corridor project through the final settlement letter, out of the above receivable balances, the ex-gratia amount agreed with would be paid to the Parent Company directly by the Ministry of Finance (MoF).

(iv) Three out of four arbitrations relating to Seeb Sewage Network project against Haya Water were awarded in favor of the Parent Company totaling to RO 23.19 million. Status of various arbitration awards are as follows:

The first arbitration awards towards road reinstatement measurement and other variations amounting to RO 3.58 million were awarded on 19 August 2016. This is under enforcement process in court and the judge has advised Central Bank of Oman (CBO) to deposit the fund in the court by 8 August 2018. Haya is yet to deposit the amount. Haya Water has submitted an appeal for annulment of the arbitration award which was accepted by Supreme Court in favour of Haya Water. The Parent Company has filed an appeal against the Supreme Court judgment for which the final judgment is awaited.

Second arbitration award towards extension of time cost amounting to RO 18.28 million was awarded in favor of the Parent Company with 7% interest on the claim amount on 15 February 2018. Haya's appeal for annulment of the arbitration award was rejected by the court. The court has advised CBO on 17 December 2018 to hold the money from Haya Account and transfer the money to court account. Haya submitted an appeal against the execution judgment at Primary Court which was rejected by Court on 29 January 2019. Subsequent to the year-end, the Parent Company has received RO 2.43 million being part of the award amount as on 10 March 2019.

Third arbitration towards change in legislation claim of RO 2.1 million is pending before the arbitrator and award is expected by end of March 2019.

Fourth arbitration award towards variation and claims amounting to RO 1.3 million has been awarded in favor of Parent Company on 01 March 2018. The entire amount has since been received in January 2019.

The awarded amount along with interest component in second arbitration award sufficiently covers the revenue recognized by the Parent Company against respective claims. The Company expects the balance awarded money to be realized during 2019.

(v) The Parent Company had lodged arbitration cases against Haya towards recovery of penalty deducted by Haya towards Al Ansab STP project. Arbitration was awarded in favour of the Parent Company on 28 June 2018 for RO 2.63 million plus legal cost of RO 0.14 million. Haya had filed an appeal to nullify the arbitration award. Court had rejected Haya's nullity case and final judgment was received on 21 January 2019. A portion of provision made in earlier year amounting to RO 0.66 million has been reversed as the settled amount is more than the project's receivable amount net of provisions. The management believes that the money would be collected in 2019. In accordance with IFRS 9, the Parent Company has recorded provision of RO 149 thousand as at 31 December 2018.

(vi) The Parent Company had lodged an arbitration case against Swissboring & Company LLC ("Swissboring") towards reimbursement of cost for repair of defects at Duqm Dry Dock Complex project. Arbitration was awarded if favour of the Parent Company on 26 February 2017 for RO 3.87 million in favor of the Parent Company plus 6.5% interest from date of award till full payment.

40. Key sources of estimation uncertainty (continued)

Swissboring filed an appeal in Supreme Court to cancel the Award. Judgment on interest due was issued favoring the Parent Company. Swissboring appealed against the judgment. Parent Company replied to Swissboring appeal. Supreme Court issued a judgment on 8 October 2018 to stop enforcement procedure till the final judgment is issued. Date for final Award is awaited from Supreme Court. Considering the original arbitration award was in favour of the Parent Company, the management believes that the final judgment would be in favour of Parent Company.

(vii) In case of Ras Al Hadd Airport project, the Parent Company has recognised certain claims amounting to RO 5.64 million on the basis of report issued by an independent consultant. The Parent Company has also recorded revenue and receivable towards the amount of penalty which has been withheld by the customer in earlier years on the basis of legal opinion obtained from an independent consultant. The Parent Company has recorded provision amounting to RO 3.13 (2017: RO 2.23) million in accordance with IFRS 9.

(c) Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value 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. 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 410 (2017: RO 1,601) thousand for the Group is adequate (refer note 7).

(d) 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.

(e) Impairment of investments in subsidiaries and associates

The Group reviews its investments in associates and subsidiaries periodically and evaluates for objective evidence of impairment. Objective evidence includes the performance of associates and subsidiaries, significant decline in carrying value below its costs, the future business model, local economic conditions and other relevant factors. Based on objective evidences the Group determines the need for impairment loss on investment in associates and subsidiaries.

As explained in note 6A, As of 31 December 2018, the Parent Company has classified the investments in Indian subsidiaries and associates as 'Assets held for sale'. Since, the Parent Company is in the process of selling these investments at a profit, the management has not performed impairment assessment as at 31 December 2018.

(f) 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)

41. Correction of errors and comparative information

In order to address the audit qualification in 2017 financial statements relating to subsidiaries's accounting records, the management have performed a detailed review for three of its Indian subsidiaries during 2018 and appointed new independent auditors. The new independent auditors have observed certain errors and reclassifications in the financial statements of 2017 and earlier periods relating to the following matters:
(i) useful lives of property, plant and equipment was not considered appropriately
(ii) overbilling of revenue being incorrectly accounted
(iii) accounting for provision for major maintenance charges was not recorded correctly

Details regarding correction of errors are set out below:

Impact on equity

Particulars	Consolidated 31 December 2017	Consolidated 1 January 2017
Property, plant and equipment	(34)	(739)
Other payables and provisions	(581)	(715)
Trade payables	(83)	-
Net impact on equity	**(698)**	**(1,454)**

Impact on statement of comprehensive income

Particulars	Consolidated 31 December 2017
Sales and services income	(71)
Cost of contracts and sales	1,187
General and administrative expenses	(777)
Financing costs, net	132
Income tax expense	85
Iincrease in loss for the year 2017	**(698)**

41. Correction of error and comparative information (continued)

Certain corresponding figures for 2017 have also been reclassified in order to conform with the presentation for the current period. Such reclassifications were made within the same notes to the financial statements and do not affect previously reported profit or shareholder's equity.

Set out below is the combined impact of the reclassificattion and restatement of the figures reported in statement of financial position as at 31 December 2017:

Particulars	As previously reported 2017 *	Adjustments	Restated 2017
ASSETS			
Non-current assets			
Property, plant and equipment	75,041	(776)	74,265
Intangible assets	48,642	248	48,890
Investment in subsidiaries	5,457	-	5,457
Available-for-sale investments	145	-	145
Retentions receivables	29,185	(63)	29,122
Advances, prepayments and other receivables	-	2,487	2,487
	158,470	**1,896**	**160,366**
Current assets			
Inventories	11,931	-	11,931
Contract work in progress	40,672	-	40,672
Contract and trade receivables	186,201	(344)	185,857
Advances, prepayments and other receivables	22,774	(3,187)	19,587
Deposits with banks	3,957	-	3,957
Cash and bank balances	4,062	(142)	3,920
	269,597	**(3,673)**	**265,924**
Total assets	**428,067**	**(1,777)**	**426,290**
EQUITY AND LIABILITIES			
Equity			
Share capital	41,522	-	41,522
Share premium	18,337	-	18,337
Statutory reserve	14,278	27	14,305
Foreign currency translation reserve	(1,979)	(24)	(2,003)
Accumulated losses	(16,238)	(2,179)	(18,417)
Equity attributable to shareholders	**55,920**	**(2,176)**	**53,744**
Non controlling interests	901	1	902
Total equity	**56,821**	**(2,175)**	**54,646**
Non-current liabilities			
Term loans	62,746	315	63,061
Employees' end of service benefits	13,871	-	13,871
Advance from customers	19,214	-	19,214
Deferred tax liability	700	86	786
	96,531	**401**	**96,932**
Current liabilities			
Term loans - current portion	23,577	(392)	23,185
Short term loans	36,777	-	36,777
Bank borrowings	52,308	-	52,308
Trade payables	94,256	(1,285)	92,971
Other payables and provisions	67,310	1,674	68,984
Provision for taxation	487	-	487
	274,715	**(3)**	**274,712**
Total liabilities	**371,246**	**398**	**371,644**
Total equity and liabilities	**428,067**	**(1,777)**	**426,290**

* the impact of adjustments as at 1 January 2017 has been included in the figures previously reported.