

DIRECTOR REPORT FOR 2018

Dear Shareholders,

On behalf of the Board of Directors, I present to you the Annual Report and **Audited Consolidated Financial Statement** for Al Hassan Engineering Co. SAOG for the period ending 31st December 2018.

	2018	2017	RO 000 % Change
Turnover & Other Income	26,055	32,402	-20%
Gross profit before non G&A Overheads	3,676	1,965	87%
Non G&A Overheads	(1,969)	(1,903)	3%
Gross profit from operations	1,707	62	
General & Administration expenses	(1,963)	(1,966)	0%
Finance cost Oman	(854)	(888)	-4%
Loss before Impairment- Parent	(1,110)	(2,792)	-60%
Impairment loss on Goodwill	-	(879)	
Provision for variation & claims	(4,000)	-	
Loss after Provision	(5,110)	(3,671)	
Loss from discontinued operations			
a) Oman subsidiary -	(81)	(295)	
b) UAE subsidiary -			
Finance cost on fund lost in UAE	(1,844)	-	
Other Operational loss	(1,033)	(45,488)	
Loss - Total Consolidated	(8,068)	(49,454)	

A loss of RO 8.07 mn has been incurred, (loss of RO 49.5 mn in 2017) after making a provision of RO 4 mn for Variation revenue impairment and accounting for loss/cost of RO 3 mn arising from discontinuing UAE operations.

The Turnover is lower than previous period due to completion of projects and low new order In-take arising from financial constraints, lack of project financing & Performance Bank Guarantees for new projects.

The Gross Profit (GP) contribution from the three ongoing projects is positive. The GP would have been higher, but for the losses from earlier loss making projects, (now completed) and delays/ higher costs resulting from lack of liquidity.

The non G&A Overheads were not reduced in year 2018 as it includes idle cost of manpower of RO 0.4 mn. Finance cost is a very significant element of expenses being borne for past losses incurred in UAE subsidiaries.

It may be noted that the 'Operational Cash Profit' before Finance cost is RO 1.0 mn in 2018 (vs Cash loss of RO 0.9 mn in 2017) indicating that there was a positive cash generation from operations.

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Liquidity and Cash flow

The major challenge faced by the company during 2018 was to maintain progress on projects, despite severe liquidity constraints. The Company successfully completed 6 projects during the year and progressed the 3 ongoing projects after continuous and strenuous efforts while balancing conflicting objectives of lenders, vendors and clients.

RO 31 mn was received during 2018 from Clients and judiciously used to make critical payments, to support on-going projects and manage much overdue liabilities. Notwithstanding, the cash position of the company continues to remain precarious, risking execution of ongoing projects as per the plans. Efforts are ongoing to resolve existing Variations and Claims to improve cash position of the company.

During the year, Banks were paid of RO 3.1 mn and Bank Guarantees of RO 13 mn were cancelled or reduced, thereby reducing the bank exposures.

A Project (RHPP) specific temporary funding for RO 2 mn was sanctioned by banks, and the balance outstanding of RO 1.6 mn repaid in Feb 2019

Project Update

i) 6 Projects Completed to client's satisfaction, 5 of which are under final/claims settlement:

- Lekhwair Fahud pipeline, PDO – Closed and handed over. An Appreciation shield was received for completion 5 months ahead of schedule;
- Ghaba North Redevelopment, PDO- Closed technically and handed over;
- Zauliyah Gas Plant (EPC), PDO- Closed technically and handed over;
- Rabab Harweel Power Plant and HRSG (RHPP), PDO – Completed and handed over. Under power production since Jan 2018;
- Sohar Refinery Improvement Project (SRIP), Daelim Petrofac JV- Closed technically and handed over;
- Saih Nihaydah Condensate Plant (SNCP), PDO - 99.64% complete. Under commissioning.

ii) Status of Ongoing Projects:

- Liwa Plastics, CCJV – 65% completed. Project planned for completion in Q4 2019. Completed 7 Million safe man hours without LTI;
- Haima West, PDO - awarded in Feb 2018, progressed 14%. Shutdown works for Vent stack/EDG Set Relocation achieved ahead of schedule. Major equipment like steam turbine and HRSG ordered. All major equipment planned to be delivered by Q4 2019 and construction works are planned to be completed by Q2 2020.
- Salalah LPG, Petrofac – awarded in March 2018, 16.2% completed. Project is planned to be completed by Q4 2019.

Health Safety and Environment (HSE)

- 7.1 million man-hours and 3.7 million kilometers driven without any lost time injury.
- An initiative has been launched by HSE Dept. i.e. "Near Miss Reporting System" which is web based across all the ongoing projects. The NMRS is accessible to all employees. This initiative will help in reducing the probability of an accidents / incidents.
- AHEC's Environmental Management System (EMS) has been updated and is according to the new requirements of ISO 14001-2015.
- AHEC has also successfully obtained OHSAS 18001-2007 certificate after the re-certification audit
- The new HSE induction / orientation package for supervisory has also been formulated and will be disseminated to all employees, before being deployed to their work locations.
- As a part of Omanisation commitment 28 trainees have been inducted to the HSE department. 10 potential trainees are already deployed at sites as HSE Trainees, Inspectors & Supervisors

QA/QC

ISO – 9001:2015 – Renewal of the ISO 9001:2015 Certification was done. AHEC is one of the few clients for AIB Vincotte who has achieved the transition to 2015 version.

- ASME U-S-R Stamp Re-certification: ASME joint review was held April 2018 and Certificates were issued . Equipment bearing the ASME stamp Certification is guaranteed to be functioning at optimal capacity, because of the dedication to design, manufacture and installation by the authorized manufacturer.
- Employees were sent for training and obtained "Compex" certification for Explosion proof installations at SNCP and RHPP reducing cost of external EX Inspectors.

HR and Omanisation

Human Resources: A lean organization structure has been maintained at HO. Retaining Talent has been difficult due to the company's financial constraints. Small initiatives for the health & motivation of employees were taken during the year & engagements enabled through the Suggestion Schemes. The company continues to employ **407 Nationals constituting 20% of the workforce.**

In Country Value (ICV) The Company has an active policy to promote local value addition and has placed orders on local vendors for Goods and Services of RO 2 mn. The ICV content for ongoing projects is RO 6 - 8 mn.

During the year an International firm, on behalf of lenders completed a **detailed business & technical consultancy assignment.** Reports on various aspects of the business were issued and the company has considered the recommendations made therein.

Risks / Legal Matters

- **Liquidity** management remains an ongoing challenge to continue the 3 ongoing projects. Until a long-term solution is agreed with stakeholders, liquidity remains is a high risk matter for the Company's operational continuity. The short term mitigation is dependent upon the speed of Claims & Variations resolution and the legal cases funding needs.
- **Claims, variation and disputed revenue:** An amount of approx. **RO 15 mn** of outstanding claims/variations are included in the Revenue recorded in previous periods up to Dec 2017. A provision of RO 4 mn has been accounts made in 2018 towards Variation revenue recognised before Dec 2017;

Negotiations have been lengthy and protracted with clients to settle the claims, many of which are expected to conclude by Q2 2019.

- **UAE Al Hassan Engineering Abu Dhabi LLC**, a subsidiary, filed for liquidation in Abu Dhabi UAE awaiting court approval. The amounts due to parent company from subsidiaries, RO 36 mn, were impaired in 2017 Financial Statements. Al Hassan Engineering Co Dubai LLC is also expected to file for liquidation in 2019, with NIL financial impact on AHEC Oman;

Some suppliers for overdue payments have filed legal cases against the company. The 25 cases outstanding are for approx. RO 1.3 mn and the company continue to defend/negotiate as appropriate.

Corporate Social Responsibility (CSR): No CSR activity was undertaken due to the Company's financial situation.

Internal Control: The Company Internal Audit function independently and periodically assesses compliance with the established business procedures within the Company and recommends corrective actions for any lapse in the Internal Control System.

The Company Audit Committee regularly meets with Internal Audit to assess the effectiveness of the Internal Control System.

Corporate Governance

The Board was reconstituted in 2018 & **5 new members**, with diverse & extensive experience, were added in addition to 2 observers from lenders & 1 from Ministry of Finance.

The company appointed new external auditors Abu Timam Grant Thornton in 2018, subsequent to the Annual General meeting, in view of the inability of the previous auditors Deloitte to continue their services.

The Company is compliant with the requirements of the Code of Corporate Governance as specified by the Capital Market Authority (CMA).

A report on Corporate Governance is provided along with the Certificate of the Statutory Auditors.

2019 Outlook

- The company has **Carry Forward orders of RO 51 mn** from 3 ongoing projects & the outlook for 2019 is encouraging. There is a high probability that the company will return to Profitability during 2019 after 7 years. However, it is vital to maintain liquidity to continue these projects, for which there is continuous dialogue with lenders to make available the Project cash-inflow to avoid project disruptions;
- **Securing new projects** continues to be a major challenge facing the company due to non-availability of bank guarantees, consequence to the weak financial position, resulting in low order intake & missed opportunities in a high potential market. This is important for the long term survival of the organisation for which needs to be resolved urgently to ensure timely funding and Bank Guarantees availability to secure new projects. The Company is in continuous dialogue with stakeholders to address this and secure new projects during 2019.

The Board expresses its gratitude and appreciation to His Majesty Sultan Qaboos Bin Said and to His Government, Lenders, Clients and Suppliers for their continuous support.



F/ Maqbool Moosa Yousuf Al Lawati
Chairman of the Board of Directors
Al Hassan Engineering Co. SAOG



TO THE SHAREHOLDERS OF AL HASSAN ENGINEERING COMPANY SAOG AND ITS SUBSIDIARIES

REPORT ON FACTUAL FINDING IN CONNECTION WITH CORPORATE GOVERNANCE IN ACCORDANCE WITH CAPITAL MARKET AUTHORITY CODE OF CORPORATE GOVERNANCE

We have performed the procedures prescribed in Capital Market Authority (CMA) circular no. 16/2003, dated 29 December 2003, and the revised CMA Code of Corporate Governance issued under Circular Number 4/2015 dated 22 July 2015, (Collectively referred to as the Code), with respect to the Board of Directors' Report on Corporate Governance of **AL HASSAN ENGINEERING COMPANY SAOG AND ITS SUBSIDIARIES** ("the Group") and application of the corporate governance practices in accordance with CMA Code of Corporate Governance issued under circular no. 11/2002, dated 3 June 2002 and its amendments, the Circular No. 4/2015 issued on 22 July 2015, and the Circular No. 10/2016 issued on 1 December 2016, for the year ended 31 December 2018, and as supplemented by the Rules and Guidelines on Disclosure by Issuers of Securities and Insider Trading approved by Administrative Decision number 5/2007 dated 27 June 2007.

Our engagement was undertaken in accordance with the International Standards on Auditing applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the Group's compliance with the code as issued by the CMA.

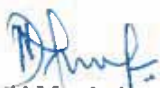
We report our findings below

We found that the Board of Directors' Corporate Governance Report reflects the Group's application of the provisions of the code and is free from any material misrepresentation except for the below:

- As mentioned in the non-compliance section of corporate governance report, the Group did not conduct the minimum number of the nomination and remuneration committee meeting.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International standards on Review Engagements, we do not express any assurance on the corporate governance report. Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the Board of Directors' Corporate Governance Report included in its annual report for the year ended 31 December 2018 and does not extend to any financial statements of the Group taken as whole.


Nasser Al Mugheiry
License No. MH/64
ABU TIMAM
(Chartered Certified Accountants)
9 March 2019



CORPORATE GOVERNANCE REPORT - 2018**Policy**

In line with the requirements of Capital Market Authority (CMA), company's management presents the Company's sixteenth Corporate Governance Report for the year ended December 31st, 2018.

The Company is committed to standards of Corporate Governance and promotes the culture of compliance. The Company is committed to the business integrity, high levels of transparency, accountability, and business propriety.

The Corporate Governance of the Company has the objective of increasing long-term shareholders' value and recognising & balancing the interest of other stakeholders, which in turn will lead to sustained corporate performance.

The Company lays emphasis on audits and internal controls and has introduced suitable checks and balances to ensure integrity of operations. The Company also emphasizes on total compliance with various laws and regulations of the country and transparency in its accounts as required by the International Accounting Standards.

The Company ensures good Corporate Governance through a combination of factors like:

- Regular management reviews and structured reports by Management to CEO & the Board.
- Establishment & review of Internal Regulations, Operating procedures, Human Resource & Administration Manual, Authority limits etc. to ensure effective Internal Control.
- Monitoring adherence to these by the Management, through frequent checks including checks by Internal Auditors reporting to Audit Committee comprising of Board Members, ISO Audit & HSE Audit.
- Communication to shareholders through regular information posting on the CMA website.

Board of Directors

The strength of the Board as on 31st December 2018 is six Directors all are non-executive and independent director, as below

Sr	Name	Position / Since	Very Brief Experience Profile / Other directorship
1	Mr. Maqbool-Hussain Moosa Yousuf Al-Lawati	Chairman April 2017	Mr. Maqbool Al Lawati is a Fellow member of ACCA, UK; an Alumni of IMD, Switzerland; and graduate of South-Eastern Oklahoma University, USA. He has been associated with Oil & Gas industry since 1979 and held various senior positions in PDO, Brunei Shell and Oman LNG. He is also Proprietor of MHMY Auditors, a reputed Omani Accounting firm, since 1990 in Oman, serving in the field of Statutory Audits, Tax Advisory & related activities.

2	Mr. Baha Mohammed Ridha Allawati	Vice Chairman April 2018	Baha Allawati is a General Manager working in Omantel, and held multiple Sr roles within the company in various technical, project management & commercial roles. Prior to that he worked in the US, in addition to being a teacher assistance at Vanderbilt University. Mr. Allawati brings more than 18 years of experience in the IT & Telecom sector, holds a MS degree in Networking Security, BS in Electrical & Electronics Engg. from Vanderbilt University, USA, & MS certification degree in project management from George Washington University. He is also a graduate of the National CEO program (2017), & an alumni of IMD Switzerland
3	Mr. Juma Mohsin Juma Al-Lawati	Director April 2018	Mr. Juma Mohsin Al Lawati holds B.Sc. – Electrical & Electronics Engineering from SQU with over 24 years' experience in strategic planning, improving operational efficiency, team building and project management for various projects across various industries including Haya Water, The Wave, Directorate of Electricity, etc. Presently holding position of Partner/CEO in United National Factory for Fibreglass
4	Mr. Nabeel Bin Abdullah Bin Mohammad Al-Riyami	Director April 2018	Resigned in Jan 2019.
5	Mr. Abdullah Said Amour Al Shuely	Director May 2018	Mr. Abdullah Al Shuely hold Honours Degree in Mech. Engineering from Sunderland Polytechnic, UK. Having worked in Executive Leadership role in Project, Engg. & Operations, Infrastructure & Gas Directorates of PDO in different capacities including Gas Director, Infrastructure Director & Engineering & Operations Director and was seconded in 2017 to Oman Oil Co. to establish Engineering Dept. to manage their growing portfolio of mega Petrochemical projects. Took early retirement in April 2018 after 40 years of service in PDO.
6	Mr. Sulaiman Masoud Huraib Al Toubi	Director June 2018	Mr. Suleiman Al Tobi holds Bachelor of Science in Elect. Engg. from Stafford Univ. UK, MBA from Hull Univ. UK & Doctorate in Knowledge Management from Liverpool John Moores Univ., UK. Over 41 years' experience in Executive leadership roles including PDO in areas such as Engg. & Operations functional director & Oil South director, all of which are strategically important for developing and producing Oil & Gas safely & economically for PDO. Retired in April 2018. Present engagement: Director – Ejaad (an R&D collaborative platform co-founded by TRC, PDO & MOG). Also a visiting Fellow to Muscat University.

Committees Members:

	Board Members	Board	AC	R&NC	Exec. C
1	Maqbool Moosa Yousuf Al-Lawati	Chair	Member	VC	Chair
2	Baha Mohammed Redha Al-Lawati	VC	VC	Chair	-
3	<i>Nabeel Abdullah Al-Riyami *</i>	Member	Chair	-	-
4	Juma Mohsin Juma Al-Lawati	Member	-	Member	Member
5	Abduallah Said Amour Al-Shuely	Member	Member	-	VC
6	Dr. Suleiman Masoud Al-Tobi	Member	-	Member	Member
7	Ilham Murtadha Al-Hamaid, Bank Muscat	Observer	-	-	-
8	Mohammed Tahir Al Lawati, Bank Sohar	Observer	-	-	-
9	Mohammed Abdualla Al-Mamari, MoF	Observer	-	-	-
10	Secretaries	Murtadha	IAM	Dr. Feras	Adil D

*Resigned in Jan 2019

The Board has added several new members in 2018 with extensive & varied experience. It has demarcated its functions vis-à-vis the management, and has adequately empowered the executive management on all day-to-day matters, subject to overall authority vested with the Board.

The Board is responsible for ensuring that the company's organizational structure is logical and transparent, with defined roles, responsibilities and processes. In addition, clear processes and work plans covering the work of the Board and its committees are in place. The Board has overriding responsibility for financial reporting and, accordingly, assess the performance and earnings of the operations through a package of reports including results, forecasts operating plans of business, capital budgets and analyses of key indicators. The Board also reviews the company's interim reports and year-end report. Quarterly results of the Company, Minutes/recommendations of the Audit Committee, Related party transactions etc.

Board Meetings

During the year 2018, the Company held twelve Board meetings. The following are the details of the meetings held and attendance by the Directors.

Name of the Director	10 th Jan	17 th Jan	22 nd Feb	12 th Mar	12 th Apr	30 th Apr	9 th May	28 th May	5 th Aug	30 th Aug	6 th Nov	23 rd Dec
Maqbool Husain Moosa Yousuf Al Lawati	√	X	√	√	√	√	√	√	√	√	√	√
Baha Mohamed Redha Al Lawati (Appointed on April 2018)	NA	NA	NA	NA	NA	√	√	√	√	√	√	√
Maqbool Ali Salman (Resigned on May 2018)	√	√	√	√	√	√	√	NA	NA	NA	NA	NA
Khalifa Saif Darwish Al Ketbi (Resigned on Feb 2018)	√	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Saad Hilal Al Barwani (Resigned on May 2018)	√	√	√	√	√	√	NA	NA	NA	NA	NA	NA
Nabil Abdullah Al Ghassani (Resigned on Mar 2018)	X	√	√	√	NA	NA	NA	NA	NA	NA	NA	NA
Nabeel Abdullah Al Riyami (Appointed on April 2018) (Resigned on Jan 2019)	NA	NA	NA	NA	NA	√	√	√	X	√	√	√
Abdullah Amour Al Shuely (Appointed on May 2018)	NA	NA	NA	NA	NA	NA	NA	√	√	√	√	√
Juma Mohsin Juma (Appointed on April 2018)	NA	NA	NA	NA	NA	NA	X	√	√	√	√	√
Suleiman Masoud Al Toubi (Appointed on June 2018)	NA	NA	NA	NA	NA	NA	NA	NA	√	√	√	√

Note: Annual general meeting held on 30th April 2018 and Ordinary general meeting held on 25th December 2018.

√ Indicates attendance in the meetings

X Indicates absence in the meeting

NA Indicates was not a member in that month

The meetings were coordinated by the Board Secretary. The meetings were conducted with an agenda and proceedings were recorded.

Directors' Remuneration

Each Director is awarded RO.500/- (2017 – RO.500/-) as a meeting attendance fee for every Board meeting attended. The Audit Committee and Remuneration & Nomination members are awarded RO.400/- (2017- RO.400/-) as a meeting attendance fee for each Committee meeting. The meeting attendance fees paid during the year amounts RO.35,900/- (2017 – RO.21,500/-)

Company Secretary

The Board has re-appointed Mr. Murtadha Mohsin Ali as the Secretary to the Board of Directors in the Annual General Meeting held on 30th April 2018 up to the end of the term office of the new Board of Directors. The Board Secretary facilitates the smooth conduct of the Board meetings, keeps record of minutes and performs other relevant duties. In compliance with the latest Code of Corporate Governance, the Company Secretary has successfully completed training programme on 'The Role of Corporate Secretary' which was organized by Oman Centre for Governance & Sustainability.

Company Management

The name, designation, description of responsibilities of the Company management personnel is as follows

Dr. Shawqi Hamdan Sajwani– Chief Executive Officer

Experience of 33 years. Responsible for strategy and day-to-day management of the Company.

Mr. Adil Darwish Yousef Al Lawati– General Manager- Projects

Experience of 23 years. Responsible for projects operations and execution.

Shahzad Sadan – General Manager- UAE Operations (Resigned in Nov 2018)

Experience of 35 years. Responsible for overall UAE operations

Dr. Feras Mohammed Redha– General Manager- HR & Support Services (Resigned in Feb 2019)

Experience of 19 years. Responsible for Organizational Developmental issues.

Balaji Mohan Varadhan – Acting Chief Financial Officer

Experience of 28 years. Responsible for Finance and Accounts.

Koushik Samaddar – Head Commercial & Business Strategy

Experience of 30 years. Responsible for Business Development, Proposals & Estimation and Design Engineering

Operating Management Remuneration

Salary, allowances including traveling expenses of the top five senior officers paid during the year 2018 is RO 570,788 (2017 – RO 562,024/- for top five senior officers).

The severance notice period of senior officers is one to six months, with end of service benefits payable as per Omani Labour Law.

Audit Committee

The audit committee is appointed by the Board of Directors to assist the board in discharging its oversight responsibilities. The Audit Committee charter is reviewed by the Board of Directors every year.

The Audit Committee reviews: the effectiveness of the company's internal financial control & procedures and risk management system; the effectiveness of the internal audit function; the independent audit process; the company's process for monitoring compliance with laws and regulations affecting financial reporting, including requirements of CMA and code of conduct.

The Audit Committee checks for financial frauds protection and appropriate systems to ensure adoption of appropriate accounting policies and principles leading to fairness in financial statements. The Audit Committee also oversees the financial reporting process to ensure the balance, transparency and integrity of published financial information and appropriate accounting policies leading to fairness therein are in place

The Audit Committee also meets with the external auditors to obtain information about the focus and scope of the audit and to discuss results and coordination of the external and internal audits. The Audit Committee establishes the direction, scope and time schedules for the internal audit team's work. The internal audit team reports the results of its audits to the Audit Committee and continuously to Group management so that any necessary measures may be taken. The scope of the internal audit includes, among other factors, operational efficiency, compliance with regulations and guidelines

During the year 2018 five meetings were held and the following are the details of the meetings held and attendance by the Directors:

Name of the Directors	CATEGORY	12 th Mar	12 th Apr	9 th May	22 nd Jul	24 th Oct
Nabeel Abdullah Al Riyami (Appointed on April 2018) (Resigned on Jan 2019)	Chairman	NA	NA	√	√	√
Baha Mohamed Redha Al Lawati (Appointed on April 2018)	Member	NA	NA	√	√	√
Maqbool Ali Salman (Resigned on May 2018)	Member	√	√	√	NA	NA
Maqbool Husain Moosa Yousuf Al Lawati	Member	√	√	√	√	√
Saad Hilal Al Barwani (Resigned on May 2018)	Member	X	√	NA	NA	NA
Abdullah Amour Al Shuely (Appointed on May 2018)	Member	NA	NA	NA	X	√

√ Indicates attendance in the meetings

X Indicates absence in the meeting

NA Indicates was not a member in that month

Audit and Internal Control

The internal control function is to ensure the reliability of financial reporting, its compliance with legislation, regulations, and applicable accounting policies as well as the company's Business Principles. In turn, the

communication of financial information and reporting must be correct, relevant, objective and transparent and be performed simultaneously, to thereby facilitate assessment of the company by its owners and external parties with an interest in the company. and potential improprieties, as well as assisting management with identifying and evaluating the primary risks that are relevant to the operations in order to ensure that management focuses on managing these risks.

In consultation with the Audit Committee, the Board of Directors recommends the appointment of external auditors to the Annual General Meeting. In the Ordinary General Meeting held on 25th Dec 2018, Abu Timam Grant Thornton has been appointed as external auditors for the financial year 2018. This is in place of Deloitte who completed 3 years of Audit & were unable to continue the assignment.

In accordance with the Corporate Governance Code, the services of Abu Timam Grant Thornton are not used where a conflict of interest might occur.

The Audit Committee has, as per their charter, reviewed the internal control environment of the Company. They meet the internal auditors to review the internal audit reports, recommendations and management comments thereupon. They have also met the external auditors to review audit findings and management letter.

The Audit Committee and the Board are pleased to inform the shareholders that an adequate and effective internal control system is in place and that there are no significant concerns, except on the Claims & Variations recoverability. Periodic recommendations are also made as recorded in the MOM which are subsequently followed up for conclusion.

Internal Audit

In order to ensure compliance with statutory regulations and internal controls, the Company has a internal audit department, to carry on an independent assessments and report to the Audit Committee.

Remuneration & Nomination Committee

As part of the Code of Corporate Governance, the Board of Directors established a nomination and remuneration committee (the "Committee") with the aim of assisting the general meeting in the nomination of proficient directors and the election of the most-fit for purpose. Moreover, the Committee aims to assist the Board in selecting the appropriate and necessary executives for the executive management with following Directors as its members:

During the year 2018 one meeting was held and the following are the details of the meeting held and attendance by the Directors:

SR	NAME OF DIRECTOR	CATEGORY	29 th July 2018
1	Baha Mohamed Redha Al Lawati	Chairman	√
2	Maqbool Husain Moosa Yousuf Al Lawati	Member	√
3	Juma Mohsin Juma	Member	√
4	Suleiman Masood Al Toubi	Member	√

Executive Committee

As part of the Code of Corporate Governance, the Board of Directors established an Executive committee (the "Committee") to provide the executive management with direction on strategic issues and to facilitate the task of Board. During the year 2018 one meeting was held and the following are the details of the meeting held and attendance by the Directors:

SR	NAME OF DIRECTOR	CATEGORY	29 th July 2018
1	Maqbool Husain Moosa Yousuf Al Lawati	Chairman	√
2	Juma Mohsin Juma	Member	√
3	Abdullah Amour Al Shuely	Member	√
4	Suleiman Masoud Al Toubi	Member	√

Means of Communications with the Shareholders and Investors

The Annual Report is mailed to all shareholders. The Annual General Meeting is a regular forum where there is a face-to-face interaction between the Directors and the Shareholders. The quarterly results of the Company are sent to the CMA as per the requirement and made available to the shareholders either through CMA or from the Company's head office on demand. These are also published in local newspapers in English and Arabic. The company discloses any material information as News item on the CMA website. The Company has its web site www.al-hassan.com which is updated

Dividend Policy

In the event of return to profitability, the Company will have a consistent sustainable dividend policy that meets the long-term expectations of all shareholders and has a balance between strengthening the reserves Vs the need for a yield on investments.

Non-compliance if any

There have been no specific areas of non-compliance with the provisions of corporate governances during the years 2016 to year 2018, except that during the year 2018, Company held only one Remuneration & Nomination Committee meeting whereas minimum two meetings required as per law due to non-availability of the Members.

Related Party Transaction

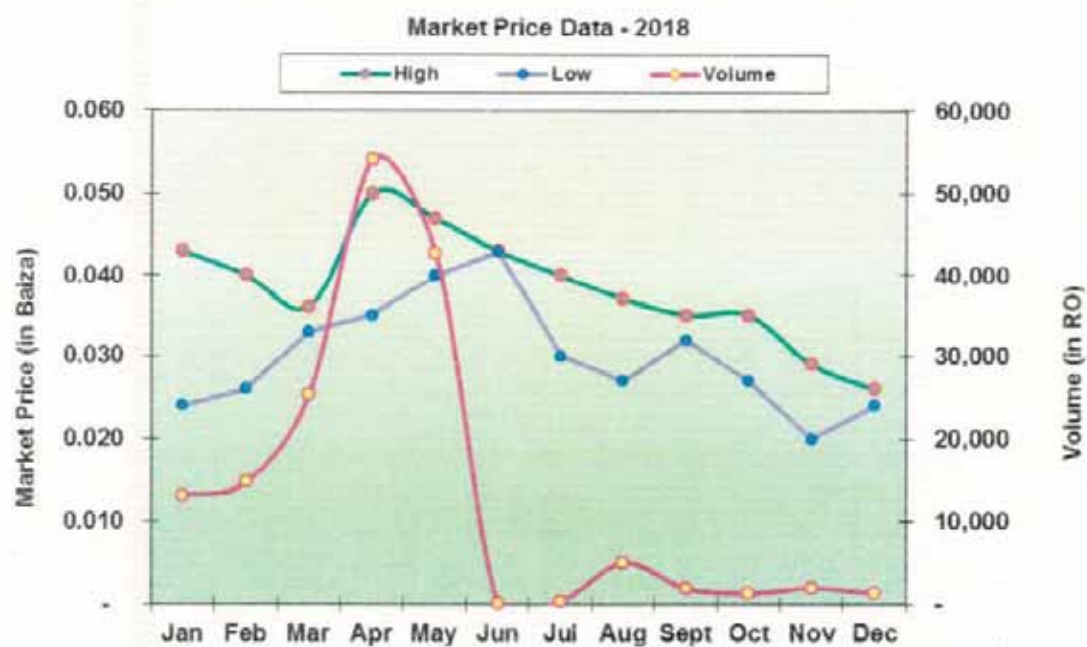
The Company entered into transactions with entities related to these significant shareholders and the Board of Directors at prices approved by the management and the Board of Directors.

Market Price Data

Monthly High / Low share price data for financial year 2018:-

(Amounts in RO)

Month 2018	High	Low	Volume	MSM Index (Average)
January	0.043	0.024	13,143	5,047
February	0.040	0.026	14,792	5,004
March	0.036	0.033	25,306	4,869
April	0.050	0.035	54,093	4,767
May	0.047	0.040	42,801	4,645
June	0.043	0.043	94	4,591
July	0.040	0.030	415	4,451
August	0.037	0.027	5,068	4,395
September	0.035	0.032	1,977	4,487
October	0.035	0.027	1,365	4,477
November	0.029	0.020	1,973	4,439
December	0.026	0.024	1,339	4,418



Shareholders holding more than 5 % of Total Shares as on 31st December 2018

SR	Shareholder Name	No. of shares Held	Shareholding %
1	Hassan Ali Salman (Heirs)	15,092,000	20.07
2	Maqbool Ali Salman	15,092,000	20.07
3	Al Hassan Electricals Co. LLC	15,008,000	19.96
4	Sultan Nasser Ahmed Al Esmail	4,188,098	5.57

An amount of RO 30,500 towards audit fees of the Company and subsidiaries paid to the Auditor during the year 2018.

Professional Profile of the Statutory Auditors

Abu Timam - Grant Thornton, Chartered Certified Accountants is a member of Grant Thornton International, one of the world's leading organisations providing accounting and business advisory services, represented by nearly 730 offices and 50,000 staff in over 130 countries. The firm services clients at both ends of the business spectrum, from individual proprietorships to very large multi-national corporations listed among the Fortune 500.

Compliance with the requirements of the Code

The Company has adopted the Code of Corporate Governance for Public Joint Stock Companies issued on July 22, 2015; and has updated its internal policies, Training of directors was done and an independent consultant appointed to evaluate the corporate governance framework.

Board of Directors acknowledge that

The company has its system and procedures formally documented and are also hosted on the company's intranet.

The financial statements have been prepared in accordance with International Financial Reporting standards issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the requirements of the Commercial Companies Law of the Sultanate of Oman 1974 (as amended) and the rules for disclosure requirements prescribed by the Capital Market Authority.

Though the company has successfully operated through 2018 and a number of improvements have been implemented; however, the company has serious challenges going forward and these have been disclosed to the stake-holders from time to time. The key challenge, going forward, is large financial losses due to inability of the Company to recover on the variations.


Mr. Baha Mohamed Redha Al Lawati
Audit committee Chairman

Vice





Independent Auditor's Report

To the Shareholders of
Al Hassan Engineering Company SAOG and its subsidiaries
Muscat
Sultanate of Oman

Report on the Audit of the Consolidated and Parent Company Financial Statements

Disclaimer of opinion

We have audited the financial statements of Al Hassan Engineering Company SAOG (the "Parent") and its subsidiaries (the "Group"), which comprise of the consolidated and parent company statement of financial position as at 31 December 2018, and the consolidated and parent company statement of profit or loss and other comprehensive income, consolidated and parent company statement of changes in Shareholders' equity and consolidated and parent company statement of cash flows for the year then ended, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statement of the Group. Because of the significance of the matters described in the basis of disclaimer opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

- As discussed in Note 3, the Group has incurred a loss for the year amounting to RO 8,068,870 and as of the date the total liabilities exceeds its total assets by RO 60,385,141 and its current liabilities exceeds its current asset by RO 27,398,512. Further as discussed in Note 15, the Parent Company as at 31 December 2018 had defaulted the instalment due as at 31 December 2018. These circumstances indicate that material uncertainty exists which casts significant doubt on the Company's ability to continue as a going concern. These financial statements are prepared on a going concern basis based on the expectation of the continuing support of financial institutions and to obtain new profitable contracts. However, we have not been provided with sufficient appropriate evidence to confirm that financial support required will be made available for the foreseeable future and confirmed sizeable new contracts.

Independent Auditor's Report (continued)

Basis for disclaimer of opinion (continued)

- As described in Note 8, the Group has three subsidiaries, which have been considered as discontinued operations in the year 2017 and therefore have been classified as held for sale. Two of three subsidiaries are having operations in United Arab Emirates ("UAE Operations"). As at 31 December 2018, the assets related to discontinued UAE Operations amounted to RO 8,949,901 and liabilities amounted to RO 23,509,243 which represents 22% and 23 % of the Group assets and liabilities respectively. As mentioned in Note 3, there are legal restrictions on obtaining the financial information of UAE operations, accordingly, we have been unable to determine the appropriateness of the carrying values of the investments in these subsidiaries and adjustments if any required in assets and liabilities of these subsidiaries.

As a result of matters described above, we were unable to determine whether any adjustment were necessary for the matters described above in the consolidated financial position of the Group or the going concern basis is appropriate or an alternative basis should be applied, under which significant adjustment to the consolidated financial statements relating to the recoverability and classification of recorded assets and classification and measurement of liabilities may be necessary.

Other Matter

The financial statements of the Group for the year ended 31 December 2017 were audited by another auditor whose reports dated 12 April 2018 expressed the disclaimer of opinion on those financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Board is responsible for the preparation and fair presentation of the consolidated and parent financial statements in accordance with IFRSs and the Commercial Companies Law of 1974, as amended, and the disclosure requirements issued by the Capital Market Authority and for such internal controls as the Management determine is necessary to enable the preparation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent financial statements, the Management are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing and to issue an auditor's report.



Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

However, because of the matter described in the Basis for Disclaimer Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and parent company financial statements.

We also provide the Board with the statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matter that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

The Company has not conducted the Extra Ordinary General Meeting (EGM) as yet. In accordance with Article 129 of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended), a Company that loses three quarters of its capital, is required to convene an EGM to decide appropriate measures to be taken. Until the capital has been restored, each shareholder or creditor has a right under Article 129, no. 4/1947 to apply to the Commercial Court for liquidation.

In our opinion, except for non-compliance with Article 129 explained in preceding paragraph, the financial statements of the Company as of and for the year ended 31 December 2018, in all material respects, have been prepared in accordance with the Commercial Companies Law of Oman 1974, as amended and the disclosure requirements for Public Joint Stock Companies issued by the Capital Market Authority.

Nasser Al Mugheiry
Licence No. MH/64
ABU TIMAM
(Chartered Certified Accountants)



9 March 2019

Consolidated and Parent Company statement of profit or loss and other comprehensive income

for the year ended 31 December 2018

	Notes	2018		2017	
		Group RO	Parent Company RO	Group RO	Parent Company RO
Continuing operations					
Contract income		25,953,670	25,953,670	32,268,552	32,268,552
Contract costs	19	(24,348,170)	(24,348,170)	(32,340,462)	(33,217,591)
Gross profit/(loss)		1,605,500	1,605,500	(71,910)	(949,039)
Other income	21	101,578	101,578	133,750	133,750
Provision for impairment on unbilled receivables		(4,000,000)	(4,080,986)	-	-
Impairment loss on goodwill		-	-	(878,478)	(878,478)
Impairment loss on investment in subsidiaries		-	-	-	(297,900)
Impairment provision on due from subsidiaries		-	-	-	(36,005,625)
General and administrative expenses	20	(1,963,070)	(1,963,070)	(1,965,896)	(2,020,496)
Operating loss		(4,255,992)	(4,336,978)	(2,782,534)	(40,017,788)
Finance costs	22	(2,698,201)	(2,698,201)	(888,164)	(888,164)
Loss for the year from continuing operation		(6,954,193)	(7,035,179)	(3,670,698)	(40,905,952)
Discontinued operations					
Loss for the year from discontinued operations		(1,114,677)	-	(45,783,389)	-
Loss for the year		(8,068,870)	(7,035,179)	(49,454,087)	(40,905,952)
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net change in fair value of forward currency contracts		-	-	28,863	28,863
Other comprehensive income for the year		-	-	28,863	28,863
Total comprehensive loss for the year		(8,068,870)	(7,035,179)	(49,425,224)	(40,877,089)
Basic and diluted loss per share					
From continuing operations		(0.092)	(0.094)	(0.049)	(0.544)
From discontinued operations		(0.015)	-	(0.609)	-
Total loss per share	26	(0.107)	(0.094)	(0.657)	(0.544)

The accompanying notes on pages 8 to 38 form an integral part of these consolidated and parent company financial statements.

The report of the Auditor is set forth on page 1.

Consolidated and Parent Company statement of financial position

as at 31 December 2018

		2018		2017	
	Notes	Group RO	Parent Company RO	Group RO	Parent Company RO
ASSETS					
Non-current assets:					
Property, plant and equipment	6	2,622,100	2,622,100	6,252,641	6,252,641
Retentions receivable	10	2,226,700	2,226,700	447,106	447,106
Total non-current assets		4,848,800	4,848,800	6,699,747	6,699,747
Current assets:					
Inventories	9	2,190,575	2,190,575	1,679,993	1,679,993
Contract and other receivables	10	17,511,007	19,770,475	29,063,974	32,444,912
Cash at bank and in hand	11	1,982,567	1,982,567	262,642	262,642
		21,684,149	23,943,617	31,006,609	34,387,547
Assets classified as held-for-sale		13,851,603	2,451,918	12,913,826	-
Total current assets		35,535,752	26,395,535	43,920,435	34,387,547
Total assets		40,384,552	31,244,335	50,620,182	41,087,294
SHAREHOLDERS' EQUITY AND LIABILITIES					
Equity and reserves:					
Share capital	12	7,520,800	7,520,800	7,520,800	7,520,800
Legal reserve	13	1,905,310	1,738,450	1,905,310	1,738,450
Revaluation reserve	6	2,000,000	2,000,000	2,000,000	2,000,000
Accumulated losses		(78,511,251)	(63,777,530)	(67,542,381)	(53,842,351)
Total deficit		(67,085,141)	(52,518,280)	(56,116,271)	(42,583,101)
Subordinated loan from shareholders	14	6,700,000	6,700,000	6,700,000	6,700,000
Total Shareholders' deficit		(60,385,141)	(45,818,280)	(49,416,271)	(35,883,101)
LIABILITIES					
Non-current liabilities:					
Borrowings	15	35,190,607	35,190,607	37,109,923	37,109,923
Staff terminal benefits	16	2,644,822	2,644,822	2,741,688	2,741,688
Total non-current liabilities		37,835,429	37,835,429	39,851,611	39,851,611
Current liabilities:					
Borrowings	15	10,135,865	10,135,865	1,456,492	1,456,492
Trade payables and accruals	17	29,091,321	29,091,321	35,662,292	35,662,292
		39,227,186	39,227,186	37,118,784	37,118,784
Liability directly associated with assets classified as held for sale		23,707,078	-	23,066,058	-
Total current liabilities		62,934,264	39,227,186	60,184,842	37,118,784
Total liabilities		100,769,693	77,062,615	100,036,453	76,970,395
Total equity and liabilities		40,384,552	31,244,335	50,620,182	41,087,294
Net deficit per share	25	(0.803)	(0.609)	(0.657)	(0.477)

The consolidated and parent company financial statements on pages 4 to 38 were approved by the Board of Directors on .9./23/.. 2019 and were signed on their behalf by:


DIRECTOR


DIRECTOR

The accompanying notes on pages 8 to 38 form an integral part of these consolidated and parent company financial statements.

The report of the Auditor is set forth on page 1.

Consolidated and Parent Company statement of cash flows

for the year ended 31 December 2018

	Notes	Group RO	Parent Company RO	Group RO	Parent Company RO
Cash flows from operating activities:					
Cash receipt from contract and other income		30,890,328	30,890,328	37,906,783	37,906,783
Cash paid towards contract cost and expenses		(28,675,163)	(28,675,163)	(47,688,538)	(47,688,538)
Cash generated from/(used in) operations		2,215,165	2,215,165	(9,781,755)	(9,781,755)
Finance costs net		(1,968,937)	(1,968,937)	(850,387)	(850,387)
Net cash generated from/(used in) operating activities		246,228	246,228	(10,632,142)	(10,632,142)
Cash flows from investing activities:					
Purchase of property, plant and equipment	6	(52,237)	(52,237)	(367,870)	(367,870)
Proceeds from disposals of property and equipment		77,510	77,510	132,712	132,712
Net cash generated from/ (used in) investing activities		25,273	25,273	(235,158)	(235,158)
Cash flow from financing activities:					
Movement in borrowings		1,115,734	1,115,734	6,351,625	6,351,625
Transaction cost paid		(107,025)	(107,025)	(161,285)	(161,285)
Subordinated loan		-	-	3,700,000	3,700,000
Net cash generated from financing activities		1,008,709	1,008,709	9,890,340	9,890,340
Net movement in cash and cash equivalents		1,280,210	1,280,210	(976,960)	(976,960)
Cash and cash equivalents at the beginning of the year		244,612	244,612	1,221,572	1,221,572
Cash and cash equivalents at the end of the year	11	1,524,822	1,524,822	244,612	244,612

The accompanying notes on pages 8 to 38 form an integral part of these consolidated and parent company financial statements.

The report of the Auditor is set forth on page 1.

Consolidated and Parent Company statement of changes in Shareholders' equity

for the year ended 31 December 2018

GROUP

	Share capital RO	Legal reserve RO	Revaluation reserve RO	Hedging reserves RO	Accumulated losses RO	Total RO
At 1 January 2017	7,520,800	1,905,310	2,000,000	(28,863)	(18,088,294)	(6,691,047)
Loss for the year	-	-	-	-	(49,454,087)	(49,454,087)
Other comprehensive income for the year	-	-	-	28,863	-	28,863
Total comprehensive loss for the year	-	-	-	28,863	(49,454,087)	(49,425,224)
At 31 December 2017	7,520,800	1,905,310	2,000,000	-	(67,542,381)	(56,116,271)
At 1 January 2018	7,520,800	1,905,310	2,000,000	-	(67,542,381)	(56,116,271)
Impact on adoption of IFRS 9 (Note 4.2)	-	-	-	-	(2,900,000)	(2,900,000)
Adjusted balance at 1 January 2018	-	-	-	-	(70,442,381)	(59,016,271)
Loss for the year	-	-	-	-	(8,068,870)	(8,068,870)
Total comprehensive loss for the year	-	-	-	-	(8,068,870)	(8,068,870)
At 31 December 2018	7,520,800	1,905,310	2,000,000	-	(78,511,251)	(67,085,141)

PARENT COMPANY

	Share Capital RO	Legal reserve RO	Revaluation reserve RO	Hedging Reserves RO	Accumulated losses RO	Total RO
At 1 January 2017	7,520,800	1,738,450	2,000,000	(28,863)	(12,936,399)	(1,706,012)
Loss for the year	-	-	-	-	(40,905,952)	(40,905,952)
Other comprehensive income for the year	-	-	-	28,863	-	28,863
Total comprehensive loss for the year	-	-	-	28,863	(40,905,952)	(40,877,089)
At 31 December 2017	7,520,800	1,738,450	2,000,000	-	(53,842,351)	(42,583,101)
At 1 January 2018	7,520,800	1,738,450	2,000,000	-	(53,842,351)	(42,583,101)
Impact on adoption of IFRS 9 (Note 4.2)	-	-	-	-	(2,900,000)	(2,900,000)
Adjusted balance at 1 January 2018	-	-	-	-	(56,742,351)	(45,483,101)
Loss for the year	-	-	-	-	(7,035,179)	(7,035,179)
Total comprehensive loss for the year	-	-	-	-	(7,035,179)	(7,035,179)
At 31 December 2018	7,520,800	1,738,450	2,000,000	-	(63,777,530)	(52,518,280)

The accompanying notes on pages 8 to 38 form an integral part of these consolidated and parent company financial statements.

The report of the Auditor is set forth on page 1.

Notes

(forming part of the consolidated and parent company financial statements)

1 Nature of operations

Al Hassan Engineering Company SAOG and its subsidiaries (the "Group") are primarily engaged in electrical, mechanical, instrumentation and civil contracting primarily in the oil and gas sector.

2 General information and statement of compliance with IFRSs

Al Hassan Engineering Company SAOG (the "Parent Company") is the ultimate parent company and is registered as an Omani joint stock Company under the Commercial Companies Law of the Sultanate of Oman. The registered address of the company is P O Box 1948, Ruwi, Postal Code 112, Sultanate of Oman. The principal place of business is located in Muscat.

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs), the requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and comply with the disclosure requirements set out in the 'Rules and Guidelines on Disclosure by issuers of Securities and Insider Trading' issued by the Capital Market Authority (CMA) of the Sultanate of Oman.

The financial statements of the subsidiaries have been prepared on a liquidation basis (otherwise known as "realization basis") due to the decision to cease operations as explained in Note 8. Accordingly, the carrying values of the subsidiaries' assets have been presented at their estimated realizable values and liabilities are presented at the amounts at which they are expected to be discharged.

In 2018 the Group has adopted new guidance for the recognition of revenue from contracts with customers (see Note 4.2 below). This guidance was applied using a modified retrospective ('cumulative catch-up') approach under which changes having a material effect on the consolidated statement of financial position as at 1 January 2018 are presented together as a single adjustment to the opening balance of accumulated losses. Accordingly, the Group is not required to present a third statement of financial position as at that date.

3 Going concern

At 31 December 2018, the Group has accumulated losses of RO 78,511,251 (2017: RO 67,542,381) and as of that date the Group had a deficit (excess of total liabilities over total assets) of RO 60,385,141 (2017: RO 49,416,271) and its current liabilities exceeded its current assets by RO 27,398,512 (2017: RO 16,264,407). The liquidation process of the subsidiary in the Abu Dhabi is in process and is expected to be completed in 2019. The Board of Directors believe that the Parent Company will be able to continue as a going concern with the continuing support of financial institutions and successful implementation of its business plan to restructure its Oman operations. Therefore, these financial statements do not include any adjustment relating to the recoverability and classification of recorded assets amounts and classification and measurement of liabilities that might be necessary should the Parent Company be unable to continue as a going concern.

Management is working under the guidance of the Board of Directors to improve the operations and the financial performance of the Group to obtain new profitable contracts and to improve its operations and financial performance as disclosed below:

Notes

(forming part of the consolidated and parent company financial statements)

3 Going concern (continued)

The History of the Company

The Parent Company has been resilient since inception for 40 years and all stakeholders have committed to ensure its continuity. The Parent Company is one of the leading local Construction Contracting Company operating in Oman for the last 40 years. The Parent Company is operating successfully in the power generation, transmission and distribution oil and gas, petrochemicals and refineries Water & Wastewater Management sectors. The Parent Company has successfully completed all projects in Oman to the client's satisfaction over this entire period and no performance guarantees have ever been called.

New wins in 2018

In the year 2018 the Parent Company had won new contracts even without having the bank guarantee, demonstrating client confidence and willingness to award the new business despite the current operational issues with the Group. During the year the Parent Company had won following contract without bank guarantee.

- PDO Haima West of Rial Omani 17.55 million (excluding long lead items); and
- Salalah LPG Project by Petrofac amounting Rial Omani.13.3 million where in place of bank guarantee retention has been agreed.

This gives a Carry forward Turnover of OMR 51M, out of which OMR 45M anticipated be executed in 2019.

Cash flow 2019

The Parent Company has prepared a detailed cash flow demonstrating how it will manage the cash requirements in 2019. The Inflows from the 3 Ongoing Projects are sufficient to take care of the Cash requirements of those projects. Variation settlement progressed and OMR 2.8M is expected from PDO in Q1 50% of the variations shall be settled towards repayment of loan instalment and balance 50% of these amounts are being released by banks as per the CTA (common terms agreement Nov 2017) for use by the Company.

There is no immediate threat from large creditors for payment through court decrees except amounts of OMR 1.3M. Several creditors have also accepted deferred terms.

The Negative cash flows in 2019 are at manageable levels by deferring certain planned outflows. We have been able to continue operations, progress projects and collected OMR 30.8M and paid OMR 30.9M in 2018. For the subsequent period, till Feb 2019 the cash collected amounted to RO 5.3 million and paid RO 6.7 million.

Ability to execute new projects

The market for Parent Company business is buoyant and clients continue to invite AHEC to bid for new projects. The Parent Company is very optimistic on the Projects/opportunities available in the Oman market and anticipates that it will be in a prime position to take new projects as it has the necessary experience, technical expertise and an experienced resources pool working with Parent Company. This has made Parent Company as the preferred partner of its customers. The Parent Company expects to obtain around USD 200-250 Million worth of projects each year on an average for the next 5 years. The Parent Company is heavily engaged with several clients for potential orders.

The Parent Company already has most resources required i.e. manpower personnel, a vast fleet of plant and equipment, cabins / scaffolding, to execute the projects and minimum additional investments are needed Once a long term solution is identified, it will be possible to increase the order intake.

Notes

(forming part of the consolidated and parent company financial statements)

3 Going concern (continued)

Bank and regulatory support

On 15 November 2017, the Parent Company has signed a loan restructuring agreement with a syndicate of 7 lending institutions to consider the financing requirements to ensure continuity of the group's operations. As per the loan restructuring agreement the Parent Company has obtained additional funding of RO 15 million and has transferred all the short term borrowings into long term loans. This is conditional on the continued approval of the lending syndicate.

During the year the encashment of bank guarantee converted to senior term loan amounted to RO 4.8 million in relation to UAE subsidiaries project. Provision for which had already been taken in the year 2017.

During the year an additional loan was awarded by the bank against the RHPP project of RO 2 million. Subsequent to the year end this was fully paid in February 2019.

During the year the Company paid finance costs including interest of RO 2 million, none of these payments were defaulted.

Company partially defaulted the instalment due as at 31 December 2018, however, the bank has agreed for waiver and the same will be paid in March 2019. The subsequent receipts of the claims and variation amounts will be sufficient to cover the March 2019 instalment.

We also received in principle but non-committal project support letters for clients.

Subsidiaries operation:

The losses incurred by the UAE subsidiary in 2017, was the main cause for the deteriorated financial situation and losses reported in year 2017.

One of the strategic steps already taken is to close down its operations in the UAE and to remain focused only on the Oman Market.

Al Hassan Engineering Abu Dhabi LLC has filed for liquidation, but the formal approval / process has not yet begun due to procedural issues at Abu Dhabi courts. We expect this to commence in the coming months. There is no further financial risk from UAE to Oman operations.

Long Term solution

The Parent Company is considering the induction of the new shareholder and is also in discussion with the lenders to convert the debt to the equity. Multiple due diligence have been carried out on this regard however, the matter being of strategic level will require negotiations between the different stakeholders. From the negotiations so far all stakeholder including prestigious client like PDO are aligned to support the continuity of the Parent Company.

Claims and variation three on contracts in hand

Contract 1

The Company has submitted a claim of RO 2.8 million in relation to the Extension of Time (EOT) for the delays attributed to the customer. After having several rounds of discussion with the technical team and the senior management the client has agreed to the delay of 191 days. Company is expecting the settlement of these claims to be concluded by end of March 2019 and is certain to realise at minimum amount considered in the books.

Notes

(forming part of the consolidated and parent company financial statements)

3 Going concern (continued)

Claims and variation on contract (continued)

Contract 2

The Company has submitted a claim of RO 4.8 million in relation to the Extension Of Time (EOT) for the delays attributed to the customer for issue of late drawings, materials and modification in the drawings. The negotiation for this is at advance level and the management expects to have the favourable settlement by end of June 2019.

Contract 3

The Company has submitted a claim of RO 14.2 million in relation to the Extension Of Time (EOT) for the delays attributed to the customer for issue of late drawings, materials and modification in the drawings. The negotiation is on the early stage and the management expects at least to receive the minimum the amount that has been considered in the books.

Contracts for which claims were settled

Other than the above mentioned contracts the management of the Company was able to settle and come to agreement on certain variations of the contract subsequent to the year end. These variations were settled at less than what had been in the books. As a result of adoption of IFRS 9 management has considered the provision on these claims and variation in opening accumulated losses.

Provision on claims and variations.

During the year the Company has taken provision of RO 4 million against the claims and variations. This is in relation to the Contract 1, 2 and 3. Management has taken the most conservative while creating this provision to ensure the significant revenue reversal will not occur and the recognition of contract asset is in line with IFRS 15. However, based on the negotiation going on these variations management expects to recover more than the amount provided.

Regulatory compliance

In accordance with Article 129 of the Commercial Companies Law (CCL) of the Sultanate of Oman, 1974 (as amended), a Company that loses three quarters of its capital, is required to convene an Extra Ordinary General Meeting (EGM) to decide appropriate measures to be taken. Until the capital has been restored, each shareholder or creditor has a right under Article 129, no. 4/1947 to apply to the Commercial Court for liquidation.

4 Change in accounting policies

4.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2018

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018. Information on these new standards is presented below:

- IFRS 9 *Financial Instruments*;
- IFRS 15 *Revenue from Contracts with Customers*;
- IFRIC 22 *Foreign Currency Translations and Advance Consideration*;
- Amendments to IFRS 2 *classification and Measurement of Share-based payment Transactions*;
- Amendments to IFRS 4: *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*;
- Amendments to IAS 40: *Transfers of Investment Property*;
- Annual Improvements to IFRS Standards 2014-2016 *cycle dealing with matters in IFRS 1 First-time; and*
- Adoption and IAS 28 *Investments in Associates and Joint Ventures*.

Notes

(forming part of the consolidated and parent company financial statements)

4 Change in accounting policies (continued)

4.2 New Standards adopted as at 1 January 2018

The Group has adopted the new accounting pronouncements which have become effective this year, and are as follows:

IFRS 9 Financial instruments

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It introduced major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

Management has identified the following areas that are expected to be impacted by the application of IFRS 9:

- The classification and measurement: majority of financial assets of the Group are accounted for at amortised cost.
- The impairment of financial assets applying the expected credit loss model: this will apply to the Group's contract receivables arising from IFRS 15, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. For the cash at bank balance, the Group applies a 12 months expected credit loss method.

i) Classification and measurement of financial assets and financial liabilities

On the date of initial application, 1 January 2018, the financial instruments of the Group were reclassified and reconciled as follows:

Classification category			Carrying amount		
	As per IAS 39	As per IFRS 9	Closing balance 31 December 2017 (IAS 39)	Adoption of IFRS 9	Opening balance 1 January 2018 (IFRS 9)
Current financial assets:					
Contract receivables	Loans and receivables	Amortised cost	4,385,857	-	4,385,857
Unbilled contract receivables	Loans and receivables	Amortised cost	21,096,392	(2,900,000)	18,196,392
Retentions receivables	Loans and receivables	Amortised cost	3,164,114	-	3,164,114
Cash and cash equivalents	Loans and receivables	Amortised cost	262,642	-	262,642
Total financial assets balance			28,909,005	-	26,009,005

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

The following table summarises the impact, net of tax, on transition of IFRS 9 on the opening balance of reserves, retained earnings.

	Impact on adopting IFRS 9 on opening balance RO	Impact on Parent Company on adopting IFRS 9 on opening balance RO
Accumulated losses	67,542,381	53,842,351
Recognition of expected credit loss under IFRS 9	2,900,000	2,900,000
Related tax	-	-
Impact on 1 January 2018	70,442,381	56,742,351

Notes

(forming part of the consolidated and parent company financial statements)

4 Change in accounting policies (continued)

4.2 New Standards adopted as at 1 January 2018 (continued)

ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows:

	ECL impact on adopting IFRS 9 on opening balances RO	ECL impact on adopting IFRS 9 on opening balances RO
Loss allowance as at 31 December 2017 under IAS 39	436,997	1,368,726
Additional impairment recognised at 1 January 2018 on:	-	-
Contract and other receivables at 31 December 2017	-	-
Unbilled contract receivables at 31 December 2017	2,900,000	2,900,000
Cash and cash equivalents	-	-
Loss allowance at 1 January 2018 under IFRS 9	3,336,997	4,268,726

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, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. 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 Company's adoption of IFRS 15 under modified retrospective method had no material impact on the consolidated financial statements of the Group.

4.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Notes

(forming part of the consolidated and parent company financial statements)

4 Change in accounting policies (continued)

4.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group (continued)

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. 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). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Other

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group. These standards are listed as follows:

- IFRIC 23 Uncertainty over Income Tax Positions (effective 1 January 2019);
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1 January 2019);
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective 1 January 2019); and
- IFRS 17 Insurance Contracts (effective 1 January 2022).

5 Summary of accounting policies

5.1 Overall considerations

The Group's financial statements have been prepared on an accrual basis and under the historical cost convention except for the revaluation of land.

The significant accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

Notes

(forming part of the consolidated and parent company financial statements)

5 Summary of accounting policies (continued)

5.2 Basis of consolidation

The Group's financial statements consolidate those of the Parent company and all of its subsidiaries as of 31 December 2018. As at 31 December 2018, all three subsidiaries are in process of being getting liquidated.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

5.3 Presentation of financial statements

The Group's financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements*.

5.4 Foreign currency translation

Functional and presentation currency

The financial statements are presented in the Rial Omani (RO) which is also the functional currency of the Group.

Foreign currency transaction and balances

Foreign currency transactions are translated into the presentation currency of the Group, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items of statement of financial position at year-end exchange rates are recognised in the statement of profit or loss and other comprehensive income under 'other income' or 'other expenses'.

In the Group's financial statements, all items and transactions of the Group with a transaction currency other than the Rial Omani (the Group's presentation currency) were translated into the presentation currency. Assets and liabilities have been translated into the Rial Omani at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rates over the reporting period.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

5.5 Goodwill

Goodwill arising on acquisition of a business represents the excess of purchase consideration over the fair value ascribed to the identifiable net assets at the date of acquisition. Goodwill impairment reviews are undertaken annually or more frequently if event or change in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

5.6 Investment in subsidiary

A company is a subsidiary company, if the Parent has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights so as to obtain benefits from the investee company's activities. Investment in subsidiary companies is stated at cost less any diminution in the value of the specific investment, which is other than temporary. Investment income is accounted for in the year in which entitlement is established.

Notes

(forming part of the consolidated and parent company financial statements)

5 Summary of accounting policies (continued)

5.7 Contract revenue recognition

Policy before 1 January 2018

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

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

A variation is included in contract revenue when:

- (a) it is probable that the customer will approve the variation and the amount of revenue arising from the variation; and
- (b) the amounts of revenue can be reliably measured.

Claims are included in contract revenue only when:

- (a) Negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and
- (b) the amount that it is probable will be accepted by the customer can be measured reliably.

Incentive payments are included in contract revenue when:

- (a) the contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded; and
- (b) the amount of the incentive payment can be measured reliably.

Policy after 1 January 2018

The Group enters into contracts for construction works for oil and gas companies in exchange for a fixed fee and recognises the related revenue over time. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. When a contract also includes promises to perform after-sales services, the total transaction price is allocated to each of the distinct performance obligations identifiable under the contract on the basis of its relative stand-alone selling price.

To depict the progress by which the Group transfers control of the systems to the customer, and to establish when and to what extent revenue can be recognised, the Group measures its progress towards complete satisfaction of the performance obligation by comparing total cost incurred to date with the total estimated cost required to complete the project. The cost to complete basis provides the most faithful depiction of the transfer of goods and services to each customer due to the Group's ability to make reliable estimates of the cost to complete required to perform, arising from its significant historical experience constructing similar systems.

In addition to the fixed fee, some contracts may include bonus payments which the Group can earn by completing a project in advance of a targeted delivery date. At inception of each contract the Group begins by estimating the amount of the bonus to be received using the "most likely amount" approach. This amount is then included in the Group's estimate of the transaction price only if it is highly probable that a significant reversal of revenue will not occur once any uncertainty surrounding the bonus is resolved. In making this assessment the Group considers its historical record of performance on similar contracts, whether the Group has access to the labour and materials resources needed to exceed the agreed-upon completion date, and the potential impact of other reasonably foreseen constraints.

Revenue from claim is required to be accounted for as variable consideration. Claims are included in revenue only when it is highly probable that the revenue will not reverse in the future.

Notes

(forming part of the consolidated and parent company financial statements)

5 Summary of accounting policies (continued)

5.8 Operating expenses

Operating expenses are recognised in the statement of profit and loss and other comprehensive income at the date the expense has occurred based on the accruals concept.

5.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, in hand and bank overdraft which are subject to an insignificant risk of changes in value.

5.10 Non-current assets and liabilities classified as held for sale and discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal group(s) constituting the discontinued operation.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

5.11 Equity and reserves

Share capital is determined using the nominal value of shares that have been issued.

Accumulated losses include all current and prior period results as disclosed in the statement of changes in Shareholders' equity.

5.12 Directors' remuneration

The Parent Company follows the Sultanate of Oman's Commercial Companies Law, 1974 (as amended), and other latest relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors remuneration. Directors' remuneration is charged to the statement of comprehensive income in the succeeding year to which it relates after its approval in AGM.

5.13 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.

An entity recognises as an asset the incremental cost of obtaining a contract with a customer only if it expects to recover the costs. Incremental cost of obtaining a contract are cost that are incurred only as a result of winning a contract.

Notes

(forming part of the consolidated and parent company financial statements)

5 Summary of accounting policies (continued)

5.14 Dividend distribution

The Board of Directors recommend to the shareholders the dividend to be paid out of Parent Company's profits. The Directors take into account appropriate parameters including the requirements of the Sultanate of Oman's Commercial Companies Law, 1974 (as amended) while recommending the dividend. Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Group's and Parent Company financial statements only in the period in which the dividends are approved by the Parent Company's Shareholders.

5.15 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

5.16 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. The liability for the goods in transit is recorded on the transfer of risks and rewards to the ownership of goods in favour of the Group.

5.17 Income tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit.

Deferred tax liabilities are always provided for in full. Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Notes

(forming part of the consolidated and parent company financial statements)

5 Summary of accounting policies (continued)

5.18 Financial instruments

Policy before 1 January 2018

Derecognition and financial asset and financial liabilities

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

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- The Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Financial asset

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise contract and other receivables and cash and cash equivalents in the statement of financial position.

Contract and other receivables originated by the Group are measured at cost. An allowance for credit losses of contract and other receivables is established when there is objective evidence that the Group will not be able to collect the amounts due.

Unbilled contract receivables on long term contracts are stated at the costs incurred and applicable on contracts to the end of the reporting period plus attributable profits estimated to be earned to the end of the reporting period based on the stage of contract completion, less provision for foreseeable losses and progress payments received and receivable. Cost comprises materials, labour, procurement and other expenses which are identifiable to contracts and allocation of other overheads.

When a contract or other receivable is uncollectible, it is written off against the allowance account for credit losses. The carrying values of contract and other receivables approximate to their fair values due to the short-term nature of those receivables.

Notes

(forming part of the consolidated and parent company financial statements)

5 Summary of accounting policies (continued)

5.18 Financial instruments (continued)

Policy after 1 January 2018

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

The Group classifies its financial assets as follows:

Financial assets at amortized cost.

The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

The Group determines its business model at the level that best reflects how it manages group of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

Contractual cash flow characteristics test

The Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. The Group reclassifies a financial asset when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

The Group's financial assets measured at amortized cost are cash and cash equivalent, contract receivables, unbilled receivables (contract assets) and amounts due from related parties.

Notes

(forming part of the consolidated and parent company financial statements)

5 Summary of accounting policies (continued)

5.18 Financial instruments (continued)

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group's first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Contract and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, staff terminal benefits, trade payables and accruals and amounts due to related parties which are measured at amortised cost.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of profit or loss and other comprehensive income under its line items 'finance costs' or 'finance income'.

Notes

(forming part of the consolidated and parent company financial statements)

5 Summary of accounting policies (continued)

5.19 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group. Buildings and other equipment are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses. The estimated useful lives are:

Buildings and camp	5-20 years
Plant and machinery	5-10 years
Motor vehicles	5-10 years
Furniture and fixture	3-8 years
Testing equipment	4-8 years

Assets residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

An asset carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognised within 'other income' or 'other expenses' in the statement of profit or loss and other comprehensive income.

Land

Land is stated at revalued amounts and is not depreciated. Revaluation of land is carried out on a regular basis, not exceeding 3 years to determine its market value at the date of revaluation. Increases in the carrying amount arising on revaluation of land are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss and other comprehensive income. On disposal the related revaluation reserve is credited directly to statement of profit or loss and other comprehensive income.

Capital work in progress

Properties in the course of construction for production, 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.

5.20 Impairment testing

Property and equipment are subject to impairment testing. For the purpose of assessing impairment, assets are compared at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. The management of the Group has reviewed the assets of the Group and is of the opinion that no impairment has occurred to any of the Group's assets.

Individual assets or cash-generating units with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Notes

(forming part of the consolidated and parent company financial statements)

5 Summary of accounting policies (continued)

5.21 Employees' terminal benefits

The provision for employees' terminal benefits is based upon the liability accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the Oman Labour Law, 2003 and the Social Security Law, 1991.

Government of Oman Social Insurance Scheme (the Scheme)

The Group contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The Group and Omani employees are required to make monthly contributions to the Scheme at 11.5% and 7% respectively, of gross salaries.

Non-Omani employee terminal benefits

The provision for end of service benefits for non-Omani employees is made in accordance with the requirements of the Oman Labour Law of 2003. Employees are entitled to end of service benefits calculated at the rate of 15 days basic salary for each of the first three years of continuous service and at a rate of 30 days basic salary for each year of continuous service following the first three years. This is an unfunded defined benefits retirement plan. Accrued non-Omani staff terminal benefits are payable on termination of employment.

5.22 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the Management to make decisions about resources to be allocated to the segment and assess its performance.

5.23 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. 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.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of the Group's management.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination. These contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

Notes

(forming part of the consolidated and parent company financial statements)

5 Summary of accounting policies (continued)

5.24 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flow of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

5.25 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

5.26 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Recognition of construction contract revenues

As revenue from construction contracts is recognised over time, the amount of revenue recognised in a reporting period depends on the extent to which the performance obligation has been satisfied. Recognising revenue for construction contracts also requires significant judgment in determining the estimated cost to complete the promised work when applying the cost to complete method.

Impairment of non-financial assets and goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Notes

(forming part of the consolidated and parent company financial statements)

5 Summary of accounting policies (continued)

5.26 Significant management judgement in applying accounting policies and estimation uncertainty (continued)

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. At 31 December 2018, management assesses that, the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in Note 6.

Income tax

Uncertainties exist with respect to interpretation of the tax regulations and the amount of timing of future taxable income. Given the wide range of business relationship and nature of existing contractual agreements, differences arising between the actual result 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 estimate, for possible consequences of the finalisation of the tax assessment of the Group. The amount of such provision is based on various factors, such as experience of previous assessment and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices. The carrying amounts are analysed in Note 9.

6 Property, plant and equipment

Group	Freehold land RO	Buildings and camps RO	Plant and machinery RO	Furniture and fixtures RO	Testing equipment RO	Motor vehicles RO	Capital work in progress RO	Total RO
Cost/Valuation:								
At 1 January 2018	2,454,629	6,633,300	13,341,252	2,476,506	1,147,116	4,798,913	20,817	30,872,533
Additions during the year	-	-	48,681	7,905	-	-	-	56,586
Disposals	-	(351,799)	-	-	-	-	-	(351,799)
Reclassification	(2,711)	2,711	-	-	-	-	-	-
Transfer to asset held for sale	(2,451,918)	-	-	-	-	-	-	(2,451,918)
At 31 December 2018	-	6,284,212	13,389,933	2,484,411	1,147,116	4,798,913	20,817	28,125,402
Depreciation:								
At 1 January 2018	-	4,362,142	12,375,866	2,374,201	1,114,423	4,393,260	-	24,619,892
Provided during the year	-	397,650	505,785	51,743	21,434	250,068	-	1,226,680
Disposals	-	(343,270)	-	-	-	-	-	(343,270)
At 31 December 2018	-	4,416,522	12,881,651	2,425,944	1,135,857	4,643,328	-	25,503,302
Net book value:								
At 31 December 2018	-	1,867,690	508,282	58,467	11,259	155,585	20,817	2,622,100

The carrying amounts for the comparative year can be shown as follows:

	Freehold land RO	Buildings and camps RO	Plant and machinery RO	Furniture and fixtures RO	Testing equipment RO	Motor vehicles RO	Capital work in progress RO	Total RO
Cost/Valuation:								
At 1 January 2017	2,454,629	7,573,551	16,397,424	3,105,747	1,250,336	6,642,017	153,535	37,577,239
Additions during the year	-	-	130,165	22,190	60,318	-	263,079	475,752
Disposals	-	(37,914)	(310,528)	(219,283)	(24,902)	(474,402)	-	(1,067,029)
Transfer	-	395,797	-	-	-	-	(395,797)	-
Transfer to asset held for sale	-	(1,298,134)	(2,875,809)	(432,148)	(138,636)	(1,368,702)	-	(6,113,429)
At 31 December 2017	2,454,629	6,633,300	13,341,252	2,476,506	1,147,116	4,798,913	20,817	30,872,533
Depreciation:								
At 1 January 2017	-	4,586,484	13,245,923	2,753,684	1,155,695	4,967,118	-	26,708,904
Provided during the year	-	456,213	1,293,640	194,665	70,526	624,912	-	2,639,956
Disposals	-	(35,147)	(217,023)	(218,655)	(22,954)	(405,362)	-	(899,141)
Transfer to asset held for sale	-	(645,408)	(1,946,674)	(355,493)	(88,844)	(793,408)	-	(3,829,827)
At 31 December 2017	-	4,362,142	12,375,866	2,374,201	1,114,423	4,393,260	-	24,619,892
Net book value:								
At 31 December 2017	2,454,629	2,271,158	965,386	102,305	32,693	405,653	20,817	6,252,641

Notes

(forming part of the consolidated and parent company financial statements)

6 Property and equipment (continued)

Parent

	Freehold land RO	Buildings and camps RO	Plant and machinery RO	Furniture and fixtures RO	Testing equipment RO	Motor vehicles RO	Capital work in progress RO	Total RO
Cost/Valuation:								
At 1 January 2018	2,454,629	6,633,300	13,341,252	2,476,506	1,147,116	4,798,913	20,817	30,872,533
Additions during the year	-	-	48,681	7,905	-	-	-	56,586
Disposals	-	(351,799)	-	-	-	-	-	(351,799)
Reclassification	(2,711)	2,711	-	-	-	-	-	-
Transfer to asset held for sale	(2,451,918)	-	-	-	-	-	-	(2,451,918)
At 31 December 2018	-	6,284,212	13,389,933	2,484,411	1,147,116	4,798,913	20,817	28,125,402
Depreciation:								
At 1 January 2018	-	4,362,142	12,375,866	2,374,201	1,114,423	4,393,260	-	24,619,892
Provided during the year	-	397,650	505,785	51,743	21,434	250,068	-	1,226,680
Disposals	-	(343,270)	-	-	-	-	-	(343,270)
At 31 December 2018	-	4,416,522	12,881,651	2,425,944	1,135,857	4,643,328	-	25,503,302
Net book value:								
At 31 December 2018	-	1,867,690	508,282	58,467	11,259	155,585	20,817	2,622,100

The carrying amounts for the comparative year can be shown as follows:

	Freehold Land RO	Buildings and camps RO	Machinery and equipment RO	Furniture and fixtures RO	Testing equipment RO	Motor vehicles RO	Capital work in progress RO	Total RO
Cost/Valuation:								
At 1 January 2017	2,454,629	6,275,417	13,358,736	2,663,511	1,130,987	5,262,392	153,533	31,299,205
Additions during the year	-	-	89,400	18,547	34,560	-	263,081	405,588
Disposals	-	(37,914)	(106,884)	(205,552)	(18,431)	(463,479)	-	(832,260)
Transfer	-	395,797	-	-	-	-	(395,797)	-
At 31 December 2017	2,454,629	6,633,300	13,341,252	2,476,506	1,147,116	4,798,913	20,817	30,872,533
Depreciation:								
At 1 January 2017	-	4,018,767	11,604,876	2,463,775	1,088,831	4,347,071	-	23,523,320
Provided during the year	-	378,522	874,357	115,443	42,074	449,217	-	1,859,613
Disposals	-	(35,147)	(103,367)	(205,017)	(16,482)	(403,028)	-	(763,041)
At 31 December 2017	-	4,362,142	12,375,866	2,374,201	1,114,423	4,393,260	-	24,619,892
Net book value:								
At 31 December 2017	2,454,629	2,271,158	965,386	102,305	32,693	405,653	20,817	6,252,641

	31 December 2018 RO	31 December 2017 RO
Depreciation charged to cost of sales (Note 19)	1,201,039	1,819,989
Depreciation charged to administrative expenses (Note 20)	25,641	39,624
	1,226,680	1,859,613

Security

As at 31 December 2018, all the assets of the Parent Company having carrying amount of RO 2,622,100 (2017: RO 6,252,641) are secured against the loan obtained from the bank.

Valuation of land

An independent valuation of the Parent Company's Freehold land located in Ghala was performed by an independent external valuer in January 2018 to determine the fair value of the land and buildings, which has been derived using the market approach (Level 3). Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

The fair value of the freehold land was determined to be RO 2.4 million based on the market comparable approach. The Parent Company has recorded land at the fair value of RO 2.4 million, based on expecting approximately the same amount from a potential buyer.

Notes

(forming part of the consolidated and parent company financial statements)

6 Property and equipment (continued)

Valuation of land (continued)

The surplus arising on revaluation has been taken to revaluation reserve and included as a separate component of equity. If the freehold land had been carried at cost, the carrying amount at 31 December 2018 would have been RO 451,918 (2017 - RO 451,918).

Land transfer to held for sale

Near to the year end the management was in discussion with the lenders to sell the freehold land in Ghala to meet the cash flow requirements. The approval of which from lenders have been received subsequently. Accordingly, at 31 December 2018 the asset has been classified as held for sale and is recorded at lower of carrying value and fair value. The management believes it will be able to arrange a potential buyer of the land and will be able to sell the land within one year from the reporting date. Considering this the land has been shown as held for sale in the Consolidated and Parent Company financial statements.

7 Goodwill

In the year 2017 the Board has decided to impair goodwill in view of the significant losses incurred by the subsidiaries. The impairment loss in the year 2018 was RO Nil (2017: RO 878,478).

8 Investment in subsidiaries

	Holding	Activity	Year of incorporation	Parent Company 2018 RO	2017 RO
Al Hassan Engineering Company Dubai LLC	99%	Contracting in oil and gas	2001	103,950	103,950
Al Hassan Engineering Company Abu Dhabi LLC	49%	Contracting in oil and gas	2003	51,450	51,450
Al Hassan Technidas Reunidas Project LLC	95%	Contracting in oil and gas	2013	142,500	142,500
				297,900	297,900
Less: impairment on subsidiaries				(297,900)	(297,900)

The Board of Directors of the Parent Company has considered provision of impairment loss on investment in its subsidiaries namely Al Hassan Engineering Company Dubai LLC, Al Hassan Engineering Company Abu Dhabi LLC ("UAE Operations") and Al Hasan Technidas Reunidas Project LLC, due to the subsidiaries significant incurred losses and negative net worth in the current year and decision to discontinue the subsidiaries operations.

9 Inventory

	2018		2017	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Materials	1,719,591	1,719,591	1,679,546	1,679,546
Spare parts and consumables	54,504	54,504	58,814	58,814
Tools	1,309,387	1,309,387	830,133	830,133
	3,083,482	3,083,482	2,568,493	2,568,493
Less: allowance for slow/non-moving items	(892,907)	(892,907)	(888,500)	(888,500)
	2,190,575	2,190,575	1,679,993	1,679,993

	2018		2017	
	Group RO	Parent Company RO	Group RO	Parent Company RO
At 1 January	888,500	888,500	1,185,819	1,172,505
Provided during the year	4,407	4,407	97,595	69,186
Written off during the year	-	-	(353,191)	(353,191)
Transfer to held for sale related to subsidiaries	-	-	(41,723)	-
	892,907	892,907	888,500	888,500

Notes

(forming part of the consolidated and parent company financial statements)

10 Contract and other receivables

	2018		2017	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Financial assets:				
Contract receivables	4,892,606	4,892,606	4,385,857	4,385,857
Unbilled contract receivables (Note 10.2)	17,970,487	22,188,071	21,096,392	25,354,460
Non-financial assets:				
Advances to suppliers	419,414	419,414	439,711	439,711
Prepayment and other receivables	593,064	647,664	862,003	916,602
Less: Allowance for impaired losses (Note 10.1)	(6,364,564)	(8,377,280)	(436,997)	(1,368,726)
	17,511,007	19,770,475	26,346,966	29,727,904
Retentions receivable	2,226,700	2,226,700	3,164,114	3,164,114
	19,737,707	21,997,175	29,511,080	32,892,018
Less: non-current portion of retentions receivable	(2,226,700)	(2,226,700)	(447,106)	(447,106)
	17,511,007	19,770,475	29,063,974	32,444,912

10.1 Allowance for impaired losses

a) The movement in allowance for credit losses is as follows:

	2018		2017	
	Group RO	Parent Company RO	Group RO	Parent Company RO
At 1 January	436,997	1,368,726	436,997	436,997
Impact on adoption of IFRS 9	2,900,000	2,900,000		
Elimination on consolidation	(1,000,000)			
Created during the year	4,027,567	4,108,554	-	931,729
At 31 December	6,364,564	8,377,280	436,997	1,368,726

b) Allowance for credit losses at the end of the reporting date is attributable to the following:

	2018		2017	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Contract receivables (Note 28.2)	116,395	116,395	88,828	88,828
Unbilled contract receivables	6,211,969	8,170,085	311,969	1,189,098
Advances to suppliers	25,200	25,200	25,200	25,200
Prepayments and other receivables	11,000	65,600	11,000	65,600
At 31 December	6,364,564	8,377,280	436,997	1,368,726

10.2 Unbilled receivables

	2018		2017	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Contracts in progress at cost plus estimated attributable profits less provision for future losses	218,320,726	222,538,310	209,559,796	213,817,864
Less: progress billings	(200,350,239)	(200,350,239)	(188,463,404)	(188,463,404)
At 31 December	17,970,487	22,188,071	21,096,392	25,354,460

- As at 31 December 2018, 2 customers (2017: 2 customers) account for 90% (2017: 86%) of the total contract receivables;
- The entire contract receivables of the Group and Parent Company are unsecured (2017: same terms);
- All the contract receivables of the Parent Company are assigned to the banks providing the short term borrowing and term loans and credit facilities as disclosed in Note 15 of the financial statements;
- Allowance for credit losses has been calculated as per the Group provisioning policy; and
- As at 31 December 2018 the provision for contract and other receivable amounts to RO 8,377,280 (2017: RO 1,368,726) for Parent Company.

Notes

(forming part of the consolidated and parent company financial statements)

11 Cash and cash equivalents

	2018		2017	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Cash in hand	61,312	61,312	25,752	25,752
Cash at bank	1,921,255	1,921,255	236,890	236,890
	1,982,567	1,982,567	262,642	262,642
Less: Bank overdraft (Note 15)	(457,745)	(457,745)	(18,030)	(18,030)
	1,524,822	1,524,822	244,612	244,612

12 Share capital

- a) The authorised share capital comprise of 100,000,000 shares (2017: 100,000,000 shares) of RO 0.100 each (2017: RO 0.100 each).
- b) The issued and fully paid up capital consists of 75,208,000 shares of RO 0.100 each (2017 - 75,208,000 shares of RO 0.100 each).

- c) Shareholders of the Parent Company who own 10% or more of the Parent Company's shares, whether in their name or through a nominee account and the number of shares they hold are as follows:

	Number of shares	% Holding
Hassan Ali Salman Family	15,092,000	20.07
Mr Maqbool Ali Salman	15,092,000	20.07
Al Hassan Electrical Company LLC	15,008,000	19.96

13 Legal reserve

In accordance with Article 106 of the Commercial Companies Law of the Sultanate of Oman, 1974, as amended, and Company Law of United Arab Emirates, 10% of the net profit of the individual companies (parent and subsidiaries) has been transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to one third of the Parent Company's issued share capital and one-half of the capital of the subsidiary companies. No transfer were made in 2018 and 2017 in view of losses sustained.

14 Subordinated loan from shareholders

On 6 August 2017, the Parent Company has received RO 3.7 million as subordinate loan as per the 'terms of restructuring agreement dated 8 June 2017 which is in addition to the subordinated loan of RO 3 million received from major shareholders according to the legal binding arrangement in 2016. The loans have no fixed repayment date and are subordinated to all borrowings, loans from banks and other liabilities of the Parent Company. The loans are interest free and repayable at the discretion of the Parent Company and only when there are sufficient funds available to meet the other liabilities of the Parent Company. As per the arrangement, on liquidation the subordinate loans are payable out of the residual value of the Parent Company after all third party liabilities have been fully settled.

15 Borrowings

	Group and Parent Company	
	2018 RO	2017 RO
Current:		
Term loan (Note 15.1)	9,678,120	1,425,039
Bank overdraft	457,745	18,030
Short term loan	-	13,423
	10,135,865	1,456,492
Non-current		
Term loan (Note 15.1)	35,190,607	37,109,923
	45,326,472	38,566,415

Notes

(forming part of the consolidated and parent company financial statements)

15 Borrowings (continued)

15.1 Term loan

	Group and Parent Company	
	2018	2017
	RO	RO
Opening balance	38,534,962	-
Short term borrowing restructured to long term		29,836,187
Term loan received during the year	2,000,000	9,200,000
Bank guarantee converted to term loan	4,837,952	-
Interest capitalised	366,656	-
	45,739,570	39,036,187
Less: loan restructuring transaction cost	-	(539,002)
Less: loan paid during the year	(977,868)	-
	44,761,702	38,497,185
Transaction cost amortised during the year	107,025	37,777
	44,868,727	38,534,962
Less: current portion of term loan	(9,678,120)	(1,425,039)
Term loan non-current	35,190,607	37,109,923

Facilities:

In the year 2017 the Parent Company has entered into an agreement with a syndicate of seven banks namely: Bank Muscat SAOG, Bank Dhofar SAOG, Bank Sohar SAOG, First Abu Dhabi Bank PJSC (Oman Branch), National Bank of Oman SOAG, Oman Arab Bank SAOC and Alizz Islamic bank SAOG for restructuring of its short term borrowings into long term loan. A restructuring agreement was signed on 15 Nov 2017 on the following terms:

- i) Conventional senior term facility loan of RO 29.8 million which includes restructuring of existing short term borrowings of RO 24.8 million and additional facility of RO 5 million out of which RO 3.70 million has been received during the year 2017. This loan is repayable in sixteen quarterly instalments started from 31 December 2018. The conventional senior term facility bears interest at 5.5% per annum, of which 4.50% is payable quarterly and 1% will be capitalized and paid with the last instalment.
- ii) Short term borrowing of RO 5 million has been restructured into conventional subordinated facility, repayable on 30 September 2022. The facility bears interest at 6% per annum, of which 5% per annum is payable quarterly and 1% per annum will be capitalized and paid with the principle.
- iii) Additional term loan facility of RO 10 million repayable on 15 November 2020 out of which RO 5.5 million has been received during the year 2017. The facility bears interest at 4.5% per annum is quarterly payable.

Securities:

The term loan is secured by the following:

- First ranking pari passu charge over all fixed assets of the Parent Company including land, building and equipment and receivable accounts;
- First charge over assignment of all insurance proceeds of the Parent Company or addition of the Facility agent as a loss payee in the case of insurance relating to fixed assets for the benefit of the Parent Company; and
- First charge over designated accounts with the banks, as required for the operations of the Parent Company.

Breach of loan covenant:

As per the terms of the agreement the first instalment of the senior term facility was due as at 31 December 2018, which the Parent Company has partially defaulted. However, the management obtained a waiver from the bank subsequent to the year end. As per the waiver the December 2018 instalment is now payable along with the March 2019 instalment.

Notes

(forming part of the consolidated and parent company financial statements)

16 Staff terminal benefits

	2018		2017	
	Group RO	Parent Company RO	Group RO	Parent Company RO
At 1 January	2,741,688	2,741,688	3,148,633	3,148,633
Provided during the year	405,743	405,743	425,295	425,295
Transfer to related party	-	-	(24,320)	(24,320)
Expense recharged	2,125	2,125	5,235	5,235
Paid during the year	(504,734)	(504,734)	(813,155)	(813,155)
	2,644,822	2,644,822	2,741,688	2,741,688

17 Trade payables and accruals

	2018		2017	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Trade payables	14,602,085	14,602,085	16,231,767	16,231,767
Accrued project expenses	6,092,613	6,092,613	6,622,575	6,622,575
Accrued expenses	2,422,516	2,422,516	2,146,774	2,146,774
Provision for encashment of bank guarantee	1,728,908	1,728,908	7,386,051	7,386,051
Advances from customers	1,115,816	1,115,816	39,672	39,672
Due to customer on contract (Note 17.1)	1,014,955	1,014,955	832,193	832,193
Other payables	1,007,154	1,007,154	1,109,882	1,109,882
Due to related parties (Note 18.2)	1,003,452	1,003,452	1,017,949	1,017,949
Creditors for capital purchases	80,652	80,652	76,303	76,303
Provision for estimated contract losses	23,170	23,170	199,126	199,126
	29,091,321	29,091,321	35,662,292	35,662,292

17.1 Due to customer on contract

a) The excess billings comprise of:

	2018		2017	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Progress billings	26,503,132	26,503,132	13,647,865	13,647,865
Less: contracts in progress at cost plus estimated attributable profit less provision for future losses.	(25,488,177)	(25,488,177)	(12,815,672)	(12,815,672)
	1,014,955	1,014,955	832,193	832,193

18 Related parties

The Group and the Parent Company related parties include key management personnel and other business entities held under common control as described below and have the significant influence over the Group. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

Notes

(forming part of the consolidated and parent company financial statements)

18 Related parties (continued)

18.1 Transactions with key management personnel

Key Management of the Group and Parent Company includes Directors, the General Manager, the Finance Manager, the Production Manager and the Marketing Manager.

Key management personnel remuneration includes the following expenses:

	Year ended 31 December 2018 RO	Year ended 31 December 2017 RO
Short term employment benefits	562,574	553,810
Employees' end of service benefits	7,503	8,214
Directors' meeting attendance fees	35,900	21,500
	605,977	583,524

18.2 Transaction with other business entities held under common control

	Group Year ended 31 December 2018 RO	Parent Company Year ended 31 December 2018 RO	Group Year ended 31 December 2017 RO	Parent Company Year ended 31 December 2017 RO
Entities related to Directors				
Contract costs	(76,782)	(76,782)	(162,236)	(162,236)
General and administrative expenses	(59,900)	(59,900)	(59,300)	(59,300)
Contract income	127,892	127,892	130,930	130,930
Purchases of equipment	-	-	(8,450)	(8,450)
Subordinated loan	-	-	(3,700,000)	(3,700,000)
Subsidiary Company	-	58,939	-	1,186,357
Recharge of interest	-	48,335	-	164,439
Staff cost recharged	-	75,069	-	981,440
Contract income	-	-	-	20,874
Purchase/ sale of equipment/ material	-	-	-	-

	Group 31 December 2018 RO	Parent Company 31 December 2018 RO	Group 31 December 2017 RO	Parent Company 31 December 2017 RO
Due from subsidiaries				
Al Hassan Engineering Company Abu Dhabi LLC	-	30,717,589	-	30,632,463
Al Hassan Engineering Company Dubai LLC	-	4,692,511	-	4,690,762
Al Hassan Engineering Reunidas Project LLC	-	682,400	-	682,400
	-	36,092,500	-	36,005,625
Less: provision for impairment loss	-	(36,092,500)	-	(36,005,625)
	-	-	-	-

	Group 31 December 2018 RO	Parent Company 31 December 2018 RO	Group 31 December 2017 RO	Parent Company 31 December 2017 RO
Due to related parties				
Mr. Maqbool Ali Salman	958,044	958,044	703,774	703,774
Al Hassan Electricals Company LLC and others	45,408	45,408	314,175	314,175
	1,003,452	1,003,452	1,017,949	1,017,949

Notes

(forming part of the consolidated and parent company financial statements)

19 Contract costs

	Group Year ended 31 December 2018 RO	Parent Company Year ended 31 December 2018 RO	Group Year ended 31 December 2017 RO	Parent Company Year ended 31 December 2017 RO
Salaries and employee related costs (Note 23)	11,575,018	11,575,018	13,530,900	13,530,900
Other direct expenses	5,513,279	4,432,293	6,920,714	6,920,714
Material costs	2,973,173	2,973,173	4,676,412	4,676,412
Subcontractor expenses	1,438,408	2,519,394	3,846,843	4,723,972
Hiring charges	1,823,209	1,823,209	1,851,543	1,851,543
Depreciation (Note 6)	1,201,039	1,201,039	1,819,989	1,819,989
Future estimated contract losses/ (reversal)	(175,956)	(175,956)	(305,939)	(305,939)
	24,348,170	24,348,170	32,340,462	33,217,591

20 General and administrative expenses

	Group Year ended 31 December 2018 RO	Parent Company Year ended 31 December 2018 RO	Group Year ended 31 December 2017 RO	Parent Company Year ended 31 December 2017 RO
Salaries and employee related costs (Note 23)	1,207,761	1,207,761	1,346,674	1,346,674
Professional fees	192,454	192,454	88,910	88,910
Rent expenses	170,840	170,840	177,440	177,440
Miscellaneous expenses	152,628	152,628	148,001	148,001
Provision for impairment losses	80,986	80,986	-	54,600
Communication expenses	50,366	50,366	73,081	73,081
Directors sitting fees	35,900	35,900	21,500	21,500
Insurance expenses	28,331	28,331	28,342	28,342
Depreciation expenses (Note 6)	25,641	25,641	39,624	39,624
Travelling and conveyance	4,632	4,632	8,368	8,368
Vehicle fuel	3,993	3,993	6,874	6,874
Printing and stationery expenses	3,871	3,871	6,304	6,304
Utilities expenses	3,038	3,038	15,909	15,909
Business promotion expenses	1,629	1,629	2,619	2,619
Contribution towards social cause	1,000	1,000	2,250	2,250
	1,963,070	1,963,070	1,965,896	2,020,496

21 Other income

	Group Year ended 31 December 2018 RO	Parent Company Year ended 31 December 2018 RO	Group Year ended 31 December 2017 RO	Parent Company Year ended 31 December 2017 RO
Profit on disposal of non-current assets	68,980	68,980	63,493	63,493
Scrap sales	24,857	24,857	12,886	12,886
Accommodation rental	6,000	6,000	4,475	4,475
Miscellaneous income	1,241	1,241	5,561	5,561
Hire of equipment	500	500	47,335	47,335
	101,578	101,578	133,750	133,750

Notes

(forming part of the consolidated and parent company financial statements)

22 Finance costs

	Group Year ended 31 December 2018 RO	Parent Company Year ended 31 December 2018 RO	Group Year ended 31 December 2017 RO	Parent Company Year ended 31 December 2017 RO
Interest on term loan	2,423,395	2,423,395	234,174	234,174
Interest on short term borrowings	139	139	1,425,349	1,425,349
Interest on bank overdraft	(1,207)	(1,207)	218,660	218,660
	2,422,327	2,422,327	1,878,183	1,878,183
Amortisation of restructuring cost	187,968	187,968	37,777	37,777
Bank and finance charges	146,845	146,845	158,561	158,561
Less: interest recovered from subsidiaries	(58,939)	(58,939)	(1,186,357)	(1,186,357)
	2,698,201	2,698,201	888,164	888,164

23 Salaries and employee related costs

	Group Year ended 31 December 2018 RO	Parent Company Year ended 31 December 2018 RO	Group Year ended 31 December 2017 RO	Parent Company Year ended 31 December 2017 RO
Salaries and wages	8,229,981	8,229,981	9,551,007	9,551,007
Staff allowances	2,262,478	2,262,478	2,984,562	2,984,562
Air fare and leave salary	891,591	891,591	793,695	793,695
Accommodation costs	544,247	544,247	564,244	564,244
End of service benefits	405,743	405,743	425,295	425,295
Bonus and incentives	142,990	142,990	56,481	56,481
Social security expense	310,282	310,282	433,636	433,636
Others	(4,533)	(4,533)	68,654	68,654
	12,782,779	12,782,779	14,877,574	14,877,574
Allocated as follows:				
Contract costs (Note 19)	11,575,018	11,575,018	13,530,900	13,530,900
General and administration expenses (Note 20)	1,207,761	1,207,761	1,346,674	1,346,674
	12,782,779	12,782,779	14,877,574	14,877,574

24 Income tax

At 31 December 2018 no deferred tax asset on the excess of deductible temporary difference including (tax losses) over taxable temporary differences has been recognised in these financial statements due to uncertainty regarding the timing of availability of adequate future taxable profits

No provision for tax has been made during the year 2018 (2017: RO Nil) for income tax expense due to losses for the year.

Current status of tax assessments

The Parent Company's tax assessments has been finalised with the Secretariat General for Taxation for all years till 2013. At the end of the reporting date, the Management consider that the amount of additional taxes, if any, that may become payable on finalisation of the unassessed tax years would not be material to the Parent Company's financial statements.

25 Net deficit per share

Net deficit per share are calculated by dividing the net assets at the yearend by the weighted average shares outstanding as at the end of the reporting period which are as follows:

	31 December 2018 RO	31 December 2017 RO
Net assets	(60,385,141)	(49,416,271)
Number of shares outstanding	75,208,000	75,208,000
Net deficit per share [RO/share]	(0.803)	(0.657)

Notes

(forming part of the consolidated and parent company financial statements)

26 Loss per share

Earnings per share is calculated by dividing the profit for the year attributable to ordinary Shareholders of the Group by the weighted average number of ordinary shares outstanding during the year as follows:

	31 December 2018 RO	31 December 2017 RO
Loss for the year	(8,068,870)	(49,454,087)
Weighted average number of shares outstanding	75,208,000	75,208,000
Loss per share (RO/share)	(0.107)	(0.657)

27 Commitments and contingent liabilities

27.1 Contingent liabilities

At the end of the reporting period, the Parent Company had contingent liabilities in respect of performance bond and bank guarantees entered into in the normal course of business from which it is anticipated that no material liabilities will arise.

	31 December 2018 RO	31 December 2017 RO
Bank Guarantees	13,047,024	23,092,009

27.2 Commitments

At the end of the reporting period, the Parent Company had following commitments:

	31 December 2018 RO	31 December 2017 RO
Purchase commitments	5,576,681	4,170,608
Capital commitments	-	13,430

27.3 Operating lease commitments

The Group leased two plots of land for business activities from the Public Establishment for Industrial Estates (PEIE), Nizwa for a period until 24 April 2034. Under the terms of the lease, the future rental payments are as follows:

	31 December 2018 RO	31 December 2017 RO
Not later than 1 year	29,366	29,366
Later than 1 year and not later than 5 years	117,465	117,465
Later than 5 years	303,451	332,817
	450,282	479,648

Notes

(forming part of the consolidated and parent company financial statements)

28 Financial instrument risk

Risk management objectives and policies

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below.

28.1 Market risk analysis

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group does not have any financial instrument which is exposed to market risk.

Foreign currency sensitivity

The Company is exposed to foreign exchange risk arising from various currency exposures primarily related to the US Dollar, the Euro, the Saudi Riyal and the UAE Dirham. The rate of exchange between the Rial Omani and the US Dollar has remained constant since 1986.

To mitigate the Group's exposure to foreign currency risk, cash flows are monitored in accordance with the Group's risk management policies.

Interest rate sensitivity

Interest rate risk arises from the possibility of changes in interest rates and mismatches or gaps in the amount of assets and liabilities that mature or are re-priced in a given period.

Borrowings issued at variable rates expose the company to cash flow interest rate risk. Borrowings at a fixed rate expose the company to fair value interest rate risk. The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank balances, 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.

At 31 December 2018, based on the level of interest bearing assets and liabilities, for a 0.5% change in the interest rate, the impact on the profit before taxation in the consolidated statement of comprehensive income will approximate to RO 224,344 (2017: RO 192,832).

The Group is not exposed to interest rate risk as it does not hold any variable rate instrument.

28.2 Credit risk analysis

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows.

Credit risk on cash at bank

The credit risk in respect of cash balances held with banks are managed via diversification of balances held with major reputable financial institutions.

The cash at bank is considered to be a low to fair risk item. The determination of the risk is based on the credit rating of the bank from the reputable credit rating agencies. The probability of default is considered based on the historical data of the credit ratings adjusted to the forward looking factors considered in the credit rating. The Group believes should this case of default occurs the Fund is exposed to recover no amount and therefore the Loss Given Default is 100%.

Notes

(forming part of the consolidated and parent company financial statements)

28 Financial instrument risk (continued)

28.2 Credit risk analysis (continued)

Credit risk on cash at bank

31 December 2018	Exposure at year end RO
Credit risk	
Low risk AAA to BBB-	1,840,632
Fair risk BB+ to BB-	80,623
	1,921,255

Expected credit loss on contract receivables

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Group considers that if the payment is past due 90 days the point of default has occurred.

The loss rate is arrived after adjustment of the recoveries made after the point of default.

The Group's expected credit losses for trade receivables as at 31 December 2018 and 1 January 2018 was determined as summarised below:

31 December 2018	Within 6 months RO	6 to 12 months RO	More than 1 year but less than 2 year RO	More than 2 year but less than 3 year RO	More than 3 years RO	Total
Gross carrying amount	3,646,413	1,111,861	19,502	4,671	110,159	4,892,606
Loss rate	0%	0%	20%	50%	100%	
Impairment loss	-	-	3,901	2,335	110,159	116,395

The figures for the comparative period are as follows:

31 December 2017	Within 6 months RO	6 to 12 months RO	More than 1 year but less than 2 year RO	More than 2 year but less than 3 year RO	More than 3 years RO	Total
Gross carrying amount	3,308,576	960,605	29,784	8,042	78,850	4,385,857
Loss rate	0%	0%	20%	50%	100%	
Impairment loss	-	-	5,957	4,021	78,850	88,828

Expected credit loss on unbilled receivables

During the year the Company has adopted IFRS 9 Financial instruments, which requires the Group to consider provision on contracts assets (unbilled receivable) of the Company. Based on this Company has recorded provision in line with IFRS 9. However, the Parent Company believes that these amounts will be recovered more than what has been considered in the books.

These provisions has been considered in the financial statements only to comply with the requirement of IFRS 9.

	31 December 2018 RO
At 1 January 2018	1,189,098
Impact on adoption of IFRS 9	2,900,000
Considered during the year for IFRS 9	4,080,987
At 31 December 2018	8,170,085

Notes

(forming part of the consolidated and parent company financial statements)

28 Financial instrument risk (continued)

28.3 Liquidity risk analysis

Liquidity risk also referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's maximum exposure to liquidity risks is limited to the carrying amount of financial liabilities recognised at the reporting date, as summarised below:

	31 December 2018 RO	31 December 2017 RO
Non-interest bearing:		
Trade payables and accruals	29,091,321	35,662,292
Staff terminal benefits	2,644,822	2,741,688
Interest bearing:		
Borrowings	45,326,472	38,566,415
	77,062,615	76,970,395

As at 31 December 2018, the Group's liabilities have contractual maturities as summarised below:

	Less than 6 months RO	6 to 12 months RO	More than 1 year RO	Total RO
Borrowings	5,296,805	4,839,060	35,190,607	45,326,472
Trade payables	14,602,085	-	-	14,602,085
Accrued project expenses	6,092,613	-	-	6,092,613
Other payables and accruals	2,759,232	-	-	2,759,232
Staff terminal benefits	-	-	2,644,822	2,644,822
Accrued expenses	2,422,516	-	-	2,422,516
Advances from customers	1,115,816	-	-	1,115,816
Due to customer on contract	1,014,955	-	-	1,014,955
Due to related parties (Note 18.2)	1,003,452	-	-	1,003,452
Creditors for capital purchases	80,652	-	-	80,652
	34,388,126	4,839,060	37,835,429	77,062,615

The figures for the comparative period are as follows:

	Less than 6 months RO	6 to 12 months RO	More than 1 year RO	Total RO
Borrowings	31,453	1,425,039	37,109,923	38,566,415
Trade payables	16,231,767	-	-	16,231,767
Other payables and accruals	8,695,059	-	-	8,695,059
Accrued project expenses	6,622,575	-	-	6,622,575
Staff terminal benefits	-	-	2,741,688	2,741,688
Accrued expenses	2,146,774	-	-	2,146,774
Due to related parties (Note 18.2)	1,017,949	-	-	1,017,949
Due to customer on contract	832,193	-	-	832,193
Due to customer on contract	76,303	-	-	76,303
Creditors for capital purchases	39,672	-	-	39,672
Advances from customers	35,693,745	1,425,039	39,851,611	76,970,395

29 Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to the Shareholders by pricing services commensurately with the level of risk.