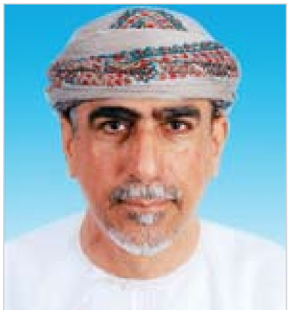
His Majesty Sultan Qaboos bin Said

CONTENTS

BOARD OF DIRECTORS

Hassan bin Ali Salman
Chairman

Maqbool Ali Salman
Dy. Chairman and
Managing Director



Dr. Fawad Jaffer Al Sajwani
Director

Saud bin Ahmed bin Al Nahari
Director

Ali Abdul Khaliq Al Haj Ibrahim
Director

Fire Water Pond for Salalah Methanol Project

Burhan West DSS Pipeline Interconnection Project for PDO

DIRECTORS' REPORT

(Including Management Discussion and Analysis)

Dear Shareholders,

On behalf of Board of Directors, it gives me great pleasure to welcome you all to the Annual General Meeting and present the Annual Report and the Audited Consolidated Financial Statement for the year 2009.

Continuing with our planned and focused approach in our core strength areas, the year 2009 has produced the desired results and has given us improved market share inspite of the economic turmoil of 2008 continuing into 2009.

Performance Highlights

(Amounts in RO '000)

Particulars	2009	2008
Contract Income	53,957	45,031
Other Income	332	217
Costs (other than Finance Charges)	(49,981)	(41,981)
Profit before Finance Charges	4,308	3,267
Finance Charges	(1,278)	(919)
Net Profit before tax	3,030	2,348
Income Tax	(389)	(328)
Net Profit after tax	2,641	2,020

Contract Income has increased in 2009 by RO 8.9 million (20%) when compared with 2008. This increase was mainly due to the healthy order backlog from 2008 and the timely and successful completion of a number of major projects.

Through various cost saving initiatives, gross margin continued to improve throughout the year despite general cost increases in the market which were effectively contained and managed.

Profit before tax was consequently higher due to increased gross margins.

For the year 2010, we will continue and progress the strategy developed and being implemented since 2008. In addition, we will look to further develop and refine our business portfolio and operational effectiveness to include:

- Greater utilization of our considerable experience and expertise with further concerted efforts in securing EPC contracts by forging strategic alliances.
- Further development into related areas in the UAE.
- Cost reduction initiatives, synergization of operations and improved procurement strategies to maintain and enhance our competitive position.

Mr. Peter Hall, CEO with Oman Economic Review (OER) officials receiving OER Top 20 Award (May 2009)

Winner of Bronze in Oil & Gas Category – Oman Web Award

Appreciation Certificate from GS E&C for Sohar Aromatics Project

Selected in Top 4 Finalists in Contractor of the Year Category by Construction Week (Nov. 2009)

Economic Review and Outlook

The economic crisis which started in the second half of 2008 had a noticeable impact on business activities in 2009 especially in the UAE market. Oman, however, was less affected. The continued depressed oil prices in the first half of 2009, led to project investments being deferred. Oil prices later recovered and appear to be stabilizing at a reasonable level. It is expected that this will result in further stimulation of investment.

It is, however, predicted that it will take some time for the economic activity level seen in 2008 to be re-established but some signs of recovery are appearing. The business environment is improving in both Oman and Abu Dhabi.

With fewer regional opportunities, increased competition is expected with many of the small / medium sized regionally based and in some cases international contractors, seeking to take business beyond their traditional geographical markets. As such 2010 will be a challenging year for which we believe we are well prepared.

Opportunities & Industry Structure / Development

Though Oil & Gas production levels have exceeded the targets and prices levels are expected to remain stable at a reasonable level, the Government of Oman is clearly decided and rightly so, to shift its dependence on oil and promote tourism as another major source of revenue. This will require investments in infrastructure development (non-industrial projects) as well as related utilities such as Water & Power. Accordingly, Your Company has decided to further explore opportunities in these areas by seeking potential alliances with major contractors with the required expertise.

Similarly, the Renewable Energy sector is also likely to come to the fore. New investments are, therefore, expected to be made in this area. Your Company will seek and establish strategic alliances to maximize business opportunities in this new regional market sector.

In the UAE and especially in Abu Dhabi, large investments are planned in the Oil & Gas sector.
Accordingly, a significantly higher level demand is expected in the construction services sector. Your Company will ensure that it is prepared to take the maximum benefit from the important opportunity this presents in the coming year for the expansion and growth of its business.

Future Business Scenario and Outlook

In order to sustain the production level both for Oil & Gas, the industry is expected to continue to make steady and significant investments especially in the areas of Enhanced Oil Recovery (EOR) related projects and Gas Compression projects. During the second half of 2009, Your Company won a major construction sub-contract in one such related project. We, therefore, believe that we are well positioned to acquire a significant share of this market in the future.

In addition, a number of major Power & Water projects are planned for the Sultanate. These are likely to be awarded over the coming months. Your Company expects to secure its fair share of this business due to its local presence and experience in the sector.

Due to increased industrial activity in Oil & Gas sector in UAE, it is expected that additional investments will be made both in the Power Generation and Electrical Transmission and Distribution industry. With the experience gained in the successful execution of Dubailand project for Siemens/Dubai Electricity and Water Authority, Your Company is confident of securing more such jobs in this market as well.

Civil Works in progress for Dubailand Project

Civil Works in progress for A'Seeb Sewage Treatment Plant

Completed Projects

In 2009, Your Company has successfully completed a number of major projects:

(1) Sohar Aromatics Project ahead of the schedule in a safe manner.

(2) Salalah Methanol Project also safely, as per the schedule.

Both of these projects received special recognition from the client, GS E & C, the main Engineering, Procurement and Construction (EPC) contractor for the projects.

(3) Burhan West Duplex Stainless Steel (DSS) Gas Pipeline Project for PDO – completed 4 months ahead of the originally planned schedule to meet client's special operational requirement, by adhering to best quality & safety standards.

(4) Mukhaizna Heat Recovery Steam Generator (HRSG) Project for NeM Holland/Occidental.

Overview of Sohar Aromatics Project

Overview of Utility Area - Salalah Methanol Project

Projects under Construction

Your Company is currently engaged in the ongoing execution of a number of interesting projects which are at various stages of completion, they include:

(1) The EPC contract for the Nimr-C Full Field Water Injection Project for Petroleum Development Oman (PDO) which will be completed in 2010.

(2) Major Civil Construction Works for the A'Seeb Waste Water – STP project for Haya Water, being executed by Hyundai Rotem, Korea as the main EPC contractor.

(3) Mechanical, Electrical & Instrumentation Erection Work for a 60 MW Power Plant being constructed for Oman Refineries and Petrochemicals Company (ORPC) at Mina Al-Fahal by Hirbodan, the main EPC contractor from Iran.

Free Water Knock Out (FWKO) Tanks for Nimr-C Full field Water Injection Project

Main Pumping Station - A'Seeb Wastewater Project

Award of New Projects

Two major project contract awards were received in the year:

(1) The 260 MW Amal Power Plant Project, an EPC contract for PDO – this is a notable achievement as it is the first time that a Power Plant Project has been awarded on EPC basis by PDO to a local Omani company.

(2) A full Construction Package Contract including Civil Works / Structural / Mechanical / Piping / Electrical & Instrumentation Erection work for a Gas Depletion Compression Facility being constructed for PDO at their Kauther site by the main international EPC contractor, Petrofac. This is a significant contract not just by its value as it continues to build on Your Company's long standing relationship with PDO and opens new business opportunities with the internationally acclaimed EPC contractor Petrofac.

Quality

In Oman, Your Company's Quality Assurance procedures have been ISO qualified since 1997. In 2009, it has been successfully accredited with the latest version, ISO 9001: 2008 Certification.

Work is ongoing for similar accreditation for the UAE operations, which is a major operational requirement. Certification is expected during 2010.

Health, Safety and Environment

In line with our commitment to the safety of our people, HSE continues to receive the highest priority in our organisation. Your Company has been successfully carrying out its daily business activities without any Lost Time Injury (LTI). As with 2008, this year was also a year in which we achieved an unblemished record of "Zero LTI". During the course of the year, Your Company has driven 14.6 million kilometers and has achieved 12.3 million man-hours for various projects without any LTI.

I am proud to announce that to date, Your Company has now worked 32 million LTI free man-hours since year 2007. Some of the significant HSE milestone projects completed in the year are:

Mr. Hassan bin Ali Salman, Chairman with CEO-Aromatics Oman Limited on completion of 10 million man-hours without LTI for Sohar Aromatics Project

Health, Safety and Environment *(Continued)*

- Sohar Aromatics – 10.3 million man-hours
- Sohar Alstom Power Plant - 6.7 million man-hours
- Salalah Methanol - 6.5 million man-hours
- Burhan West - 1.5 million man-hours
- Mukhaizna HRSG - 1.0 million man-hours

2 million LTI Free man-hours Celebration at A'Seeb Wastewater Project

Mr. Hassan bin Ali Salman, Chairman receiving shield from PDO officials on completion of 2 million man-hours without LTI for Nimr-C Full Field Water Injection Project

This year PDO conducted 'Letter of Assurance', HSE audits on selected contractors. Your Company was one of the chosen contractors. Based on their findings, I am very proud to report that Your Company achieved "Excellent" rating from PDO.

Human Resource Development

We recognize that our employees are the key to Your Company's future. We are committed to their personal development and increasing their skills and technical know-how. Our innovative and diverse workforce is handpicked to ensure that it is capable of taking on the set business challenges, accomplishing the set tasks and achieving the objectives of the Company.

Human Resource Development remained one of the main focus areas of the Company during the year to motivate its employees through employee recognition, proper placement and conducting employee skill development programmes.

Omanisation is one of the key priorities for Your Company and it has won many accolades including the coveted Green Card from the Ministry of Manpower and Compliance Verification Certificate of OPAL.

Your Company strives to develop not only the basic skills of locals but also to cultivate leadership in Omanis. During the year, several new engineering graduates were recruited. In addition, training workshops were conducted to enhance the skills of Omani staff members. We are planning to increase our investment in structured training and development programs in the future. Your Company will, therefore, expand its current training facilities during the forthcoming year.

CA&A

COMPETENCY ASSESSMENT & ASSURANCE SYSTEM

This is to certify that Al Hassan Engineering Co. SAOG CR # 1/60087/7 has been verified by the Oman Society for Petroleum Services (OPAL) and found to have in place an effective in house Competency Assessment and Assurance System.

Issue Date : [illegible] Expiry Date : [illegible]

Date : [illegible]

CEO

"OPAL Will be the foremost facilitating body that strives to make Oman's Oil and Gas industry world class"

Competency Assessment and Assurance System Certificate issued by OPAL

CVC

COMPLIANCE VERIFICATION CERTIFICATE

This is to certify that Al Hassan Engineering Co. SAOG CR # 1/60087/7 has been verified by the Oman Society for Petroleum Services (OPAL) and found to be compliant to OPAL's minimum employment standards.

Issue Date : [illegible] Expiry Date : [illegible]

CVC number : 21

Date : 25th April 2009

CEO

"OPAL Will be the foremost facilitating body that strives to make Oman's Oil and Gas industry world class"

Compliance Verification Certificate issued by OPAL

Omani Trainees with Mr. Maqbool Ali Salman, Managing Director

Internal Control Systems and their Adequacy

The Internal Audit function seeks to independently verify and ensure the compliance of the internal control systems instituted by the management of Your Company. The Audit Committee periodically meets the Internal Auditor of the Company and assesses the effectiveness of the Internal Control systems.

Dividend

The Board of Directors is pleased to recommend 14% cash dividend per share. Your Company declares dividend keeping in consideration the operating results, future earning capacity, cash resources and expectations of the shareholders within the legal framework.

Last 5 years Data

The Financial performance of Your Company for the last 5 years is as under:

Particulars	2009	2008	2007	2006	2005
Profit after Tax (RO '000)	2,641	2,020	2,117	2,867	809
Net Equity (RO '000)	13,564	11,788	10,761	8,596	5,597
Dividend (%)	14	12	12	12	-

Corporate Governance

Your Company is fully compliant with the requirements of the Code of Corporate Governance as specified by Capital Market Authority (CMA). A detailed report on Corporate Governance is provided with the certificate of the Statutory Auditors.

Threats including Risks and Concerns

Though there is substantial financial meltdown in the international market including UAE, the major threats which continue to affect the contracting companies are:

I. Increased competition for new projects due to reduction in the opportunities and entry of international companies from low cost economies like Turkey, China, Korea. This is being managed through competent marketing and optimized operational skills.
II. Recruitment and retention of skilled and trained manpower at reasonable costs. In order to mitigate the risk, Your Company has introduced a productivity-linked incentive scheme at various on-going sites. This has started showing positive results.
III. Maintaining price validity of material costs due to volatile market conditions. This is being managed through properly established procurement processes.

Gratitude and Appreciation

The Board expresses its gratitude and appreciation to His Majesty Sultan Qaboos Bin Said for his visionary leadership and to his Government for continuous support to the private sector in the development of the country.

Also, the Board would like to thank all Ministries and Government Agencies, Muscat Municipality, Royal Oman Police, Petroleum Development Oman, Commercial Banks and Financial Institutions in Oman and abroad where we have relationship, International Principals, Consultants, Sub-contractors, all the Clients of the Company and Media for their generous cooperation and continued support.

We would also like to thank all the staff and management of the company for their outstanding performance and delivering what Your Company had promised.

Hassan bin Ali Salman
Chairman
1 March 2010

Burhan DSS Gass Pipeline Project – First PDO Project to include 33 kV OHL using Concrete Poles

Effluent Treatment Processing Area – Salalah Methanol Project

MOORE STEPHENS
CHARTERED ACCOUNTANTS

P.O. Box 933, Ruwi
Postal Code 112
Sultanate of Oman
Tel : 24812041
Fax : 24812043
E-mail : stephens@omantel.net.om

Report of Factual Findings in connection with Corporate Governance report of the Company and application of the Corporate Governance practices in accordance with CMA Code of Corporate Governance (Code).

TO THE SHAREHOLDERS OF AL HASSAN ENGINEERING COMPANY SAOG

We have performed the procedures prescribed in Capital Market Authority (CMA) circular no 16/2003, dated 29 December 2003 with respect to the accompanying Corporate Governance report of the Company and its application of the Corporate Governance practices in accordance with the CMA's code of corporate governance issued under circular no. 11/2002 dated 3 June 2002 and its amendments as detailed under Rules and Guidelines on Disclosure by Issuer of Securities and Insider Trading approved by Administrative Decision No. 5/2007 dated 27 June 2007. Our engagement was undertaken in accordance with the International Standards on Auditing applicable to agreed-upon procedures engagements. These procedures were performed solely to assist you in evaluating the Company's compliance with the Code as issued by the CMA.

We report our findings below:

We found that the Company's Corporate Governance report fairly reflects the Company's application of the provisions of the Code and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing, we do not express any assurance on the Corporate Governance report.

Had we performed additional procedures or had we performed an audit or review in accordance with International Standards on Auditing, 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 2009 and does not extend to any financial statements of Al Hassan Engineering Company SAOG, taken as a whole.

1 March 2010

Moore Stephens

مور ستيفنز وشركاه
ص.ب : ٩٣٣ ، الرمز ١١٢
روي ، سلطنة عمان
P.O. Box : 933, P.Code 112
Ruwi, Sultanate of Omen
MOORE STEPHENS

Corporate Governance Report - 2009

Company Philosophy

In line with the requirements of Capital Market Authority (CMA), company's management is pleased to present Company's Sixth Corporate Governance Report for the year ended December 31st, 2009.

The Company is firmly committed to high standards of Corporate Governance and promotes the culture of compliance. The Company ensures good Corporate Governance through a combination of factors like:

- Regular management reviews and structured written reports by Management to the Board.
- Periodical communication with shareholders.
- Establishment of Internal Regulations, Operating procedures, Human Resource & Administration Manual, Accounts Manual to ensure effective Internal Control.
- Monitoring adherence to these by the Operating Management, through frequent checks including checks by ISO Audits, Internal Auditors reporting to Audit Committee comprising of Board Members.

The Company is committed to the business integrity, high levels of transparency, accountability, and business propriety. The Board supports the highest standards of Corporate Governance and promotes the culture of compliance. The Corporate Governance of the Company envisages the ultimate objective of increasing long-term shareholders' value and maximizes interest of other stakeholders, which in turn will lead to corporate growth.

Board of Directors

The present strength of the Board is five Directors comprising one Executive Director and four Non-Executive Directors.

S. No.	Name	Designation	Category	Directorship and Designation in other Joint Stock Companies
1	Hassan Ali Salman	Chairman	Non - Executive	-
2	Maqbool Ali Salman	Dy. Chairman & Mg. Director	Executive	- Oman Cables Industries SAOG
3	Saud Ahmed Al Nahari	Independent Director	Independent	- Port Services Corporation SAOG (CEO) - Oman United Insurance Co. SAOG - Oman Telecommunications Co. SAOC - Oman Drydock Company SAOC
4	Ali Abdul Khaliq Al Haj Ibrahim	Independent Director	Independent	-
5	Dr. Fawad Jaffer Mohamed Sajwani	Independent Director	Independent	-

The Board has clearly 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 Company lays strong emphasis on audits and internal controls and has introduced suitable checks and balances to ensure sound 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.

In order to facilitate governance, the Board of Directors reviews the periodical reports of Company's operating plans of business, capital budgets and updates, Quarterly results of the Company, Minutes/recommendations of the Audit Committee, Related party transactions, etc.

Board Meetings

During the year 2009, the Company held five Board meetings. The following are the details of the meetings held and attendance by the Directors.

S. No.	Name of Director	01.03.09	10.05.09	11.08.09	08.11.09	14.12.09
1	Hassan Ali Salman	√	√	√	√	√
2	Maqbool Ali Salman	√	√	√	√	√
3	Saud Ahmed Al Nahari	√	√	X	√	√
4	Ali Abdul Khaliq Al-Haj Ibrahim	√	√	√	√	√
5	Dr. Fawad Jaffer Mohamed Sajwani	√	√	√	√	√

√ indicates attendance in the meeting

X indicates absence in the meeting

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

Process of Nomination of the Directors

The Board of Directors was elected at the Annual General Meeting held on 26th March, 2009.

Director's Remuneration

Each Director is awarded RO 500 (2008 – RO 500) as a meeting attendance fee for every Board meeting attended. The Audit Committee members are awarded RO 250 (2008 – RO 250) as a meeting attendance fee for each Audit Committee meeting. The meeting attendance fees paid during the year amounts to RO 15, 000 (2008 – RO 18, 500). Management proposes directors' remuneration of RO 50,000 (2008 – RO 50,000) subject to shareholders' approval.

Company Secretary

The Board has appointed Mr. Mohamed Khamis Al Khabori as the Secretary to the Board of Directors in the Board meeting held on 26th March 2008 for a period of 3 years. The Board Secretary facilitates the smooth conduct of the Board meetings, keeps record of minutes and performs other relevant duties.

Company Management

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

- **Peter Hall – Chief Executive Officer**
  Experience of 31 years. Responsible for strategy and day-to-day management of the Company.
- **Mohammed Khamis Al Khabori – General Manager (Administration)**
  Experience of 28 years. Responsible for Administrative issues
- **S. A. Naqvi – General Manager (Plant)**
  Experience of 37 years. Responsible for all fixed and mobile plant assets and capital equipment.
- **Abbas Muljiani – General Manager (Finance & IT)**
  Experience of 26 years. Responsible for both the Finance and IT functions of the Company.
- **Jasbir Singh – General Manager (Contracting)**
  Experience of 27 years. Responsible for projects operations and execution.
- **Shahzad Sadan – General Manager (Human Resources)**
  Experience of 26 years. Responsible for HR issues.

Operating Management Remuneration

Salary, allowances including traveling expenses of the six top senior officers paid during the year 2009 is RO 354,645/- (2008 - RO 272,038/-).

The severance notice period of these executives is one to three months, with end of service benefits payable as per Omani Labour Law.

Over and above periodic salary reviews, the company also operates incentives schemes to management based on the overall performance of the company as approved by the Board of Directors.

Audit Committee

During 2009, four meetings were held and the following are the details of the meetings held and attendance by the Directors:

SR	Name of Director	Category	01.03.09	10.05.09	11.08.09	08.11.09
1	Dr. Fuad Jaffer Mohamed Sajwani	Independent	√	√	√	√
2	Ali Abdul Khaliq Al Haj Ibrahim	Independent	√	√	√	√
3	Hassan Ali Salman	Non- Executive	√	√	√	√

√ indicates attendance in the meetings

The Audit Committee charter is reviewed by the Board of Directors every year.
The Audit Committee reviews the Internal Auditor's and External Auditor's reports. The Committee meets to discuss budgets, quarterly operating results, the Executive committee reports and any other significant matters.

Audit and Internal Control

In consultation with the Audit Committee, the Board of Directors recommends the appointment of external auditors to the Annual General Meeting. In the Annual General Meeting held on 26th March 2009, Moore Stephens have been appointed as external auditors for the financial year 2009.

In accordance with the Corporate Governance Code, the services of Moore Stephens 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 have met 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.

Executive Committee

The Board of Directors formed the Executive Committee, which is consisting of 3 members. The Committee's main responsibilities are summarized as follows:

- Recommend to the Board of Directors the Company's strategy, budgets and its implementation.
- Periodical review of Company's financial & operational performance.
- Approve renewal of bank facilities and capital expenditure.
- Review and recommend to the Board the employee compensation structure, Omanisation plan and performance of key employees.
- Recommend to the Board Investment opportunities & diversification, growth areas & plans

Executive Committee Meetings

During the year 2009, the Company held four Executive Committee meetings. The following are the details of the meetings held and attendance by the members.

S. No.	Name of Member	Category	24.02.09	09.05.09	09.08.09	07.11.09
1	Maqbool Ali Salman	Chairman	√	√	√	√
2	Peter Hall	Member	-	√	√	√
3	Abbas Muljiani	Member	√	√	√	√

√ indicates attendance in the meetings
- indicates that he is not a 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 has its web site : www.al-hassan.com

The executives have regular interaction with institutional investors, financial analysts and news reporters on the operations, opportunities and performance of the Company.

Dividend Policy

The Company will aim to have a consistent sustainable dividend policy that meets the long-term expectations of all shareholders & has a balance between strengthening the Reserves vs. the need for a yield on investments.

Details of Non-compliance

There has been no specific areas of non-compliance with the provisions of Corporate Governance. There is a penalty imposed on the Company by CMA related to delaying publication of audited financial statements in the newspaper.

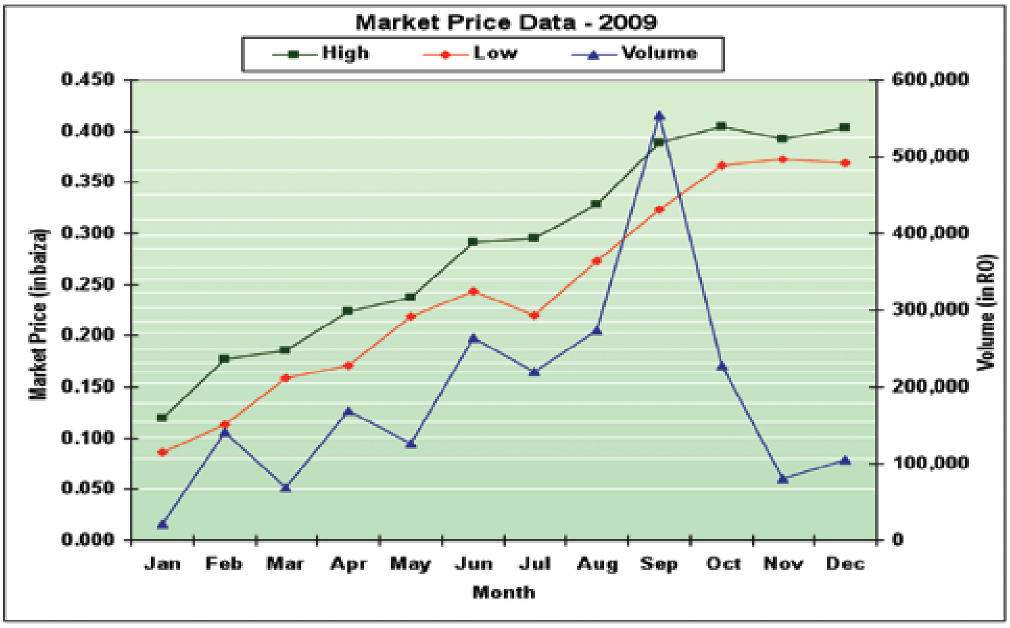
Related Party Transaction

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 2009:-

Month 2009	High	Low	Volume (RO)
January	0.119	0.086	21,862
February	0.177	0.113	140,708
March	0.186	0.153	69,649
April	0.224	0.171	168,789
May	0.237	0.219	125,486
June	0.292	0.244	264,647
July	0.295	0.220	219,012
August	0.328	0.273	273,112
September	0.389	0.323	554,502
October	0.405	0.367	228,051
November	0.392	0.372	79,712
December	0.403	0.369	104,436



Major Shareholders [as on 31/12/2009]

S. No.	Shareholder Name	No. of Shares Held	Shareholding %
1	Hassan Ali Salman	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

Professional Profile of the Statutory Auditor

The Oman branch of Moore Stephens commenced practice in 1988. Over the years, the practice has developed considerably and now services a number of clients, including major listed companies, Groups, government organizations and Ministries providing either audit, tax or management consultancy services. The local staff strength is around 35, most of whom are qualified Chartered Accountants, internal auditors and information systems auditors.

Since Moore Stephens London was founded 100 years ago, the Moore Stephens International Limited network has grown to be one of the 11 largest international accounting and consulting groups worldwide. Moore Stephens International is regarded as one of the world's major accounting and consulting networks consisting of 366 independent firms with 647 offices and 21,444 people across 98 countries.

Audit Fees of the Company and subsidiaries and fees for other services paid to the Auditor:

Sr. No.	Particulars	Amount (in RO)
1	Statutory Audit Fees (Parent)	6750
2	Fees for Corporate Governance Report (Parent)	750
3	Statutory Audit Fees (Subsidiaries)	3100

Internal Auditor

In order to ensure compliance with statutory regulations and internal controls, the company has a full time internal audit department, to carry on an independent assessment and report to the audit committee. Mr. Viswanathan is the Head of the Internal Audit dept. He is a Chartered accountant with 20 years of experience.

Board of Directors acknowledge that

The Company has its system and procedures formally documented and also hosted in the intranet. These procedures have been reviewed by the Executive Committee.

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 Commercials Companies Law of the Sultanate of Oman 1974 (as amended) and the rules for disclosure requirements prescribed by the Capital Market Authority.

There are no material events affecting the continuation of Al Hassan Engineering Co. SAOG and its ability to continue its business during the next financial year.

MOORE STEPHENS
CHARTERED ACCOUNTANTS

P.O. Box 933, Ruwi
Postal Code 112
Sultanate of Oman
Tel : 24812041
Fax : 24812043
E-mail : stephens@omantel.net.om

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL HASSAN ENGINEERING COMPANY SAOG AND ITS SUBSIDIARIES

Report on the financial statements

We have audited the accompanying financial statements of Al Hassan Engineering Company SAOG ("the Parent Company") and the consolidated financial statements of Al Hassan Engineering Company SAOG and its subsidiaries ("the Group"), set out on pages 2 to 31, which comprise of the statement of financial position as at 31 December 2009, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and Commercial Companies Law of Sultanate of Oman, 1974 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Parent Company's and the Group's financial statements present fairly, in all material respects, the financial position as at 31 December 2009 and the results of the operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on regulatory requirements

The Parent Company's and the Group's financial statements also comply, in all material respects, with the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and the relevant disclosure requirements for public joint stock companies issued by the Capital Market Authority.

1 March 2010

Moore Stephens

مور ستيفنز وشركاه
ص.ب : ٩٣٣ ، الرمز ١١٢
روي ، سلطنة عمان
P.O. Box : 933, P.Code 112
Ruwi, Sultanate of Oman
MOORE STEPHENS

Consolidated and Parent Company Statements of Financial Position

As at 31 December 2009

	Note	2009 Group RO	2009 Parent Company RO	2008 Group RO	2008 Parent Company RO
ASSETS					
Non-current assets					
Property and equipment	4	12,276,475	11,702,885	12,227,400	12,227,400
Goodwill	5	878,478	878,478	878,478	878,478
Investments in subsidiaries	6	--	102,900	--	102,900
Retentions receivable	8	680,612	550,827	967,404	967,404
Total non-current assets		13,835,565	13,235,090	14,073,282	14,176,182
Current assets					
Inventories	7	2,815,707	2,494,203	3,721,307	3,721,307
Contract and other receivables	8	33,349,544	32,896,399	26,648,818	27,011,895
Bank balances and cash	9	1,080,512	943,397	612,484	539,725
Total current assets		37,245,763	36,333,999	30,982,609	31,272,927
Total assets		51,081,328	49,569,089	45,055,891	45,449,109
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	10	7,520,800	7,520,800	7,520,800	7,520,800
Legal reserve	11	1,305,225	1,295,912	1,040,787	1,040,787
Retained earnings		4,644,188	4,989,409	3,169,973	3,595,784
Hedging reserve	2 r)	94,341	94,341	56,347	56,347
Total shareholders' equity		13,564,554	13,900,462	11,787,907	12,213,718
Liabilities					
Non-current liabilities					
Non-current portion of term loans	13	3,695,120	3,695,120	5,634,510	5,634,510
Employees' end of service benefits	21 b)	1,711,664	1,689,015	1,374,936	1,374,936
Deferred taxation	16	328,077	328,077	188,163	188,163
Total non-current liabilities		5,734,861	5,712,212	7,197,609	7,197,609
Current liabilities					
Current portion of term loans	13	4,959,168	4,959,168	3,024,168	3,024,168
Bank borrowings	14	7,623,141	7,623,141	6,491,231	6,491,231
Accounts and other payables	15	18,918,283	17,092,785	16,373,688	16,341,095
Provision for taxation	16	281,321	281,321	181,288	181,288
Total current liabilities		31,781,913	29,956,415	26,070,375	26,037,782
Total liabilities		37,516,774	35,668,627	33,267,984	33,235,391
Total Shareholders' equity & liabilities		51,081,328	49,569,089	45,055,891	45,449,109
Net assets per share	22	0.180	0.185	0.157	0.162

These financial statements were approved by the Board of Directors and authorised for issue on 1 March 2010 and were signed on their behalf by:

Chairman

Director

Chief Executive Officer

The attached notes 1 to 28 form part of these financial statements.

Consolidated and Parent Company Statements of Comprehensive Income

For the year ended 31 December 2009

	Note	2009 Group RO	2009 Parent Company RO	2008 Group RO	2008 Parent Company RO
INCOME					
Contract income	2 e)	53,957,220	50,176,535	45,031,292	45,031,292
Contract costs	18	(46,697,284)	(43,563,959)	(39,101,168)	(39,101,168)
		----------------	---------------	----------------	----------------
Gross profit		7,259,936	6,612,576	5,930,124	5,930,124
Other income	19	332,307	392,925	217,119	217,119
		----------------	---------------	----------------	----------------
		7,592,243	7,005,501	6,147,243	6,147,243
EXPENSES					
General and administration expenses	20	(3,284,042)	(2,919,531)	(2,880,671)	(2,683,664)
Finance charges		(1,277,569)	(1,145,241)	(918,788)	(918,777)
		---------------	---------------	----------------	----------------
Profit for the year before taxation		3,030,632	2,940,729	2,347,784	2,544,802
Income tax expense	16	(389,483)	(389,483)	(327,911)	(327,911)
		---------------	---------------	----------------	----------------
PROFIT FOR THE YEAR		**2,641,149**	**2,551,246**	**2,019,873**	**2,216,891**
		=========	=========	=========	=========
Other comprehensive income					
Net change in fair value of forward currency contracts		37,994	37,994	(90,747)	(90,747)
		---------------	---------------	----------------	----------------
Total comprehensive income for the year		2,679,143	2,589,240	1,929,126	2,126,144
Basic earnings per share	23	0.035	0.034	0.027	0.029
		=========	=========	=========	=========
Dividend per share	12 b)	0.014	0.014	0.012	0.012
		=========	=========	=========	=========

The attached notes 1 to 28 form part of these financial statements.

Consolidated and Parent Company Statements of Changes In Equity

For the year ended 31 December 2009

Group	Share capital (note 10)	Legal reserve (note 11)	Retained earnings	Hedging reserve [note 2 r)]	Total
	RO	RO	RO	RO	RO
At 31 December 2007	7,520,800	819,098	2,274,285	147,094	10,761,277
Cash dividend	--	--	(902,496)	--	(902,496)
Total comprehensive income for the year					
Profit for the year	--	--	2,019,873	--	2,019,873
Other comprehensive income	--	--	--	(90,747)	(90,747)
	7,520,800	819,098	3,391,662	56,347	11,787,907
Transfer to legal reserve	--	221,689	(221,689)	--	--
At 31 December 2008	7,520,800	1,040,787	3,169,973	56,347	11,787,907
At 31 December 2008	7,520,800	1,040,787	3,169,973	56,347	11,787,907
Cash dividend	--	--	(902,496)	--	(902,496)
Total comprehensive income for the year					
Profit for the year	--	--	2,641,149	--	2,641,149
Other comprehensive income	--	--	--	37,994	37,994
	7,520,800	1,040,787	4,908,626	94,341	13,564,554
Transfer to legal reserve	--	264,438	(264,438)	--	--
At 31 December 2009	**7,520,800**	**1,305,225**	**4,644,188**	**94,341**	**13,564,554**

Parent Company	Share capital (note 10)	Legal reserve (note 11)	Retained earnings	Hedging reserve [note 2 r)]	Total
	RO	RO	RO	RO	RO
At 31 December 2007	7,520,800	819,098	2,503,078	147,094	10,990,070
Cash dividend	--	--	(902,496)	--	(902,496)
Total comprehensive income for the year					
Profit for the year	--	--	2,216,891	--	2,216,891
Other comprehensive income	--	--	--	(90,747)	(90,747)
	7,520,800	819,098	3,817,473	56,347	12,213,718
Transfer to legal reserve	--	221,689	(221,689)	--	--
At 31 December 2008	7,520,800	1,040,787	3,595,784	56,347	12,213,718
At 31 December 2008	7,520,800	1,040,787	3,595,784	56,347	12,213,718
Cash dividend	--	--	(902,496)	--	(902,496)
Total comprehensive income for the year					
Profit for the year	--	--	2,551,246	--	2,551,246
Other comprehensive income	--	--	--	37,994	37,994
	7,520,800	1,040,787	5,244,534	94,341	13,900,462
Transfer to legal reserve	--	255,125	(255,125)	--	--
At 31 December 2009	**7,520,800**	**1,295,912**	**4,989,409**	**94,341**	**13,900,462**

The attached notes 1 to 28 form part of these financial statements.

Consolidated and Parent Company Statements of Cash Flows

For the year ended 31 December 2009

	2009 Group RO	2009 Parent Company RO	2008 Group RO	2008 Parent Company RO
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from contract income	48,955,894	47,568,608	40,854,103	40,854,103
Cash paid towards direct costs and expenses	(44,292,030)	(43,734,627)	(37,145,831)	(37,187,274)
Cash generated from operations	4,663,864	3,833,981	3,708,272	3,666,829
Finance charges	(1,277,569)	(1,145,241)	(879,470)	(879,470)
Tax paid	(149,536)	(149,536)	(162,855)	(162,855)
Net cash flow from operating activities	3,236,759	2,539,204	2,665,947	2,624,504
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(3,320,714)	(3,040,769)	(3,587,606)	(3,587,606)
Proceeds from disposal of equipment	326,959	680,213	63,900	63,900
Net cash used in investing activities	(2,993,755)	(2,360,556)	(3,523,706)	(3,523,706)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend	(902,496)	(902,496)	(902,496)	(902,496)
Net movement in term loans	(4,390)	(4,390)	1,342,396	1,342,396
Net cash (used in) / from financing activities	(906,886)	(906,886)	439,900	439,900
Decrease in cash and cash equivalents during the year	(663,882)	(728,238)	(417,859)	(459,302)
Cash and cash equivalents at the beginning of the year	(5,878,747)	(5,951,506)	(5,460,888)	(5,492,204)
Cash and cash equivalents [note 2 n)] at the end of the year	**(6,542,629)**	**(6,679,744)**	**(5,878,747)**	**(5,951,506)**
Cash and cash equivalents at the end of the year comprise:				
Bank balances and cash	1,080,512	943,397	612,484	539,725
Bank borrowings (note 14)	(7,623,141)	(7,623,141)	(6,491,231)	(6,491,231)
	(6,542,629)	(6,679,744)	(5,878,747)	(5,951,506)

The attached notes 1 to 28 form part of these financial statements.

Notes to the Consolidated and Parent Company Financial Statements

For the year ended 31 December 2009

1 ACTIVITIES

Al Hassan Engineering Company SAOG ("the Parent Company") is registered as a joint stock Company under the Commercial Companies Law of the Sultanate of Oman. The registered address of the company is PO Box 1948, Ruwi, Postal Code 112, Sultanate of Oman. The Parent Company is engaged in electrical, mechanical, instrumentation and civil contracting primarily in the Oil, Gas & Petrochemicals, Power, Water & Wastewater sectors. The principal place of business is located in Muscat.

The Parent Company holds 49% shareholding and 100% beneficial ownership both in Al Hassan Engineering Company Dubai LLC (the subsidiary) which was incorporated during the year 2001 and in Al Hassan Engineering Company Abu Dhabi LLC (the subsidiary) which was incorporated during the year 2003. The subsidiaries (treated as subsidiaries due to the controlling interest) are registered in United Arab Emirates. Al Hassan Engineering Company Dubai LLC commenced commercial operations during the year and Al Hassan Engineering Company Abu Dhabi LLC is yet to commence commercial operations.

The Parent Company has also entered into a joint venture as explained in note 24 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), 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. The financial statements have been prepared in Rials Omani.

In the current year, the Group has adopted all applicable new and revised Standards and Interpretations issued by IASB and IFRIC that are effective for accounting periods beginning on or after 1 January 2009.

The following Standards, in particular, have resulted in revised disclosure requirements for the current year:

- Amendments to IAS 1 'Presentation of Financial Statements' primarily requires the following disclosures:
  - 'Balance sheet' and 'Cash flow statement' have been described as 'Statement of Financial Position' and 'Statement of Cash Flows' respectively;
  - All owner changes in equity are presented in the statement of changes in equity separately from non-owner changes in equity, which are now presented in a single statement of comprehensive income;
  - A statement of financial position as at the beginning of the earliest comparative period will be prepared whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

- IFRS 8 'Operating Segments', which replaces IAS 14 'Segment reporting' primarily sets out requirements for disclosure of information about an entity's operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker.

Notes to the Consolidated and Parent Company Financial Statements *(Continued)*

For the year ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

There have been other amendments issued by IASB as part of its annual improvements project in the year 2008 that are applicable for accounting periods commencing 1 January 2009. The amendments have been categorized into two parts by IASB. Part I contains amendments that result in accounting changes for presentation, recognition or measurement purposes. Part II contains amendments that are terminology or editorial changes only, which is expected to have no or minimal effect on accounting.

Certain amendments to existing standards have been published that are effective and mandatory for accounting periods commencing on or after 1 July 2009, which the Board of Directors have decided to adopt from the applicable periods. The amendments likely to be relevant to the Company are as follows:

- Amendments to IAS 24 'Related party disclosures' has simplified the definition of a related party, clarifying its intended meaning and eliminated inconsistencies from the definition. The amendments have also provided a partial exemption from the disclosure requirements for government-related entities. An entity shall apply this IFRS for annual periods beginning on or after 1 January 2011, though earlier application is permitted.

The Board of Directors believe the adoption of the above amendments is not likely to have any material impact on the presentation and disclosure of items in the financial statements for future periods.

The following accounting policies have been consistently applied in dealing with items considered material to the Group's financial statements:

a) Accounting convention

These financial statements have been prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

b) Basis of consolidation

The consolidated balance sheet incorporates the assets and liabilities of the Parent Company and it's subsidiaries. All significant inter company balances, transactions, income and expenses have been eliminated on consolidation.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Assets and liabilities of the foreign subsidiaries are translated using the exchange rate prevailing as at the balance sheet date. Similarly, the items in the statement of comprehensive income of the wholly owned subsidiaries is converted using the average exchange rate prevailing during the year.

Notes to the Consolidated and Parent Company Financial Statements *(Continued)*

For the year ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c) Investments

Subsidiary

A subsidiary is a company in which the Group owns more than one half of the voting power or exercises control. The financial statements of the subsidiaries are included in the consolidated financial statements. In the Parent Company's separate financial statements, the investments are carried at cost.

Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. The Group's investment in joint venture is reported using the proportionate consolidation method. The Group's share of the joint venture's assets and liabilities are classified according to the nature of the assets. The Group accounts for its share of the joint venture's income and expenses and are reported in the statement of comprehensive income.

d) Goodwill

Goodwill arising on acquisition of the business represents the excess of purchase consideration over the fair value ascribed to the net assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

e) Contract income

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the construction activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variation in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

f) Employees' end of service benefits

Payment is made to Government of the Sultanate of Oman's Social Security Scheme under Royal Decree 72/91 (as amended) for Omani employees. Provision is made for amounts payable under the Sultanate of Oman's labour law under Royal Decree 35/2003 (as amended) applicable to expatriate employees' accumulated periods of service at the end of the reporting period. Provision is made for employees' terminal benefits in the subsidiary companies on the basis prescribed under the UAE labour law based on employees' salaries and number of years of service.

Notes to the Consolidated and Parent Company Financial Statements *(Continued)*

For the year ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

g) Property and equipment

Freehold land is not depreciated. Other property and equipment is stated at historical cost less accumulated depreciation, which is calculated to expense the cost of property and equipment on a straight line basis over their estimated useful lives as follows:-

	Years
Buildings	20
Machinery and equipment	5 – 10
Furniture, fixtures and office equipment	3 – 8
Instrumentation and testing equipment	4 – 8
Vehicles	5 – 10

h) Inventories

Inventories of materials are stated at the lower of cost or net realizable value. Cost is determined on a weighted average basis.

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.

i) Contract and other receivables

Contract and other receivables originated by the Group are measured at cost. An allowance for credit losses of contract and other receivables are 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 is 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.

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

j) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

Notes to the Consolidated and Parent Company Financial Statements *(Continued)*

For the year ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

k) Foreign currency transactions

Transactions denominated in foreign currencies are translated to Rials Omani at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to Rials Omani at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

l) Operating segment

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 Board of Directors to make decisions about resources to be allocated to the segment and assess its performance. The Group has only one reportable segment that of contracting.

m) Impairment

Financial assets

At the end of the reporting period, the management assesses if there is any objective evidence indicating impairment of the carrying value of financial assets or non-collectability of receivables. Impairment losses are determined as differences between the carrying amounts and the recoverable amounts and are recognised in the statement of comprehensive income. The recoverable amounts represent the present value of expected future cash flows discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted.

Non financial assets

At the end of the reporting period, the management assesses if there is any indication of impairment of non-financial assets. If an indication exists, the management estimates the recoverable amount of the asset and recognises an impairment loss in the statement of comprehensive income. The management also assesses if there is any indication that an impairment loss recognised in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognised immediately in the statement of comprehensive income. The recoverable amount adopted is the higher of net realisable value or market value and its value in use.

n) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash net of bank borrowings. Bank borrowings that are repayable on demand and form an integral part of the Group's and Parent Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

o) Provisions

A provision is recognized in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Notes to the Consolidated and Parent Company Financial Statements *(Continued)*

For the year ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

p) Accounts payable and accruals

Liabilities are recognised for amounts to be paid in future for goods or services received, whether billed by the supplier or not.

q) Leases

Operating lease payments are charged to the statement of comprehensive income.

r) Derivative financial instruments

The Group uses derivative financial instruments (forward foreign exchange contracts) to hedge its exposure to foreign currency fluctuations arising from commitments to purchase contract materials (asset hedges). If the derivative financial instruments qualify for special hedge accounting, they are accounted under hedge accounting principles. Otherwise they are accounted as trading instruments. All derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, they are measured at fair value.

Gains or losses arising on subsequent measurement of derivative financial instruments that are asset hedges are recognized in the statement of other comprehensive income and classified as a 'hedging reserve' in the statement of changes in equity, to the extent they are considered effective. Gains or losses arising on subsequent measurement of other derivative financial instruments are recognized in the statement of comprehensive income.

s) 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 year to which they relate.

t) Dividend

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 recognized as a liability in the Group's and Parent Company's financial statements only in the period in which the dividends are approved by the Parent Company's shareholders.

3 ESTIMATES AND JUDGEMENTS

In preparing these financial statements, the Board of Directors is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgement based on historical experience and other factors are inherent in the formation of estimates. Actual results in the future could differ from such estimates.

Notes to the Consolidated and Parent Company Financial Statements *(Continued)*

For the year ended 31 December 2009

3 ESTIMATES AND JUDGEMENTS *(Continued)*

a) Goodwill and investment in subsidiaries

The Board of Directors test annually whether goodwill and investment in subsidiaries have suffered any impairment in accordance with IAS 36, 'Impairment of Assets' which require the use of estimates

b) Impairment of contract and other receivables

An estimate of the collectible amount of contract and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected to be collected will be recognized in the statement of comprehensive income.

c) Revenue recognition

As described in note 2 e), where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period. In judging where the outcome of the contracts can be estimated reliably, management has considered the detailed criterion for determination of such outcome as set out in IAS 11 'Construction Contracts'. For the purpose of estimating the stage of completion of contract activity, management has considered the forecasts for revenue and costs related to the construction contracts.

Reduced from the contract income and profit for the year is an amount of RO 1.95 million (2008 – RO 2.60 million included in revenue and profit for the year) arising from certain contracts that although verbally agreed to by the customers and despite the passing of time and discussions relating to contractual delays, has not been formally approved for payment. The management is not confident of its collection and has accordingly reversed these amounts during the year.

d) Others

Other estimates that involve uncertainties and judgements which have significant effect on the financial statements include:

- provision for slow moving inventories;
- the margins of profit ultimately expected on long term contracts that is used to determine the level of contract profit recognition;
- the outcome of the tax appeal filed with the Taxation Committee, against the taxation assessment to be justified and that no additional tax provision is necessary [note 16 c)]; and
- whether any liquidated damages will apply when there has been a delay in completion of contracts and it is unsure as to which party is at fault.

Notes to the Consolidated and Parent Company Financial Statements *(Continued)*

For the year ended 31 December 2009

4 PROPERTY AND EQUIPMENT

Year 2009 Group	Freehold land RO	Buildings RO	Machinery and equipment RO	Furniture, fixtures and office equipment RO	Instrumentation and testing equipment RO	Vehicles RO	Total RO
Cost							
At 31 December 2008	866,630	51,445	15,228,159	1,197,785	851,406	5,981,159	24,176,584
Additions during the year	9,275	83,065	1,584,665	335,310	64,739	848,221	2,925,275
Disposals during the year	--	--	(688,144)	(19,622)	(3,140)	(455,933)	(1,166,839)
At 31 December 2009	875,905	134,510	16,124,680	1,513,473	913,005	6,373,447	25,935,020
Depreciation							
At 31 December 2008	--	22,459	7,365,215	907,555	780,443	2,873,512	11,949,184
Charge for the year	--	4,315	1,601,709	218,243	49,328	853,664	2,727,259
Relating to disposals	--	--	(568,775)	(15,124)	(2,688)	(431,311)	(1,017,898)
At 31 December 2009	--	26,774	8,398,149	1,110,674	827,083	3,295,865	13,658,545
Net book values							
At 31 December 2009	875,905	107,736	7,726,531	402,799	85,922	3,077,582	12,276,475
At 31 December 2008	866,630	28,986	7,862,944	290,230	70,963	3,107,647	12,227,400

Year 2009 Parent Company	Freehold land RO	Buildings RO	Machinery and equipment RO	Furniture, fixtures and office equipment RO	Instrumentation and testing equipment RO	Vehicles RO	Total RO
Cost							
At 31 December 2008	866,630	51,445	15,228,159	1,197,785	851,406	5,981,159	24,176,584
Additions during the year	9,275	83,065	1,431,614	223,832	64,739	832,805	2,645,330
Disposals during the year	--	--	(916,932)	(28,035)	(3,140)	(571,986)	(1,520,093)
At 31 December 2009	875,905	134,510	15,742,841	1,393,582	913,005	6,241,978	25,301,821
Depreciation							
At 31 December 2008	--	22,459	7,365,215	907,555	780,443	2,873,512	11,949,184
Charge for the year	--	4,315	1,576,341	199,581	49,328	838,085	2,667,650
Relating to disposals	--	--	(568,775)	(15,124)	(2,688)	(431,311)	(1,017,898)
At 31 December 2009	--	26,774	8,372,781	1,092,012	827,083	3,280,286	13,598,936
Net book values							
At 31 December 2009	875,905	107,736	7,370,060	301,570	85,922	2,961,692	11,702,885
At 31 December 2008	866,630	28,986	7,862,944	290,230	70,963	3,107,647	12,227,400

Notes to the Consolidated and Parent Company Financial Statements *(Continued)*

For the year ended 31 December 2009

4 PROPERTY AND EQUIPMENT *(Continued)*

Year 2008 Group and Parent Company	Leasehold land	Freehold land	Buildings	Machinery and equipment	Furniture, fixtures and office equipment	Instrumentation and testing equipment	Vehicles	Total
	RO	RO	RO	RO	RO	RO	RO	RO
Cost								
At 31 December 2007	132,800	424,012	51,445	12,604,010	984,830	851,406	5,421,422	20,469,925
Transfers during the year	(132,800)	132,800	--	--	--	--	--	--
Additions during the year	--	309,818	--	2,680,965	215,316	--	809,995	4,016,094
Disposals during the year	--	--	--	(56,816)	(2,361)	--	(250,258)	(309,435)
At 31 December 2008	--	866,630	51,445	15,228,159	1,197,785	851,406	5,981,159	24,176,584
Depreciation								
At 31 December 2007	--	--	19,926	5,868,562	718,043	735,120	2,333,388	9,675,039
Charge for the year	--	--	2,533	1,552,639	191,593	45,323	789,500	2,581,588
Relating to disposals	--	--	--	(55,986)	(2,081)	--	(249,376)	(307,443)
At 31 December 2008	--	--	22,459	7,365,215	907,555	780,443	2,873,512	11,949,184
Net book values								
At 31 December 2008	--	866,630	28,986	7,862,944	290,230	70,963	3,107,647	12,227,400
At 31 December 2007	132,800	424,012	31,519	6,735,448	266,787	116,286	3,088,034	10,794,886

The following further note applies:

a) A portion of the Parent Company's machinery, equipment and vehicles are mortgaged to a bank providing the term loans referred to in note 13.

b) The depreciation charge for the year has been allocated as follows:

	2009 Group	2009 Parent Company	2008 Group and Parent Company
	RO	RO	RO
Cost of sales (note 18)	2,637,879	2,586,576	2,483,263
General and administration (note 20)	89,380	81,074	98,325
	2,727,259	2,667,650	2,581,588

For the year ended 31 December 2009

5 GOODWILL

	2009 and 2008 Group and Parent Company RO
Cost	2,696,835
Less: Accumulated impairment losses	(1,818,357)

Net book value	878,478
	=========

The following further note applies:

The Board of Directors have tested goodwill for impairment in accordance with IAS 36, 'Impairment of Assets' and consider that no impairment has arisen during the year (2008 – no impairment).

6 INVESTMENTS IN SUBSIDIARIES

	Holding	Activity	Year of incorporation	2009 and 2008 Parent Company RO
Al Hassan Engineering Company Dubai LLC	49%	Contracting in oil and gas	2001	51,450
Al Hassan Engineering Company Abu Dhabi LLC	49%	Contracting in oil and gas	2003	51,450

				102,900
				=======

The following further notes apply:

a) Investments in subsidiaries have been set off against the share capital and reserves of the subsidiaries in the consolidated financial statements.

b) The 51% (2008 – 51%) ownership of the above two subsidiaries are held in the personal names of certain individuals as nominees for the beneficial interest of the Group. The Parent holds control in both the subsidiaries. Accordingly these subsidiaries are entirely owned by the Parent Company.

   The title to assets and liabilities of these subsidiaries, to that extent are legally held by such nominees.

c) The Board of Directors have tested the investments in subsidiaries in accordance with IAS 36, 'Impairment of Assets' and consider that no impairment has arisen during the year (2008 – no impairment).

For the year ended 31 December 2009

7 INVENTORIES

	2009 Group RO	2009 Parent Company RO	2008 Group and Parent Company RO
Materials	1,837,744	1,837,744	2,283,294
Spare parts and consumables	310,787	310,787	438,916
Tools	1,237,526	916,022	1,470,359
Goods in transit	72,401	72,401	191,584
	----------------	----------------	----------------
	3,458,458	3,136,954	4,384,153
Less : Provision for slow moving inventories [see note below]	(642,751)	(642,751)	(662,846)
	----------------	----------------	----------------
	2,815,707	2,494,203	3,721,307
	=========	=========	=========

The following further note applies:

The changes in the provision for slow moving inventories are as follows:

	2009 Group and Parent Company RO	2008 Group and Parent Company RO
At the beginning of the year	662,846	495,138
Provision created during the year	--	167,708
Written off during the year	(20,095)	--
	-------------	-------------
At the end of the year	642,751	662,846
	=======	=======

8 CONTRACT AND OTHER RECEIVABLES

	2009 Group RO	2009 Parent Company RO	2008 Group RO	2008 Parent Company RO
Contract receivables	15,414,367	14,520,898	10,634,159	10,634,159
Unbilled contract receivables [note c) below]	10,205,009	9,025,267	11,294,940	11,294,940
Advances to suppliers	1,750,658	1,716,606	1,092,235	1,092,235
Prepayments and other receivables	1,319,211	916,970	770,474	770,111
Less: Allowance for credit losses [see notes a) and b) below]	(501,021)	(501,021)	(183,017)	(183,017)
	--------------	----------------	--------------	---------------
	28,188,224	25,678,720	23,608,791	23,608,428
Retentions receivable	5,739,625	5,480,055	3,956,283	3,956,283
Due from subsidiaries [note 17 d)]	--	2,164,359	--	256,340
Due from related parties [note 17 d)]	102,307	124,092	51,148	158,248
	--------------	----------------	--------------	---------------
	34,030,156	33,447,226	27,616,222	27,979,299
Less: non-current portion of retentions receivable	(680,612)	(550,827)	(967,404)	(967,404)
	----------------	----------------	----------------	---------------
	33,349,544	32,896,399	26,648,818	27,011,895
	=========	=========	=========	========

The following further notes apply:

Notes to the Consolidated and Parent Company Financial Statements *(Continued)*

For the year ended 31 December 2009

8 CONTRACT AND OTHER RECEIVABLES *(Continued)*

a) The movement in allowance for credit losses is given below:

	2009 Group and Parent Company RO	2008 Group and Parent Company RO
At the beginning of the year	183,017	54,796
Established during the year (note 20)	318,004	129,903
Written off during the year	--	(1,682)
	-------------	-------------
At the end of the year	501,021	183,017
	=======	=======

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

	2009 Group and Parent Company RO	2008 Group and Parent Company RO
Contract receivables	344,751	183,017
Unbilled contract receivables	120,070	--
Advances to suppliers	25,200	--
Prepayments and other receivables	11,000	--
	----------------	----------------
At the end of the year	501,021	183,017
	=========	=========

c) The unbilled contract receivables comprises:

	2009 Group RO	2009 Parent Company RO	2008 Group and Parent Company RO
Contract in progress at cost plus estimated attributable profits	64,627,587	60,846,902	75,466,568
Less : Progress billings	(56,229,078)	(53,628,135)	(65,150,354)
	----------------	----------------	----------------
	8,398,509	7,218,767	10,316,214
Add : Excess billings (note 15)	1,806,500	1,806,500	978,726
	----------------	----------------	----------------
	10,205,009	9,025,267	11,294,940
	=========	=========	=========

d) 6 customers (2008 – 6 customers) account for 94% (2008 - 61%) of contract receivables at the end of the reporting period.

e) The Group's and Parent Company's entire contract receivables are unsecured (2008 – same terms)

f) A significant portion of the Parent Company's contract receivables are assigned to banks providing the term loans and credit facilities referred to in notes 13 and 14 to the financial statements.

g) The Group's contract receivables include RO 5,081,052 (2008 - RO 4,132,906) and the Parent Company's receivables include RO 4,187,583 (2008 - RO 4,132,906) due in foreign currencies.

For the year ended 31 December 2009

8 CONTRACT AND OTHER RECEIVABLES *(Continued)*

h) The Group's contract receivables amounting to RO 13,487,387 (2008 – RO 7,431,009) and Parent Company's contract receivables amounting to RO 12,593,918 (2008 – RO 7,431,009) are neither past due nor impaired and are estimated as collectible based on historical experience.

i) At the end of the reporting period, allowance for credit losses has been established as per the Group's provisioning policy.

j) At the end of the reporting period, the Group's and Parent Company's following contract receivables are past due but not impaired and are estimated as collectible based on historical experience

	2009 Group and Parent Company RO	2008 Group and Parent Company RO
Debts due between 1.5 months – 6 months	1,269,923	821,809
Debts due between 6 months – 1 year	12,501	1,289,633
Debts due more than 1 year	299,806	908,691
	1,582,229	3,020,133

k) Prepayments and other receivables include an amount of RO 94,341 (2008 – RO 56,347) which relates to a revision of forward currency contracts to fair value.

9 BANK BALANCES AND CASH

	2009 Group RO	2009 Parent Company RO	2008 Group RO	2008 Parent Company RO
Cash in hand	122,206	116,245	91,838	80,895
Bank balances and call deposits	958,306	827,152	520,646	458,830
	1,080,512	943,397	612,484	539,725

10 SHARE CAPITAL

a) The authorized share capital consists of 100,000,000 shares (2008 – 100,000,000 shares) of RO 0.100 each (2008 – RO 0.100 each). The issued and fully paid up capital consists of 75,208,000 shares of RO 0.100 each (2008 – 75,208,000 shares of RO 0.100 each).

b) 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:

Notes to the Consolidated and Parent Company Financial Statements *(Continued)*

For the year ended 31 December 2009

10 SHARE CAPITAL *(Continued)*

Shareholder	% holding	2009 and 2008 Number of shares held
Mr Hassan Ali Salman	20.07	15,092,000
Mr Maqbool Ali Salman	20.07	15,092,000
Al Hassan Electricals Company LLC	19.96	15,008,000

11 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.

12 PROPOSED DIVIDEND

a) The Board of Directors have proposed a cash dividend of 14% (2008 – cash dividend of 12%) of the share capital amounting to RO 1,052,912 (2008 – RO 902,496), subject to shareholders' approval at the Annual General Meeting.

b) Dividend per share is determined as follows:

	2009 Group and Parent Company RO	2008 Group and Parent Company RO
Dividend (in Rials Omani)	1,052,912	902,496
	---------------	---------------
Number of shares outstanding	75,208,000	75,208,000
	---------------	---------------
Dividend per share (in Rials Omani)	0.014	0.012
	========	========

c) During the year, an amount of RO 9,130 (2008 – RO 45,423) representing unclaimed dividends for the year 2008 has been transferred to the Investor's Trust Fund of the Capital Market Authority.

Notes to the Consolidated and Parent Company Financial Statements *(Continued)*

For the year ended 31 December 2009

13 TERM LOANS

	2009 Group and Parent Company RO	2008 Group and Parent Company RO
Term loan I	4,042,500	5,763,927
Term loan II	1,603,321	2,519,751
Term loan III	2,700,000	--
Term loan IV	308,467	--
Term loan V	--	375,000
	----------------	---------------
	8,654,288	8,658,678
Current portion	(4,959,168)	(3,024,168)
	---------------	---------------
Non-current portion	3,695,120	5,634,510
	========	========

The following further notes apply:

a) Term loan I which is denominated in US Dollars, is for a total amount of USD 15 million. The loan is repayable in quarterly instalments of approximately RO 577,500 (USD 1.5 million) over four quarters which commenced from June 2009 and the remaining portion of the loan will be payable in the fifth quarter. The loan is secured by assignment of contract receivables due from a customer.

b) Term loan II which is denominated in US Dollars, is repayable in 12 quarterly instalments of approximately RO 229,167 (USD 595,233) which commenced from October 2008 and is secured by commercial mortgage of Parent Company's equipment procured from the loan proceeds amounting to RO 2.75 million.

c) Term loan III which is denominated in US Dollars, was obtained during the year from a local commercial bank and secured by assignment of certain contract receivables. This loan is fully repayable in January 2011.

d) Term loan IV which is denominated in US Dollars, was obtained during the year from a commercial bank and secured by assignment of contract receivables. The loan is repayable in 3 equal quarterly instalments of approximately RO 2 million (USD 5.2 million) commencing from March 2012. The sanctioned amount is approximately RO 6 million (USD 15.6 million) against which RO 308,467 (USD 0.8 million) has been availed by the Company at the end of the reporting period.

e) Term loan V was fully repaid during the year.

f) The above loans are from commercial banks in the Sultanate of Oman and bear interest ranging from 5.45% to 6.5% per annum (2008 – LIBOR+1% to 6.25% per annum).

g) Maturity profile of non-current portion of the term loans is as follows:

	2009 Group and Parent Company RO	2008 Group and Parent Company RO
Between 1 and 2 years	3,386,653	4,948,095
Between 3 to 5 years	308,467	686,415
	--------------	--------------
	3,695,120	5,634,510
	========	========

For the year ended 31 December 2009

14 BANK BORROWINGS

Bank borrowings comprise bank overdrafts and short term loans from commercial banks in the Sultanate of Oman and carry interest at commercial rates. The interest rates on bank borrowings and short term loans are subject to re-negotiation with the banks upon renewal of the facilities, which generally takes place on an annual basis. The borrowings are secured by assignment of certain specific contract receivables.

15 ACCOUNTS AND OTHER PAYABLES

	2009 Group	2009 Parent Company	2008 Group	2008 Parent Company
	RO	RO	RO	RO
Accounts payable	4,680,688	3,981,404	3,253,006	3,253,006
Creditors for capital purchases	960,269	960,269	1,355,708	1,355,708
Due to related parties [see note 17 d)]	844,787	734,020	189,530	189,530
Accrued expenses	1,673,791	1,645,982	1,665,467	1,665,467
Provision for project expenses	4,297,502	3,919,984	6,392,375	6,392,375
Excess billings [note 8 c)]	1,806,500	1,806,500	978,726	978,726
Advances from customers	3,658,500	3,072,820	1,520,127	1,520,127
Other payables	996,246	971,806	1,018,749	986,156
	18,918,283	17,092,785	16,373,688	16,341,095

The following further note applies:

The Group's accounts payable include RO 917,618 (2008 – RO 95,903) and the Parent Company's accounts payable include RO 218,334 (2008 – RO 95,903) payable in foreign currencies.

16 TAXATION

	2009 Group and Parent Company RO	2008 Group and Parent Company RO
Statement of comprehensive income		
Current tax	249,569	173,072
Deferred tax	139,914	118,298
Prior year	--	36,541
	389,483	327,911
Statement of financial position		
Current liabilities		
Provision for taxation	281,321	181,288
Non-current liabilities		
Deferred taxation	328,077	188,163

The following further note applies:

a) The tax rate applicable to the Parent Company is 12% (2008 – 12%). Provision for tax has been made on accounting profit adjusted for tax purposes. The Subsidiary Companies operate in a jurisdiction which is not subject to taxation.

b) The Parent Company's taxation assessments for the years 2002 and 2003 has been finalized by the Secretariat General for Taxation (SGT) during the year with no additional demand for tax. The taxation assessments of the Parent Company for the years 2004 to 2008 have not been finalized by the SGT. The Board of Directors consider that the amount of additional taxes, if any, that may become payable on finalization of the above tax years, may not be material to the Group's financial position at the end of the reporting period.

For the year ended 31 December 2009

16 TAXATION *(Continued)*

c) During the year, the Company had filed an Appeal with the Tax Committee, in response to the taxation assessment and objection which was upheld by His Excellency, The Secretariat General for Taxation for the year 2000 of Al Hassan Trading and Contracting Company LLC (AHTC), a related party [which merged with the Parent Company as on 31 December 1999]. The decision of the Tax Committee is pending to be heard at the end of the reporting period. Hence there exists a liability to the extent of additional demand for tax amounting to RO 556,501, which is contingent on the outcome of the objection (note 25).

The management and the Board of Directors consider their objection to be justified on account of the reasons below and have accordingly resolved that no additional tax provision is necessary:

- The effective date of the above merger was 31 December 1999, and accordingly no operational income subsequent to the effective date of merger is taxable in the hands of AHTC;
- AHTC did not realize any income from the merger;
- Assets and liabilities of AHTC which merged with the Parent Company cannot be treated as sale or disposal; and
- The merger did not give rise to taxable goodwill and balancing charge in the hands of AHTC.

d) The reconciliation of taxation on the accounting profit with the taxation charge for the year is as follows:

	2009 Group and Parent Company RO	2008 Group and Parent Company RO
Tax charge on accounting profit at applicable rates	349,287	301,776
Tax effect of:		
Accelerated tax depreciation	(118,396)	(152,249)
Incomes exempt	(30,502)	(202)
Disallowable expenses	38,160	35,713
Others	11,020	(11,966)
Taxation charge	249,569	173,072

e) The net deferred tax liability in the statement of financial position and deferred tax charge in the statement of comprehensive income are attributable to the following items:

	2008 Group and Parent Company RO	Charged / (credited) to statement of comprehensive income RO	2009 Group and Parent Company RO
Accelerated tax depreciation	245,690	187,850	433,540
Provision for inventories	(45,080)	(14,186)	(59,266)
Allowance for credit losses	(12,447)	(33,750)	(46,197)
Net deferred tax liability	188,163	139,914	328,077

Notes to the Consolidated and Parent Company Financial Statements *(Continued)*

For the year ended 31 December 2009

17 RELATED PARTIES

The Group and the Parent Company have entered into transactions with entities and shareholders who have significant influence over the Group and also have holding of 10% or more interest in the Parent Company ("significant shareholders"). The Group and the Parent Company also 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.

a) The details of related party transactions carried out during the year are as follows:

	2009 Group RO	2009 Parent Company RO	2008 Group RO	2008 Parent Company RO
Entities related to Directors				
Direct costs	3,057,389	3,057,389	519,813	519,813
General and administration	240,946	240,946	173,780	173,780
Contract income	173,265	173,265	131,015	131,015
Other income	--	--	27,827	27,827
With a subsidiary company				
Other income	--	60,618	--	--
Transfer of equipment	--	353,254	--	--

b) The compensation to key management personnel for the year comprises:

	2009 Group and Parent Company RO	2008 Group and Parent Company RO
Short term employment benefits	341,445	257,002
End of service benefits	13,200	15,036
Directors' meeting attendance fees [see note c) below]	15,000	18,500
Directors' remuneration [see note c) below]	50,000	50,000
	--------------	--------------
	419,645	340,538
	======	======

c) The Directors' remuneration and meeting attendance fees is subject to shareholders' approval at the Annual General Meeting and amounts payable in respect of Directors' remuneration is included under amounts due to related parties.

d) The amount due to and from related parties pertain to the entities related to the Directors. The amounts due from subsidiaries and amounts to and from related parties are repayable on demand and are not subject to interest.

18 CONTRACT COSTS

	2009 Group RO	2009 Parent Company RO	2008 Group and Parent Company RO
Materials	15,802,310	14,844,330	12,129,865
Salaries and employee related costs	13,088,564	12,547,462	11,434,088
Sub-contract costs	4,803,510	4,159,682	4,401,506
Depreciation [note 4 b)]	2,637,879	2,586,576	2,483,263
Impairment of accounts receivable	1,235,420	1,235,420	--
Other direct expenses	9,129,601	8,190,489	8,652,446
	--------------------	--------------------	--------------------
	46,697,284	43,563,959	39,101,168
	=========	=========	=========

For the year ended 31 December 2009

19 OTHER INCOME

	2009 Group RO	2009 Parent Company RO	2008 Group and Parent Company RO
Interest income	5,697	5,697	9,502
Profit on disposal of equipment	178,018	178,018	61,909
Miscellaneous	148,592	209,210	145,708
	332,307	392,925	217,119

20 GENERAL AND ADMINISTRATION EXPENSES

	2009 Group RO	2009 Parent Company RO	2008 Group RO	2008 Parent Company RO
Salaries and employee related costs	2,129,865	1,917,751	1,997,488	1,861,509
Rent	200,321	154,824	115,469	100,904
Depreciation [note 4 b)]	89,380	81,074	98,325	98,325
Communication	93,299	83,301	87,782	81,231
Travelling and conveyance	68,162	58,514	45,946	36,908
Advertisement and business promotion	54,690	50,245	24,824	24,573
Utilities	8,230	4,516	35,235	34,839
Vehicle fuel	9,714	7,789	12,712	11,170
Professional fees	44,922	39,560	31,133	29,133
Printing and stationery	28,777	26,973	17,772	16,647
Insurance	28,827	23,243	8,565	4,586
Directors' meeting attendance fees [note 17 c)]	15,000	15,000	18,500	18,500
Directors' remuneration [note 17 c)]	50,000	50,000	50,000	50,000
Contributions towards social causes	23,864	23,701	26,356	26,356
Allowance for credit losses [note 8 a)]	318,004	318,004	129,903	129,903
Miscellaneous	120,987	65,036	180,661	159,080
	3,284,042	2,919,531	2,880,671	2,683,664

21 SALARIES AND EMPLOYEE RELATED COSTS

a) Salaries and employee related costs include:

	2009 Group RO	2009 Parent Company RO	2008 Group and Parent Company RO
Cost of expatriate employees' end of service benefits	434,848	412,066	495,553
Contributions to defined retirement plan for Omani employees	217,162	215,525	198,578
	652,010	627,591	694,131

Notes to the Consolidated and Parent Company Financial Statements *(Continued)*

For the year ended 31 December 2009

21 SALARIES AND EMPLOYEE RELATED COSTS *(Continued)*

b) Movements in expatriate employees' end of service benefits liability recognised in the statement of financial position are as follows:

	2009 Group	2009 Parent Company	2008 Group and Parent Company
	RO	RO	RO
At the beginning of the year	1,374,936	1,374,936	986,236
Expense recognised during the year	434,848	412,066	495,553
Amounts paid during the year	(98,120)	(97,987)	(106,853)
	----------------	-----------------	-----------------
At the end of the year	1,711,664	1,689,015	1,374,936
	=======	=======	=======

22 NET ASSETS PER SHARE

Net assets per share are calculated by dividing the net assets at the end of the reporting period by the number of shares outstanding as follows:

	2009 Group	2009 Parent Company	2008 Group	2008 Parent Company
Net assets (in Rials Omani)	13,564,554	13,900,462	11,787,907	12,213,718
	---------------	---------------	---------------	---------------
Number of shares outstanding	75,208,000	75,208,000	75,208,000	75,208,000
	---------------	---------------	---------------	---------------
Net assets per share (in Rials Omani)	0.180	0.185	0.157	0.162
	=======	=======	=======	=======

23 BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2009 Group	2009 Parent Company	2008 Group	2008 Parent Company
Net profit for the year (in Rials Omani)	2,641,149	2,551,246	2,019,873	2,216,891
	--------------	--------------	--------------	--------------
Average number of shares outstanding during the year	75,208,000	75,208,000	75,208,000	75,208,000
	---------------	---------------	---------------	---------------
Basic earnings per share (in Rials Omani)	0.035	0.034	0.027	0.029
	=======	=======	=======	=======

As the Group and Parent Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

For the year ended 31 December 2009

24 JOINT VENTURE

The Parent Company had entered into a joint venture agreement with SNC Lavalin International, Inc., (an entity registered in Calgary, Canada) dated 4 July 2002, for the execution of an Engineering, Procurement and Construction (EPC) contract for Saih Nihayda Gas Plant Project of Petroleum Development Oman (PDO). The interest of the Parent Company in the joint venture is 40%.

The amounts relating to the Parent Company's 40% interest in the joint venture and included in the Parent Company's financial statements for the year, based on management accounts as at 31 December 2009 is as follows:

	2009 40% share in joint venture RO	2008 40% share in joint venture RO
Contract income	358,449	--
Direct costs	129,985	--
Other income	5,622	--
Current assets	559,695	641,208
Current liabilities	559,695	875,294

25 CONTINGENT LIABILITIES

Other than the contingent liability referred to in note 16 c) to the financial statements, outstanding guarantees with banks relating to contractual performance in the ordinary course of business amounted to RO 20,899,944 (2008 – RO 13,587,590).

26 COMMITMENTS

At the end of the reporting period:

a) unutilized letters of credit relating to the commercial and financing operations amounted to RO 2,603,375 (2008 - RO 2,829,382).

b) the Board of Directors have approved future capital expenditure amounting to RO 5 million (2008 – RO 5 million).

c) there were forward purchase contracts of foreign currencies (treated as asset hedges) amounting to RO 2,823,491 (2008 – RO 3,107,319) outstanding in order to cover specific liabilities for the purchases of materials.

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

	2009 Group and Parent Company RO	2008 Group and Parent Company RO
Amounts committed:		
Not later than one year	14,683	--
Later than one year not later than five years	58,732	--
Later than five years	283,871	--
	-------------	-------------
	357,286	--

26 COMMITMENTSV *(Continued)*

e) Purchase commitments

Group

At the end of the reporting period, the value of outstanding purchase orders amounted to RO 2,797,948 (2008 - RO 1,068,887).

Parent Company

At the end of the reporting period, the value of outstanding purchase orders amounted to RO 1,540,349 (2008 - RO 1,068,887).

27 OPERATING SEGMENT

The Group operates in one business segment, that of contracting. All relevant information relating to the business segment is disclosed in the statement of comprehensive income, statement of financial position and notes to the financial statements. The geographical information in respect of the operating segment is as follows:

		2009 Group		2008 Group
	Contract income	Contract and other receivables	Contract income	Contract and other receivables
	RO	RO	RO	RO
Sultanate of Oman	50,176,535	33,447,226	45,031,292	27,616,222
Other GCC countries	3,780,685	582,930	--	--
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	53,957,220	34,030,156	45,031,292	27,616,222
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28 FINANCIAL RISK AND CAPITAL MANAGEMENT

The Group's financial assets include contract and other receivables, retentions receivable and bank balances and cash. The Group's financial liabilities include accounts and other payables, term loans, bank borrowings, provision for taxation and employees' end of service benefits. The carrying value of the Company's financial assets and financial liabilities approximate to their fair values.

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

a) Market risk

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollar and Euros. Where it is considered appropriate, the Group uses forward contracts to minimise the impact of foreign currency fluctuations.

For the year ended 31 December 2009

28 FINANCIAL RISK AND CAPITAL MANAGEMENT *(Continued)*

The majority of the Group's financial assets and financial liabilities are either denominated in local currency (Rials Omani) or currencies fixed against Rials Omani. Hence the management believes that there would not be a material impact on the profitability if these foreign currencies weaken or strengthen against the Omani Rial with all other variables held constant.

Interest rate risk

The Company 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.

For every 0.5% change in interest rate, the impact on the statement of comprehensive income will approximate to RO 81,000 (2008 – RO 76,000) based on the level of interest bearing assets and liabilities at the end of the reporting period.

b) Credit risk

Credit risk on contract receivables is limited to their carrying values as the management regularly reviews these balances to assess recoverability and makes provision for balances whose recoverability is in doubt. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Group has a significant concentration of credit risk, details of which are provided in note 8 d) to the financial statements.

c) Concentration risk

Although 63% (2008 - 48%) of the Group's contract income is from 3 customers (2008 - 3 customers), the Group considers it is well positioned to carry out contracting work for other parties and that the business risk associated with concentration on three customers is manageable.

d) Liquidity risk

The Group maintains sufficient facilities and bank balances and cash to meet the Group's obligations as they fall due for payment. The contractual maturity analysis in respect of non-current portion of term loans is provided in note 13 g) to the financial statements.

The table below analyses the Group and Parent Company's financial liabilities as at the end of the reporting period based on the contractual maturity date.

Group	Less than 3 months RO	3 to 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
At 31 December 2009					
Current portion of term loans	806,667	806,667	3,345,834	--	4,959,168
Bank borrowings	7,623,141	--	--	--	7,623,141
Accounts and other payables	9,705,423	6,235,968	2,976,892	--	18,918,283
Employees' end of service benefits	--	--	--	1,711,664	1,711,664
Provision for taxation	281,321	--	--	--	281,321
	18,416,552	7,042,635	6,322,726	1,711,664	33,493,577

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For the year ended 31 December 2009

28 FINANCIAL RISK AND CAPITAL MANAGEMENT *(Continued)*

d) Liquidity risk *(Continued)*

Parent Company

At 31 December 2009					
Current portion of term loans	806,667	806,667	3,345,834	--	4,959,168
Bank borrowings	7,623,141	--	--	--	7,623,141
Accounts and other payables	8,869,773	5,552,023	2,670,989	--	17,092,785
Employees' end of service benefits	--	--	--	1,689,015	1,689,015
Provision for taxation	281,321	--	--	--	281,321
	17,580,902	6,358,690	6,016,823	1,689,015	31,645,430

Group	Less than 3 months RO	3 to 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
At 31 December 2008					
Current portion of term loans	229,167	931,667	1,863,334	--	3,024,168
Bank borrowings	6,491,231	--	--	--	6,491,231
Accounts and other payables	9,961,880	4,310,980	2,100,828	--	16,373,688
Employees' end of service benefits	--	--	--	1,374,936	1,374,936
Provision for taxation	181,288	--	--	--	181,288
	16,863,566	5,242,647	3,964,162	1,374,936	27,455,311

Parent Company

At 31 December 2008					
Current portion of term loans	229,167	931,667	1,863,334	--	3,024,168
Bank borrowings	6,491,231	--	--	--	6,491,231
Accounts and other payables	9,929,287	4,310,980	2,100,828	--	16,341,095
Employees' end of service benefits	--	--	--	1,374,936	1,374,936
Provision for taxation	181,288	--	--	--	181,288
	16,830,973	5,242,647	3,964,162	1,374,936	27,412,718

e) Capital management

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing services and goods commensurate with the level of risk.

The Group sets capital in proportion to risk and makes adjustments to it in the light of changes in economic conditions, the risk characteristics of the underlying assets, and covenants entered into with the providers of external debt. In order to maintain or adjust the level of equity, the Company adjusts the level of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Group also ensures compliance with externally imposed capital requirements.

In the context of managing capital (equity), the Company has covenanted with banks providing external debt to maintain specified debt to equity ratio. At the end of the reporting period, the actual debt to equity ratio was within the covenanted level, and the Company does not therefore anticipate that covenant will require them to increase the level of capital (equity).