Engineering Solutions Through People Power

ANNUAL REPORT 2014

الحسن
al Hassan

AL HASSAN ENGINEERING CO. S.A.O.G

www.al-hassan.com

His Majesty Sultan Qaboos bin Said

The Mission

To provide quality products and services in engineering disciplines with special thrust on power, oil & gas and water sectors, through a profitable and growing organization which exceeds aspirations of the stakeholders and contributes towards the country's economic development and welfare of the society complying with health, safety and environment norms.

The VISION

Al Hassan will excel in providing quality engineering solutions by top performance of manpower, assets and investment to achieve customer satisfaction.

The VALUES

• Integrity • Accountability & Discipline •Teamwork•Empowerment•Competency • Continuous Improvement & Learning • Excellence • Loyalty

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BOARD OF DIRECTORS

Hassan bin Ali Salman
Chairman

Maqbool bin Ali Salman
Dy. Chairman &
Managing Director

Saud bin Ahmed Al Nahari
Director

Eng. Salem bin Said Al-Ghatami
Director

Mr. Khalifa bin Saif Darwish
Director

Ali bin Mohammed Juma
Director
Until 16/12/2014

DIRECTORS' REPORT

(Including Management Discussion and Analysis)

Dear Shareholders,

On behalf of the Board of Directors, I present to you the Annual Report and Audited Consolidated Statement for Al Hassan Engineering Co. SAOG for the period ending 31st December 2014:

(Amounts in RO ' 000)

Particulars	2014	2013	% Change
Contract Income	76,295	62,571	22%
Other Income	258	777	-67%
Total Income	76,553	63,348	21%
Costs (other than Finance Charges)	(77,289)	(61,638)	-
Profit / (Loss) before Finance Charges	(736)	1,710	-
Finance Charges	(1,058)	(983)	8%
Net Profit / (Loss) before tax	**(1,794)**	**727**	**-**
Income Tax (including deferred tax)	353	(72)	-
Net Profit / (Loss) after tax	**(1,441)**	**655**	**-**

The Contract Income grew by 22% .The loss of RO 1.4 million incurred in 2014 was mainly attributable to Contracts which were extended beyond the original Completion Dates, due to modification of client's schedules and reasons beyond the Company's controls.

The Company continues to make all possible efforts to obtain the requisite variations and recognize the Revenue for the additional costs incurred for these extensions.

The performance of the Company over the last five years is given in the table below:

Year	2010	2011	2012	2013	2014
Revenue	60,409	61,099	50,279	63,348	76,553

New Project Awards

OMAN

- EPC contract for Rabab Harweel Power plant and HRSG project from PDO Oman.
- Construction for Ghaba North Redevelopment Project from PDO Oman.
- Site preparation/Construction and Pre-commissioning of Civil and Underground Piping Works for the Sohar Refinery Improvement Project in Oman from Daelim Petrofac Joint Venture – Oman.

UAE

- Construction works for Phase II CGL expansion project in Mussafah from Al Ghurair Iron and Steel LLC, Abu Dhabi.
- Construction of Temporary Site Facilities at Satah Al Razboot (SARB) Field Development EPC Package 4 Plant Facilities from Hyundai Engineering & Construction Korea..
- Manufacturing , Supply, Testing & commissioning of 3 way valves (TCVS) 4 no's in Hydrocracker plant at Ruwais refinery from M/sTakreer
- Building Works for Satah Al Razboot (SARB) from Hyundai Engineering & Construction Co Ltd, Korea.
- EPC works for Replacement of Valves and Actuators in Abu Dhabi from GASCO, Abu Dhabi.
- EPC Works for Black Powder Management - New Separation & Filtration Project in Abu Dhabi from GASCO, Abu Dhabi.

Projects under execution

The company is currently engaged in the execution of a number of prestigious projects which are at various stages of completion, these include:

Oman Projects:

1. **Emergency Water Reservoir Project for PAEW**: Provision of Water Storage Tanks in Four (4) Locations in Muscat. Out of four (4) locations, major works have been completed in three (3) locations and the last one is expected to be completed in June 2015.

2. **Zauliyah Gas Plant for PDO**: Al-Hassan is now leading the JV of this EPC project with Tecnicas Reunidas (TR) as Engineering sub-contractor. Civil Works and Pipeline Works are in progress. Orders have been placed for all major equipments.

3. **Musandam Gas Plant Project for Hyundai Engineering & Construction Co Ltd, Korea:** Al-Hassan is carrying out E&I Works as a sub-contractor to Hyundai Engineering; the Owner being Oman Oil Company Exploration & Production. The works have been extended to 2015.

4. **Saih Nihayda Condensate Stabilization for ABB:** Al-Hassan is carrying out multi-disciplinary construction works as a sub-contractor to ABB; the Owner being PDO. Civil works, structural erection, piping and pipeline works are in progress. Expected to achieve mechanical completion by Q2 2015.

5. **Sohar Refinery Improvement Project (SRIP) -** Site preparation & construction and pre-commissioning of civil and underground piping works. Al-Hassan is carrying out the construction work as a sub-contractor to Daelim Petrofac JV; the Owner being ORPIC.

6. **Rabab Harweel Power Plant and HRSG Project for PDO:** In this EPC contract, Engineering & Procurement is nearing completion & construction works are in progress.

7. **Ghaba North Redevelopment Project for PDO:** – Construction is ongoing for the on-plot facilities for production handling from Ghaba North, Shuaiba and Haushi fields and GRE flow lines with well heads.

8. **Zauliyah Gas Compression Plant** –The final commissioning works are currently on and is expected to be completed by 2015.

Emergency Water Reservoir Project

Musandam Gas Plant

Sohar Refinery Improvement Project (SRIP)

Zauliyah Gas Plant Project

UAE Projects:

1. **Inter Refineries Pipelines – II (IRP-II)** Project -E&I Construction works – Terminal B" from M/s GS Engineering & Construction Corp Abu Dhabi. Project completion is expected in 1st Quarter of 2015.

2. **Satah Al Razboot Field Development Project (SRSB-III)** for M/s Petrofac International Ltd for On-Island Works. Additional Works Package (Package-6) was added to the scope of works during the year. Completion of this revised scope is expected during Q2-2015.

3. **400KV/220KV/33 kV Grid Station at Mirfa for Civil and Associated Building Works** from M/s Siemens. Project is scheduled to complete in Q4 2015.

4. **Surge Drum Protection and Battery Limit ESD Valves at Train 1&2 EPC Works at Ruwais** from M/s GASCO. Project is scheduled to be completed in Q1 2015.

5. **Construction of CGL Complex Phase-II.** from M/s Ghurair Iron & Steel LLC. (AGIS). Temporary Site Facilities are established. Project is in Mobilization Stage.

Human Resource

AHEC has transformed its HR Function by focusing on various modern management practices that create a conducive environment to administer 'change' through various Policies, Programs and Procedures.

The employee force rose to 5900 during the year in parent & subsidiary companies. Besides ongoing activities such as the completion of HRMS, development of new job descriptions, rightsizing, compensation management, performance appraisals and training & development, a number of significant initiatives have been taken such as revisiting our Mission, Vision and Values and emphasizing on establishing a culture of merit.

The industry has become quite dynamic and currently it faces new challenges in recruiting and retaining the right talent. With a view to further enhance effectiveness and efficiency, AHEC has taken requisite steps that include- adopting a clear recruitment policy for induction, high level training for managerial staff, cross functional clarity, periodic review of job descriptions to promote better understanding of job roles and company's expectation from employees in a transparent manner without ambiguity. Policies and procedures are being redrafted in order to anchor the new company culture.

The company remains committed towards Omanization across all levels of the business by working closely with the Ministry of Manpower and OPAL from whom it holds both the necessary Green Card and Compliance Verification Certificate respectively. Periodic management trainee programs, internships, industrial visits and participation in career fairs are conducted to recruit and train the nationals.

QHSE

- The Recertification Audit of ISO 14001:2004 & OHSAS 18001:2007 was conducted by Vincotte and the certificates have been reissued for the period three years.
- Al Hassan Group has been registered as a member of the British Safety Council.
- AHEC's HSE Management System has been verified and approved by Oman Society For Petroleum Services (OPAL).
- In-house HSE Induction is an ongoing process and during the year 2014, 750 employees were imparted with HSE induction. Besides, HSE workshops for various projects were also conducted at Site and at Coast.
- During 2014, 3425 employees were medical & clinically examined at the in-house clinic in Barka.

- AHEC achieved 13.12 million safe man-hours and has driven 12.54 Kilometers cumulatively from all the projects in 2014.
- Milestone achievements in various projects such as SNCP, ZGP, ZGCP, EWR, MGP and OOCEP were accomplished depicting the viable commitment of AHEC towards HSE.

Corporate Social Responsibility (CSR)

Your company has taken throughout 2014 a number of activities with the objective of providing a sustainable contribution to the growth and well-being of the local community. An amount of RO. 27,573/- was spent during the year across various CSR activities that include contributions to various sports, health & cultural initiatives in various parts of Oman, employment and training of the local people in and around our work sites, building of mosques and contributions to the educational activities of children. We shall continue with such initiatives that bring about a positive change in the society and the environment at large.

RISKS:

The Company will continue to adopt transparent and ethical business practices

The construction and contracting business however does, have inherent risks associated with scope / time & resource estimation. There are also risks associated with contractual interpretations & non receipt of timely inputs from clients which affect the overall cost recovery. The Company continues to review and update, processes for managing and mitigating these business risks to the best possible extent.

Our markets in Oman & UAE continue to be attractive to new entrants and the Company continues to take prudent and proactive measures to be future ready

Internal Control:

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

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

Dividend

The Board is not recommending a Divided for 2014 based on the performance of the Company.

Last five years data:

Year	2010	2011	2012	2013	2014
Profit/(Loss) after Tax (RO'000)	2,670	2,460	(3,759)	655	(1,441)
Net Equity (RO,000)	15,060	16,410	11,543	12,192	10,025
Dividend (%)	15	15	-	5	-

Corporate Governance:

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

Audit Committee conducts periodic discussions with the Internal / External auditors on significant findings and control environment. The Audit Committee has also met the Internal and External auditors in the absence of the Management as required by the Code of Corporate Governance.
A detailed report on Corporate Governance is provided with the certificate of the Statutory Auditors.

Outlook:

The Oil price decline may affect the total market size where the company operates, but we do not envisage a major impact on the Capital Expenditure of the Oil Producers in Oman particularly PDO .Hence the company's bidding scope & revenue is unlikely to get affected in the immediate future years.
Further the Business on hand is good & there are Projects in advanced stages of bid which are expected to continue

The Company acquired the highest ever additional business in one year of RO 144 million in 2014 & has a highest ever c/f Business of RO 145 million as on Dec 2014.

United Arab Emirates (Abu Dhabi); performance was further strengthened as the organization developed and expanded in size and reputation. As you read above, they won some significant projects in 2014.

A word of welcome & thanks:

On behalf of the Board of Directors, I wish to take this opportunity to welcome Mr.Stephen Scott as the new Chief Executive Officer. We are confident that his extensive knowledge and experience would be of immense value for the Company's growth and success

Gratitude and Appreciation:

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

The Board would like to thank all Regulatory Authorities, Commercial Banks and Financial Institutions in Oman and abroad where we have relationships, Business Partners and all the Clients of the Company and Media for their generous cooperation and continued support.

Hassan bin Ali Salman
Chairman

REPORT OF FACTUAL FINDINGS

TO THE SHAREHOLDERS OF AL HASSAN ENGINEERING COMPANY SAOG

We have performed the procedures prescribed in Capital Market Authority (CMA) circular number 16/2003, dated 29 December 2003, with respect to the Board of Directors' Corporate Governance Report of **Al Hassan Engineering Company SAOG** (the company) as at and for the year ended 31 December 2014 and application of the corporate governance practices in accordance with CMA Code of Corporate Governance issued under Circular number 11/2002 dated 3 June 2002 and as supplemented by the Rules and Guidelines on Disclosure by Issuers of Securities and Insider Trading approved by Administrative Decision number 5/2007 dated 27 June 2007 and the Executive Regulation of the Capital Market Law issued under the Decision number 1/2009 dated 18 March 2009 (collectively the Code and additional regulations and disclosures). Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures, as stated in circular number 16/2003, were performed solely to assist you in evaluating the company's compliance with the code as issued by the CMA.

We report our findings on the procedures performed in the following paragraph.

We found the Board of Directors' Corporate Governance Report reflects the company's application of the provisions of the code and additional regulations and disclosures 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 or International Standards on Review Engagements, we do not express any assurance on the accompanying Corporate Governance Report.

Had we performed additional procedures or had we performed an audit or review of the Corporate Governance Report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the Board of Directors' Corporate Governance Report included in its annual report for the year ended 31 December 2014 and does not extend to any financial statements of Al Hassan Engineering Company SAOG taken as a whole.

PricewaterhouseCoopers LLP

8 March 2015
Muscat, Sultanate of Oman

CORPORATE GOVERNANCE REPORT - 2014

Company Philosophy

In line with the requirements of Capital Market Authority (CMA), company's management is pleased to present Company's Twelfth Corporate Governance Report for the year ended December 31st, 2014.

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 Audit, HSE Audit, 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 Directors and four Non-Executive Directors.

Sr	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 (Director)
3	Saud Ahmed Al Nahari	Independent Director	Independent	- Oman Telecommunications Co. SAOG (Dy Chairman) - Oman United Insurance Co. SAOG (Dy Chairman) - Port Services Corporation SAOG (CEO) - Oman Al Arabi Fund (Director)
4	Ali Abdul Khaliq Ibrahim (resigned on 26th March 2014)	Independent Director	Independent	-
5	Khalifa Saif Darwish Alketbi (appointed on 26th March 2014)	Independent Director	Independent	-
6	Ali Bin Mohammed Bin Juma (resigned on 16th December 2014)	Independent Director	Independent	- Vision Investments Services Co SAOG (Chairman) - Vision Insurance SAOG (Board Member)
7	Eng. Salim Bin Said Bin Issa Al Ghatami	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 2014, the Company held seven Board meetings. The following are the details of the meetings held and attendance by the Directors.

SR	Name of Director	12.01.14	04.03.14	26.03.14 & AGM *	04.05.14	22.07.14	05.11.14	24.12.14
1	Hassan Ali Salman	√	√	√	√	√	√	√
2	Maqbool Ali Salman	√	√	√	√	√	√	√
3	Saud Ahmed Al Nahari	√	√	√	√	√	√	√
4	Ali Abdul Khaliq Ibrahim	x	√	x	x	x	x	x
5	Ali Bin Mohammed Bin Juma	√	√	√	√	√	√	x
6	Salim Bin Said Bin Issa Al Ghatami	√	√	√	√	√	√	√
7	Khalifa Saif Darwish Al Ketbi	x	√	x	x	√	√	√

√ Indicates attendance in the meetings
x Indicates absence in the meeting
* AGM – Attendance of Annual General Meeting held on 26.03.2014

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

Director's Remuneration

Each Director is awarded RO.500/- (2013 – RO.500/-) as a meeting attendance fee for every Board meeting attended. The Audit Committee members are awarded RO.250/- up to March 2014 & RO.400/- from April 2014 onwards (2013 – RO.250/-) as a meeting attendance fee for each Audit Committee meeting. The meeting attendance fees paid during the year amounts RO.23,550/- (2013 – RO.20,750/-).

Company Secretary

The Board has re-appointed Mr. Murtadha Mohsin Ali as the Secretary to the Board of Directors in the Board meeting held on 26th March 2014 up to the end of the term office of the new Board of Directors. The Board Secretary facilitates the smooth conduct of the Board meetings, keeps record of minutes and performs other relevant duties.

Company Management

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

- **Peter Hall – Chief Executive Officer**
  Experience of 35 years. Responsible for strategy and day-to-day management of the Company. Resigned in January 2014
- **Dr Fahd Bakhour – Chief Executive Officer**
  Experience of 30 years. Responsible for Organizational Development issues. Joined in January 2014 and resigned in April 2014
- **Shahzad Sadan – General Manager- Organizational Development**
  Experience of 31 years. Responsible for Organizational Development issues.

- **Taketsugu Kimura – General Manager- Business Development**
  Experience of 42 years. Responsible for Business Development.
- **S A Naqvi – General Manager-Plant**
  Experience of 42 years. Responsible for all fixed and mobile plant assets and capital equipment.
- **Abbas Muljiani – General Manager-Finance & IT**
  Experience of 31 years. Responsible for the Finance and IT functions of the Company.

Operating Management Remuneration

Salary, allowances including traveling expenses of the top five senior officers paid during the year 2014 is RO 349,462/- (2013 - RO 466,280/- for top five senior officers).

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

Audit Committee

During 2014 four meetings were held and the following are the details of the meetings held and attendance by the Directors:

Sr	Name of Director	Category	04.03.14	04.05.14	22.07.14	05.11.14
1	Ali Bin Mohammed Bin Juma	Chairman	√	√	√	x
2	Ali Abdul Khaliq Ibrahim	Member	√	x	x	x
3	Saud Ahmed Al Nahari	Vice-Chairman	√	√	√	√
4	Salim Bin Said Bin Issa al Ghatami	Member	x	√	√	√

√ Indicates attendance in the meetings
x Indicates absence in the meeting

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

The audit committee reviews: the effectiveness of the company's internal financial control and risk management system; the effectiveness of the internal audit function; the independent audit process including recommending the appointment and assessing the performance of the external auditor; the company's process for monitoring compliance with laws and regulations affecting financial reporting, including requirements of CMA and code of conduct. The audit committee checks for financial frauds protection and appropriate systems to ensure adoption of appropriate accounting policies and principles leading to fairness in financial statements. The audit committee also oversees the financial reporting process to ensure the balance, transparency and integrity of published financial information and appropriate accounting policies leading to fairness therein are in place. In performing its duties, the committee will maintain effective working relationships with the board of directors, management, and the external and internal auditors.

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 2014, M/S. PricewaterhouseCoopers have been appointed as external auditors for the financial year 2014.

In accordance with the Corporate Governance Code, the services of PricewaterhouseCoppers 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.

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

2014 – There have been no specific areas of non compliance with the provisions of corporate governances during the year.

2013 – There have been no specific areas of non compliance with the provisions of corporate governances during the year.

2012 – There is a penalty imposed on the Company by CMA related to delay in uploading Financials on MSM Website for the previous year.

Related Party Transaction

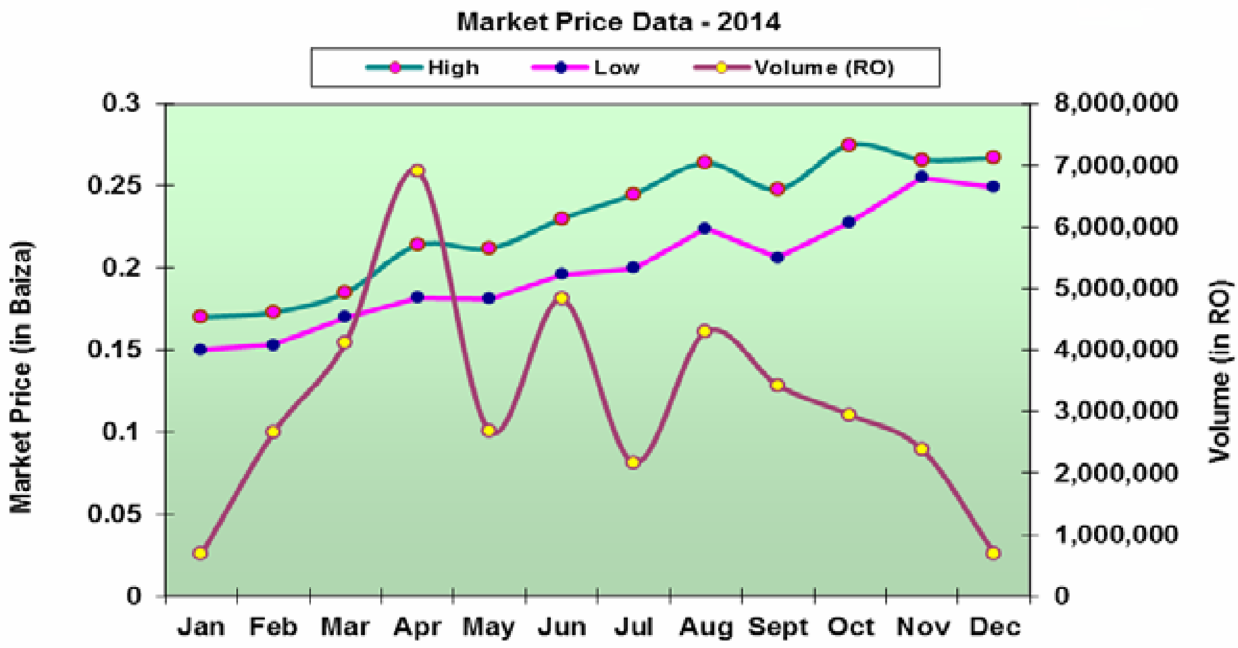
The Company entered into transactions with entities related to these significant shareholders and the Board of Directors at prices approved by the management and the Board of Directors.

Market Price Data

Monthly High / Low share price data for financial year 2014:-

(Amounts in RO)

Month 2014	High	Low	Volume	MSM Index (Average)
January	0.274	0.255	6,397,047	7094
February	0.262	0.230	959,216	7131
March	0.263	0.216	1,059,023	7019
April	0.235	0.221	690,769	6800
May	0.227	0.170	389,235	6764
June	0.183	0.170	598,256	6927
July	0.165	0.135	595,374	7146
August	0.162	0.145	807,549	7329
September	0.158	0.145	715,663	7479
October	0.149	0.112	544,326	7091
November	0.140	0.113	475,020	6973
December	0.119	0.084	599,605	6138



Share holders holding more than 5 % of Total Shares as on 31/12/2014

(Amounts in RO)

Sr	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 PwC: Statutory Auditor

PwC is a global network of firms operating in 157 countries with more than 195,000 people who are committed to delivering quality in assurance, tax and advisory services. PwC also provides corporate training and professional financial qualifications through PwC's Academy.

Established in the Middle East for over 40 years, PwC Middle East has firms in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates, with around 3,000 people. (www.pwc.com/middle-east)

PwC has been established in Oman for over 40 years and the Firm comprises 3 partners, including one Omani national, and over 135 professionals and support staff. Expert assurance, tax and advisory professionals are able to combine internationally acquired specialist consulting and technical skills with relevant local experience. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

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 and Report on Corporate Governance (Parent)	10,050
2	Statutory Audit Fees (Subsidiary) – Abu Dhabi	3,700
3	Statutory Audit Fees (Subsidiary) – Dubai	1,250
4	Statutory Audit Fees (Subsidiary) – Al Hassan Tecnicas Reunidas Project LLC	2,400

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.

Board of Directors acknowledge that

The company has its system and procedures formally documented and also hosted in the intranet.

The financial statements have been prepared in accordance with International Financial Reporting standards issued by the International Accounting standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the requirements of the 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.

Hassan bin Ali Salman
Chairman
02nd March 2015

Mr. Saud Ahmed Al Nahari
Chairman-Audit Committee
02nd March 2015

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

Report on the consolidated financial statements

We have audited the accompanying financial statements of **Al Hassan Engineering Company SAOG** (the Parent Company) and its subsidiaries (together, the Group), which comprise the Parent Company and consolidated statement of financial position as at 31 December 2014 and the Parent Company and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 accompanying Parent Company and consolidated financial statements present fairly, in all material respects the financial position of the Parent Company and of the Group as at 31 December 2014, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, as required by the Rules and Guidelines on Disclosure by Issuers of Securities and Insider Trading ('R&G') issued by the Capital Market Authority ('CMA') of the Sultanate of Oman, we report that the financial statements of the Parent Company and the Group have been properly prepared, in all material respects, in accordance with the R&G, with the Rules for Disclosure and Proformas issued by the CMA and with the Commercial Companies Law of 1974 as amended.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP Oman

8 March 2015
Muscat, Sultanate of Oman

PricewaterhouseCoopers LLP, Hatat House A, Suites 204-210, Wadi Adai, P. O. Box 3075, Ruwi, Post Code 112, Muscat, Sultanate of Oman, T: +968 2 455 9110, F: +968 2 456 4408, www.pwc.com/middle-east

Chartered Accountants Licence No. MH/26, Management Consultants Licence No. ME/161, Commercial Register No. 1307665

Consolidated and Parent Company Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 Group	2014 Parent Company	2013 Group	2013 Parent Company
		RO	RO	RO	RO
Contract income		76,294,914	43,441,627	62,571,137	43,624,907
Contract costs	5	(74,047,174)	(43,092,274)	(58,261,261)	(42,249,640)
Gross profit		2,247,740	349,353	4,309,876	1,375,267
Other income	6	257,549	121,375	777,100	732,007
General and administration expenses	7	(3,241,483)	(2,330,602)	(3,376,479)	(2,076,247)
Operating (loss)/profit		(736,194)	(1,859,874)	1,710,497	31,027
Finance charges	9	(1,057,413)	(665,729)	(983,196)	(655,816)
(Loss)/profit before taxation		(1,793,607)	(2,525,603)	727,301	(624,789)
Taxation	10	353,089	436,105	(72,010)	(53,416)
Profit/(Loss)/for the year		(1,440,518)	(2,089,498)	655,291	(678,205)
Other comprehensive loss					
Net change in fair value of forward currency contracts		(351,273)	(351,273)	(5,624)	(5,624)
Total comprehensive (loss)/income for the year		(1,791,791)	(2,440,771)	649,667	(683,829)
Basic (loss)/earnings per share	27	(0.019)	(0.028)	0.009	(0.009)

The notes and other explanatory information on pages 23 to 50 form an integral part of these financial statements.

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CONSOLIDATED AND PARENT COMPANY STATEMENT OF FINANCIAL POSITION

ASSETS	Note	**2014 Group RO**	**2014 Parent Company RO**	2013 Group RO	2013 Parent Company RO
Non-current assets					
Property and equipment	11(a)	**11,280,022**	**8,089,797**	10,849,058	7,549,874
Leasehold land	11(b)	**746,664**	**-**	777,776	-
Goodwill	12	**878,478**	**878,478**	878,478	878,478
Investments in subsidiaries	13	**-**	**297,900**	-	297,900
Retentions receivable	16	**777,042**	**-**	316,342	316,342
Deferred taxation	22	**230,841**	**230,841**	-	-
		13,913,047	**9,497,016**	12,821,654	9,042,594
Current assets					
Inventories	14	**3,350,154**	**2,823,426**	3,693,010	1,809,850
Contract and other receivables	16	**70,522,296**	**60,970,799**	49,280,344	48,629,395
Bank balances and cash	17	**2,367,758**	**1,778,572**	3,153,352	2,543,757
		76,240,208	**65,572,797**	56,126,706	52,983,002
Total assets		**90,153,255**	**75,069,813**	68,948,360	62,025,596
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	18	**7,520,800**	**7,520,800**	7,520,800	7,520,800
Legal reserve	19	**1,905,310**	**1,738,450**	1,871,949	1,738,450
Retained earnings		**945,361**	**578,701**	2,795,280	3,044,239
Hedging reserve		**(346,917)**	**(346,917)**	4,356	4,356
Total equity		**10,024,554**	**9,491,034**	12,192,385	12,307,845
LIABILITIES					
Non-current liabilities					
End of service benefits	21	**3,265,077**	**2,849,298**	2,923,371	2,599,050
Deferred taxation	22	**-**	**-**	254,612	254,612
		3,265,077	**2,849,298**	3,177,983	2,853,662
Current liabilities					
Bank borrowings	23	**31,112,482**	**31,112,482**	28,853,729	28,853,729
Trade and other payables	24	**45,668,130**	**31,616,999**	24,705,563	18,010,254
Provision for taxation	10 (b)	**83,012**	**-**	18,700	106
		76,863,624	**62,729,481**	53,577,992	46,864,089
Total liabilities		**80,128,701**	**65,578,779**	56,755,975	49,717,751
Total equity and liabilities		**90,153,255**	**75,069,813**	68,948,360	62,025,596
Net assets per share	26	**0.133**	**0.126**	0.162	0.164

The financial statements including notes and other explanatory information on pages 23 to 50 were approved by the Board of Directors and authorised for issue on 2nd March 2015 and were signed on their behalf by:

Hassan Ali Salman
Chairman

Maqbool Ali Salman
Managing Director

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CONSOLIDATED AND PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Group	Note	Share capital RO	Legal reserve RO	Retained earnings RO	Hedging reserve RO	Total RO
At 1 January 2013		7,520,800	1,818,292	2,193,646	9,980	11,542,718
Comprehensive income:						
Profit for the year		-	-	655,291	-	655,291
Other comprehensive loss:						
Net change in fair value of forward currency contracts		-	-	-	(5,624)	(5,624)
Total comprehensive income		7,520,800	1,818,292	2,848,937	4,356	12,192,385
Transactions with owners:						
Transfer to legal reserve	19	-	53,657	(53,657)	-	-
At 31 December 2013		7,520,800	1,871,949	2,795,280	4,356	12,192,385
At 1 January 2014		**7,520,800**	**1,871,949**	**2,795,280**	**4,356**	**12,192,385**
Comprehensive loss:						
Loss for the year		**-**	**-**	**(1,440,518)**	**-**	**(1,440,518)**
Other comprehensive loss:						
Net change in fair value of forward currency contracts		**-**	**-**	**-**	**(351,273)**	**(351,273)**
Total comprehensive income/(loss)		**7,520,800**	**1,871,949**	**1,354,762**	**(346,917)**	**10,400,594**
Transactions with owners:						
Transfer to legal reserve	19	**-**	**33,361**	**(33,361)**	**-**	**-**
Dividend paid	20	**-**	**-**	**(376,040)**	**-**	**(376,040)**
At 31 December 2014		**7,520,800**	**1,905,310**	**945,361**	**(346,917)**	**10,024,554**

Parent Company	Note	Share capital RO	Legal reserve RO	Retained earnings RO	Hedging reserve RO	Total RO
At 1 January 2013		7,520,800	1,738,450	3,722,444	9,980	12,991,674
Comprehensive loss:						
Loss for the year		-	-	(678,205)	-	(678,205)
Other comprehensive loss:						
Net change in fair value of forward currency contracts		-	-	-	(5,624)	(5,624)
At 31 December 2013		7,520,800	1,738,450	3,044,239	4,356	12,307,845
At 1 January 2014		**7,520,800**	**1,738,450**	**3,044,239**	**4,356**	**12,307,845**
Comprehensive loss:						
Loss for the year		**-**	**-**	**(2,089,498)**	**-**	**(2,089,498)**
Other comprehensive loss:						
Net change in fair value of forward currency contracts		**-**	**-**	**-**	**(351,273)**	**(351,273)**
Transactions with owners:						
Dividend paid	20	**-**	**-**	**(376,040)**	**-**	**(376,040)**
At 31 December 2014		**7,520,800**	**1,738,450**	**578,701**	**(346,917)**	**9,491,034**

The notes and other explanatory information on pages 23 to 50 form an integral part of these financial statements.

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CONSOLIDATED AND PARENT COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 Group	2014 Parent Company	2013 Group	2013 Parent Company
	RO	RO	RO	RO
Operating activities				
Cash receipts from contract and other income	**59,120,349**	**37,534,644**	52,024,154	37,507,950
Cash paid towards contract costs and expenses	**(58,296,639)**	**(37,646,303)**	(51,566,529)	(38,638,153)
Cash generated from operations	**823,710**	**(111,659)**	457,625	(1,130,203)
Finance charges paid - net	**(1,057,413)**	**(665,729)**	(983,196)	(655,816)
Tax paid	**(18,598)**	**-**	(4,336)	(4,336)
Net cash used in operating activities	**(252,301)**	**(777,388)**	(529,907)	(1,790,355)
Investing activities				
Purchase of property and equipment	**(2,497,584)**	**(1,939,488)**	(3,695,495)	(2,542,805)
Investment in a subsidiary	**-**	**-**	-	(195,000)
Proceeds from disposal of equipment	**81,578**	**68,978**	824,184	824,184
Net cash used in investing activities	**(2,416,006)**	**(1,870,510)**	(2,871,311)	(1,913,621)
Financing activities				
Dividend paid	**(376,040)**	**(376,040)**	-	-
Net movement in term loans	**-**	**-**	(1,924,500)	(1,924,500)
Net cash used in financing activities	**(376,040)**	**(376,040)**	(1,924,500)	(1,924,500)
Change in cash and cash equivalents during the year	**(3,044,347)**	**(3,023,938)**	(5,325,718)	(5,628,476)
Cash and cash equivalents at the beginning of the year	**(25,700,377)**	**(26,309,972)**	(20,374,659)	(20,681,496)
Cash and cash equivalents at the end of the year	**(28,744,724)**	**(29,333,910)**	(25,700,377)	(26,309,972)
Cash and cash equivalents at the end of the year comprise:				
Bank balances and cash	**2,367,758**	**1,778,572**	3,153,352	2,543,757
Bank borrowings	**(31,112,482)**	**(31,112,482)**	(28,853,729)	(28,853,729)
	(28,744,724)	**(29,333,910)**	(25,700,377)	(26,309,972)

The notes and other explanatory information on pages 23 to 50 form an integral part of these financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1 Legal status and principal 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 and gas sectors. The principal place of business is located in Muscat.

The Parent Company holds 99%, 49% and 95% shareholding and 100% beneficial ownership in Al Hassan Engineering Company Dubai LLC (the subsidiary) which was incorporated during the year 2001, Al Hassan Engineering Company Abu Dhabi LLC (the subsidiary) which was incorporated during the year 2003 and Al Hassan Technicas Reunidas Project LLC (the subsidiary) which was incorporated during the year 2013. The subsidiaries (treated as subsidiaries due to the controlling interest) are registered in United Arab Emirates and Sultanate of Oman respectively and have commenced commercial operations.

The Parent Company has also entered into a joint venture as explained in note 28.

2 Summary of significant accounting policies

2.1 Basis of preparation

(a) These financial statements are prepared on the historical cost basis, as modified by the revaluation of derivative financial instruments at fair value through statement of comprehensive income and in accordance with International Financial Reporting Standards (IFRS), the requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and comply with the disclosure requirements set out in the 'Rules and Guidelines on Disclosure by issuer of Securities and Insider Trading' issued by the Capital Market Authority (CMA) of the Sultanate of Oman.

(b) The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas where accounting assumptions and estimates are significant to the financial statements are disclosed in the accounting policies.

(c) Standards and amendments effective in 2014 and relevant for the company's operations:

For the year ended 31 December 2014, the company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2014.

The adoption of these standards and interpretations has not resulted in changes to the company's accounting policies and has not affected the amounts reported for the current year.

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2015 or later periods, but the Company has not early adopted them and the impact of these standards and interpretations is not reasonably estimable as at 31 December 2014:

IFRS 9, 'Financial instruments', (effective on or after 1 January 2015); and
IFRS15, 'Revenue from contracts with customers' (effective on or after 1 January 2017).

2 Summary of significant accounting policies (continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

(b) 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 these are reported in the statement of comprehensive income.

2.3 Revenue

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised 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 and incentive payments are included to the extent that they have been agreed with the customer. Variations to contract and claims which are not yet formally certified by the client are also included to the extent that management believes that such amounts are recoverable from the customer based on the past and present experience of dealing 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 recognised as an expense immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

2 Summary of significant accounting policies (continued)

2.4 Foreign currency

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured and presented in Rial Omani being the currency of the primary economic environment in which the entity operates.

(b) Transactions and balances

Foreign currency transactions are translated into Rial Omani at the exchange rate prevailing on the transaction date. Foreign currency assets and liabilities are translated into Rial Omani at the exchange rate prevailing at the reporting date. Differences on exchange are dealt with in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in consolidated statement of comprehensive income. At the reporting date, the Group did not have any investments in such instruments.

(c) Group companies

The accounting records of the subsidiaries based in UAE (Dubai and Abu Dhabi) are maintained in UAE Dirhams (AED). The Rial Omani (RO) amounts included in the consolidated financial statements have been translated at an exchange rate of 0.105 Omani Rial to each AED for the statement of comprehensive income and the statement of financial position items, as the AED to RO exchange rate has effectively remained fixed during the year, both currencies being pegged to the US Dollar.

2.5 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is recognised in the consolidated statement of comprehensive income and is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, 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. Temporary differences relating to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. 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 reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and is subsequently reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The principal temporary differences arise from depreciation on property and equipment, provision for doubtful debts, tax losses and provision for slow moving inventories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

2 Summary of significant accounting policies (continued)

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. The cost of property and equipment is their purchase price together with any incidental expenses that are directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the establishment and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property and equipment. The estimated useful lives are:

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

Freehold land is not depreciated as it is deemed to have an indefinite life.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

Interest costs on borrowings to finance the construction of property and equipment are capitalised during the period that is required to complete the asset.

2.7 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Payments made under operating lease are recognised in the statement of comprehensive income under general and administration expenses on a straight line basis over the term of the lease.

2.8 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.

2.9 Investment in subsidiary (at the Parent Company level)

Classification

A company is a subsidiary company, if Al Hassan Engineering Company SAOG has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights so as to obtain benefits from the investee company's activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

2 Summary of significant accounting policies (continued)

Valuation

Investment in subsidiary companies is stated at cost less any diminution in the value of the specific investment, which is other than temporary. Investment income is accounted for in the year in which entitlement is established.

2.10 Impairment

Financial assets

At the end of each 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 each 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 (except in case of goodwill) 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.

2.11 Inventories

Inventories of materials are stated at the lower of cost or net realisable value. Cost is determined on a weighted average basis and consists of the direct landed cost of materials. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective items. The liability for the goods in transit is recorded on the transfer of risks and rewards to the ownership of goods in favour of the Group.

2.12 Financial assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise contract and other receivables and cash and cash equivalents in the statement of financial position (notes 2.13 and 2.14).

[For derivative financial instruments, please refer to note 2.19].

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

2 Summary of significant accounting policies (continued)

2.13 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 is established when there is objective evidence that the Group will not be able to collect the amounts due.

Unbilled contract receivables on long term contracts 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 and allocation of other overheads.

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

2.14 Cash and cash equivalents

Cash and cash equivalents comprise of 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.

2.15 End of service benefit and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 as amended for the parent company, the UAE labour law as applicable to the subsidiaries and in accordance with IAS 19 'Employee Benefits'. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the consolidated statement of comprehensive income.

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.

2.16 Trade and other payable

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

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses). This liability is included within 'Trade and other payables' as 'Excess billings'.

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

2 Summary of significant accounting policies (continued)

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2.18 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.

2.19 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 recognised 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 recognised in 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 recognised in the statement of comprehensive income.

2.20 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 it relates.

2.21 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the management under policies approved by the Board of Directors.

2 Financial risk management (continued)

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

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.

The majority of the Group's financial assets and financial liabilities are either denominated in local currency (Rial Omani) or currencies fixed against Rial 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.

(ii) Interest rate risk

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

Borrowings issued at variable rates expose the company to cash flow interest rate risk. Borrowings at a fixed rate expose the company to fair value interest rate risk. The 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.

At 31 December 2014, based on the level of interest bearing assets and liabilities, for a 0.5% change in the interest rate, the impact on the profit before taxation in the consolidated statement of comprehensive income will approximate to RO 155,562 (2013 - RO 144,269).

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk arises from cash and cash equivalents, call deposits with banks as well as credit exposure to contract customers including outstanding debtors and committed transactions.

In case of banks, management deals with local and foreign banks with a minimum rating of P2 and credit risk is considered minimal. The stated rating is as per the global bank ratings by Moody's Investors Service.

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 16 (d) to the financial statements.

Although 88% (2013 - 91%) of the Group's contract income is from 8 customers (2013 - 10 customers), the Group considers it is well positioned to carry out contracting work for other parties and that the business risk associated with concentration is manageable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

2 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Group approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The Group maintains sufficient facilities and bank balances and cash to meet the Group's obligations as they fall due for payment.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturities date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant. Balances due above twelve months also approximate to their carrying values as they carry commercial rates of interest.

Group

At 31 December 2014	Less than 3 months RO	3 to 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
Bank borrowings	31,112,482	-	-	-	31,112,482
Trade and other payables	31,097,083	12,424,460	413,689	1,732,898	45,668,130
	62,209,565	12,424,460	413,689	1,732,898	76,780,612

Parent Company

At 31 December 2014	Less than 3 months RO	3 to 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
Bank borrowings	31,112,482	-	-	-	31,112,482
Trade and other payables	23,355,145	6,130,682	413,691	1,717,481	31,616,999
	54,467,627	6,130,682	413,691	1,717,481	62,729,481

Group

At 31 December 2013	Less than 3 months RO	3 to 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
Bank borrowings	28,853,729	-	-	-	28,853,729
Trade and other payables	13,544,923	9,334,549	921,866	904,225	24,705,563
	42,398,652	9,334,549	921,866	904,225	53,559,292

Financial risk management (continued)

Parent Company

At 31 December 2013	Less than 3 months RO	3 to 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
Bank borrowings	28,853,729	-	-	-	28,853,729
Trade and other payables	9,824,183	6,376,360	921,866	887,845	18,010,254
	38,677,912	6,376,360	921,866	887,845	46,863,983

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for members and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group sets the amount of 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 Parent 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 Parent Company does not therefore anticipate that the covenant will require them to increase the level of capital (equity).

3.3 Fair value estimation

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. The fair value of the long term loan approximate to its carrying values as it carries a commercial rate of interest.

4 Critical accounting estimates

The Group makes estimates and assumptions concerning the future. Estimates are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Financial risk management (continued)

(b) Revenue recognition

The Group uses the percentage of completion method in recognising its project revenues. Use of this method requires the Group to estimate revenues and costs over the remaining period of the projects. These estimates will, by definition, be seldom equal to the actual results. However, the deviations are not anticipated to be of a material nature as the estimates are based on historical experience, progress to date on contracts and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are regularly evaluated. Claims totalling to RO 8.4 million (2013 - RO 5.1 Million) which are not yet formally certified by the customer are included in the total contract value on open contracts at the reporting period and considered for revenue recognition, as management believes that such amounts are in the normal course of the business activity.

(c) Others

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

- Provision for slow moving inventories;
- results of the joint venture not being audited. The Parent Company's share in the net assets of this joint venture is 40%. Based on the past experience, the management believes that the unaudited results will not materially vary from the audited results (note 28);
- the margins of profit ultimately expected on long term contracts that is used to determine the level of contract profit recognition; 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.

5 Contract costs

	2014 Group RO	**2014 Parent Company RO**	2013 Group RO	2013 Parent Company RO
Materials	**20,338,834**	**7,621,596**	15,260,384	12,517,507
Salaries and employee related costs (note 8)	**19,605,433**	**13,404,166**	16,520,835	11,672,764
Sub-contract costs	**12,073,911**	**7,456,665**	9,724,833	7,161,230
Depreciation (note 11a-ii)	**3,056,094**	**2,426,914**	2,786,016	2,334,158
Other direct expenses	**18,972,902**	**12,182,932**	13,969,193	8,563,981
	74,047,174	**43,092,274**	58,261,261	42,249,640

6 Other income

	2014 Group RO	**2014 Parent Company RO**	2013 Group RO	2013 Parent Company RO
Profit on disposal of equipment	**60,383**	**47,783**	550,389	550,389
Hire of equipment	**70,952**	**38,432**	115,616	114,160
Scrap sales	**29,208**	**28,528**	45,539	32,174
Insurance claim	**-**	**-**	18,789	18,789
Miscellaneous	**97,006**	**6,632**	46,767	16,495
	257,549	**121,375**	777,100	732,007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

7 General and administration expenses

	2014 Group RO	**2014 Parent Company RO**	2013 Group RO	2013 Parent Company RO
Salaries and employee related costs (note 8)	**2,124,473**	**1,543,856**	2,476,656	1,354,561
Rent	**210,787**	**195,752**	154,424	154,424
Depreciation (note 11a-ii)	**156,202**	**118,328**	134,271	96,462
Professional fees	**117,359**	**59,883**	86,158	69,741
Advertisement and business promotion	**90,171**	**61,336**	63,717	61,105
Communication	**84,280**	**61,446**	72,927	61,117
Travelling and conveyance	**40,199**	**28,727**	38,834	30,358
Insurance	**35,419**	**13,660**	11,590	(2,825)
Utilities	**25,930**	**9,487**	23,496	13,393
Contributions towards social causes	**25,473**	**25,473**	20,170	20,170
Printing and stationery	**24,071**	**17,032**	18,716	18,233
Directors' sitting fees (note 25b)	**23,550**	**23,550**	20,750	20,750
Vehicle fuel	**20,732**	**9,958**	11,488	7,945
Allowance for credit losses (note 16a)	**6,484**	**6,484**	(2,500)	(2,500)
Miscellaneous	**256,353**	**155,630**	245,782	173,313
	3,241,483	**2,330,602**	3,376,479	2,076,247

8 Salaries and employee related costs

	2014 Group RO	**2014 Parent Company RO**	2013 Group RO	2013 Parent Company RO
Salaries and wages	**13,516,755**	**9,377,429**	12,385,810	8,357,512
Staff allowances	**3,742,503**	**2,432,549**	2,672,808	2,051,564
Air fare and leave salary	**1,595,327**	**973,777**	1,233,470	785,379
Accommodation costs	**950,340**	**602,570**	791,142	586,811
End of service benefits (note 21)	**647,847**	**505,866**	709,908	530,744
Bonus and incentives	**580,935**	**401,207**	787,714	358,218
Social security	**501,744**	**498,397**	219,927	217,940
Others	**194,455**	**156,227**	196,712	139,157
	21,729,906	**14,948,022**	18,997,491	13,027,325
Allocated as follows:				
Contract costs (note 5)	**19,605,433**	**13,404,166**	16,520,835	11,672,764
General and administration expenses (note 7)	**2,124,473**	**1,543,856**	2,476,656	1,354,561
	21,729,906	**14,948,022**	18,997,491	13,027,325

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

9 Finance charges – net

	2014 Group RO	2014 Parent Company RO	2013 Group RO	2013 Parent Company RO
Interest expense on:				
- long term loan	-	-	22,469	22,469
- short term borrowings	809,391	809,391	664,504	664,504
- bank overdrafts	52,622	52,622	59,078	59,078
	862,013	862,013	746,051	746,051
Bank and finance charges	195,400	90,198	237,145	96,713
Less: recovery from subsidiaries	-	(286,482)	-	(186,948)
	1,057,413	665,729	983,196	655,816

10 Taxation

(a) The taxation charge/(credit) for the year is made up as follows:

	2014 Group RO	2014 Parent Company RO	2013 Group RO	2013 Parent Company RO
Current tax:				
for current year	83,016	-	18,594	-
for prior years	49,348	49,348	(69,061)	(69,061)
	132,364	49,348	(50,467)	(69,061)
Deferred tax: (note 22)				
for current year	(300,162)	(300,162)	113,756	113,756
for prior years	(185,291)	(185,291)	8,721	8,721
	(485,453)	(485,453)	122,477	122,477
	(353,089)	(436,105)	72,010	53,416

(b) The movement in the provision for taxation during the year comprises:

	2014 Group RO	2014 Parent Company RO	2013 Group RO	2013 Parent Company RO
At 1 January	18,700	106	58,942	58,942
Charge for the year	83,016	-	18,594	-
Reversal during the year	(106)	(106)	(69,061)	(69,061)
Transferred from advance tax	-	-	14,561	14,561
Paid during the year	(18,598)	-	(4,336)	(4,336)
At 31 December	83,012	-	18,700	106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

10 Taxation (continued)

The tax rate applicable to the Parent Company is 12% (2013 - 12%). Provision for tax has been made on the accounting profit adjusted for tax purposes. The subsidiary companies operate in a jurisdiction which is not subject to taxation. The reconciliation of taxation on the accounting profit with the taxation charge for the year is as follows:

	2014 Group and Parent Company RO	2013 Group and Parent Company RO
Tax benefit on loss of RO 2,525,603 (2013 - loss of RO 624,789)	**(306,672)**	(78,575)
Tax effect of:		
Deferred tax for prior years	**(185,291)**	8,721
Disallowable expenses	**3,309**	2,420
Prior year current tax	**49,348**	69,061
Others	**86,217**	70,383
	(353,089)	72,010

Taxation has been agreed with the Oman Taxation Authorities for all years up to 31 December 2011. The management believes that additional taxes, if any, that may become payable on finalisation of the assessments in respect of open years would not be material to the company's financial position as at 31 December 2014.

11 (a) Property and equipment

(i) Details of the movement in property and equipment are set out on pages 49 to 50.

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

	2014 Group RO	**2014 Parent Company RO**	2013 Group RO	2013 Parent Company RO
Contract costs (note 5)	**3,056,094**	**2,426,914**	2,786,016	2,334,158
General and administration expenses (note 7)	**156,202**	**118,328**	134,271	96,462
	3,212,296	**2,545,242**	2,920,287	2,430,620

11(b) Leasehold land

A subsidiary company entered into two operating lease agreements in respect of the land used for construction of an office building. As per the terms of the lease agreements, the company has paid an up-front advance amounting to RO 840,000 [2013 - RO 840,000 (AED 8,000,000)]. The lease is valid until the year 2037. The up-front fee paid will be amortised on a straight line basis over the period of the lease.

	2014 RO	2013 RO
Costs	**840,000**	840,000
Accumulated depreciation	**(93,336)**	(62,224)
	746,664	777,776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

12 Goodwill

No impairment was considered necessary by the Board of Directors in 2014 and 2013, as the operations of the Parent Company have been profitable over the years and no specific indicators for impairment were identified.

13 Investments in subsidiaries

				Parent Company	
	Holding	Activity	Year of incorporation	**2014**	2013
				RO	RO
Al Hassan Engineering Company Dubai LLC	99%	Contracting in oil and gas	2001	**103,950**	103,950
Al Hassan Engineering Company Abu Dhabi LLC	49%	Contracting in oil and gas	2003	**51,450**	51,450
Al Hassan Technicas Reunidas Project LLC	95%	Contracting in oil and gas	2013	**142,500**	142,500
				297,900	297,900

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

(b) 51% (2013 - 51%) ownership of the Al Hassan Engineering Company Abu Dhabi LLC subsidiary and 1% (2013 – 1%) ownership of the Al Hassan Engineering Company Dubai LLC subsidiary are held in the personal names of certain individuals as nominees for the beneficial interest of the Group. The title to assets and liabilities of these subsidiaries, to that extent are legally held by such nominees. The Parent Company holds 100% beneficial ownership and exercises control over these subsidiaries. Accordingly these subsidiaries are considered to be entirely owned by the Parent Company. 5% (2013- 5%) ownership of the Al Hassan Technicas Reunidas Project LLC subsidiary is held with Technicas Reunidas S.A.

(c) The Board of Directors of the Parent Company consider that no impairment has arisen during the years 2014 and 2013 as the subsidiaries have positive net worth or orders on hand at the reporting date that will generate future cash flows and no specific indicators for impairment were identified.

14 Inventories

	2014 Group	**2014 Parent Company**	2013 Group	2013 Parent Company
	RO	**RO**	RO	RO
Materials	**3,501,332**	**3,052,357**	3,740,564	2,082,400
Spare parts and consumables	**128,059**	**128,058**	104,043	104,043
Tools	**1,016,321**	**938,569**	1,114,891	889,895
	4,645,712	**4,118,984**	4,959,498	3,076,338
Less: provision for slow/non moving inventories	**(1,295,558)**	**(1,295,558)**	(1,266,488)	(1,266,488)
	3,350,154	**2,823,426**	3,693,010	1,809,850

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

14 Inventories (continued)

The movement in the provision for inventories is given below:

	2014 Group and Parent Company RO	2013 Group and Parent Company RO
At the beginning of the year	**1,266,488**	1,920,617
Provided/(written back) during the year:	**51,725**	(533,110)
Written off during the year	**(22,655)**	(121,019)
At the end of the year	**1,295,558**	1,266,488

15 Financial instruments by category

(a) The accounting policies for financial instruments have been applied to the line items below:

Group	**Loans and receivables**	
	2014 RO	2013 RO
Assets as per statement of financial position		
Contract and other receivables (excluding prepayments and unbilled contract receivables)	**25,948,679**	18,740,005
Bank and cash	**2,367,758**	3,153,352
	28,316,437	21,893,357

	Other financial liabilities	
	2014 RO	2013 RO
Liabilities as per statement of financial position		
Short term borrowings	**31,112,482**	28,853,729
Trade and other payables (excluding accruals, advances and excess billings)	**32,615,445**	17,650,487
	63,727,927	46,504,216

Parent	**Loans and receivables**	
	2014 RO	2013 RO
Assets as per statement of financial position		
Contract and other receivables (excluding prepayments and unbilled contract receivables)	**32,023,299**	25,154,372
Bank and cash	**1,778,572**	2,543,757
	33,801,871	27,698,129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

15 Financial instruments by category (continued)

	Other financial liabilities 2014 RO	2013 RO
Liabilities as per statement of financial position		
Short term borrowings	**31,112,482**	28,853,729
Trade and other payables (excluding accruals, advances and excess billings)	**22,562,687**	13,038,746
	53,675,169	41,892,475

(b) Credit quality of financial assets

As per the credit policy of the company, customers are extended a credit period of up to 45 days in the normal course of business. However, in some cases, due to the market conditions and historical business relationship with the customer the credit period may be extended by a further period of 15 days. The credit quality of financial assets is determined by the customers' history of meeting commitments, market intelligence related information and management's trade experience.

Contract receivables **Counterparties without external credit rating:**	**2014 Group RO**	**2014 Parent Company RO**	2013 Group RO	2013 Parent Company RO
Up to 45 days	**8,953,715**	**4,040,061**	7,570,614	4,167,468
Due above 45 days	**3,501,689**	**1,587,992**	1,579,256	1,189,560
	12,455,404	**5,628,053**	9,149,870	5,357,028

Cash at bank

	2014 Group RO	**2014 Parent Company RO**	2013 Group RO	2013 Parent Company RO
Banks with rating of P-1	**573,493**	**125,855**	312,793	125,768
Banks with rating of P-2	**162,669**	**72,246**	499,796	97,720
Not rated	**1,445,899**	**1,445,899**	2,192,186	2,192,186
	2,182,061	**1,644,000**	3,004,775	2,415,674

The rest of the item 'bank balances and cash' in the statement of financial position comprises of cash in hand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

16 Contract and other receivables

	2014 Group RO	2014 Parent Company RO	2013 Group RO	2013 Parent Company RO
Contract receivables	12,455,404	5,628,053	9,149,870	5,357,028
Unbilled contract receivables	42,448,017	27,867,299	28,126,346	22,784,663
Advances to suppliers	6,153,650	5,021,300	2,273,630	1,412,791
Prepayments and other receivables	2,902,642	1,080,201	2,730,335	1,006,702
Less: allowance for credit losses	(672,040)	(672,040)	(365,159)	(365,159)
	63,287,673	38,924,813	41,915,022	30,196,025
Retentions receivable	7,614,232	6,115,976	7,502,436	5,134,397
Due from subsidiaries (note 25d)	-	15,555,540	-	13,462,623
Due from related parties (note 25d)	397,433	374,470	179,228	152,692
	71,299,338	60,970,799	49,596,686	48,945,737
Less: non-current portion of retentions receivable	(777,042)	-	(316,342)	(316,342)
	70,522,296	60,970,799	49,280,344	48,629,395

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

	2014 Group and Parent Company RO	2013 Group and Parent Company RO
At 1 January	365,159	802,951
Provided/(written back) during the year:		
Revenue	79,687	(366,396)
Contract costs	220,710	(68,896)
General and administration expenses	6,484	(2,500)
At 31 December	672,040	365,159

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

	2014 Group and Parent Company RO	2013 Group and Parent Company RO
Contract receivables	330,549	103,355
Unbilled contract receivables	305,291	225,604
Advances to suppliers	25,200	25,200
Prepayments and other receivables	11,000	11,000
	672,040	365,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

16 Contract and other receivables (continued)

(c) The unbilled contract receivables comprise:

	2014 Group RO	**2014 Parent Company RO**	2013 Group RO	2013 Parent Company RO
Contracts in progress at cost plus estimated attributable profits	**103,472,312**	**68,202,824**	185,252,793	164,432,350
Less: progress billings	**(61,024,295)**	**(40,335,525)**	(157,126,447)	(141,647,687)
	42,448,017	**27,867,299**	28,126,346	22,784,663

(d) At 31 December 2014, 8 customers (2013 - 10 customers) account for 88 % (2013 - 91%) of the contract receivables.

(e) The Group's and Parent Company's entire contract receivables are unsecured (2013 - 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 note 23 to the financial statements.

(g) The Group's contract receivables include RO 6,609,595 (2013 – RO 4,244,356) and the Parent Company's contract receivables include RO 3,351,154 (2013 - RO 1,982,699) due in foreign currencies.

(h) The Group's contract receivables amounting to RO 8,953,715 (2013 - RO 7,570,614) and Parent Company's contract receivables amounting to RO 4,040,061 (2013 - RO 4,167,468) are neither past due nor impaired and are estimated as collectible based on historical experience.

(i) Allowance for credit losses has been established as per the Group's provisioning policy.

(j) At the reporting date, 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:

	2014 Parent and Group Company RO	2013 Parent and Group Company RO
Debts due between 1.5 months - 6 months	**2,260,508**	375,638
Debts due between 6 months - 1 year	**1,014,570**	1,019,969
Debts due more than 1 year	**226,611**	183,649
	3,501,689	1,579,256

(k) At the reporting date, contract receivables of the Group and the Parent Company amounting to RO 330,549 (2013 – 103,355) are impaired and fully provided for.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

17 Cash and cash equivalents

	2014 Group RO	**2014 Parent Company RO**	2013 Group RO	2013 Parent Company RO
Cash in hand	**185,697**	**134,572**	148,577	128,083
Bank balances	**2,182,061**	**1,644,000**	3,004,775	2,415,674
	2,367,758	**1,778,572**	3,153,352	2,543,757

18 Share capital

(a) The share capital comprise of 100,000,000 shares (2013 - 100,000,000 shares) of RO 0.100 each (2013 - RO 0.100 each). The issued and fully paid up capital consists of 75,208,000 shares of RO 0.100 each (2013 - 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:

Shareholder	**% holding**	**2014 and 2013 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**

19 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.

20 Dividend

(a) No dividend has been proposed for 2014 (2013 – 5% of the share capital amounting to RO 376,040).

(b) Dividend per share is determined as follows:

	2014 Group and Parent Company	**2013 Group and Parent Company**
Dividend (in Rial Omani)	-	376,040
Number of shares outstanding	-	75,208,000
Dividend per share (in Rial Omani)	-	0.005

(c) During the year, an amount of RO 622 (2013 - RO nil) representing unclaimed dividends for the year has been transferred to the Investor's Trust Fund of the Capital Market Authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

21 End of service benefits

	2014 Group RO	2014 Parent Company RO	2013 Group RO	2013 Parent Company RO
At 1 January	**2,923,371**	**2,599,050**	2,489,407	2,281,613
Charge the year	**647,847**	**505,866**	709,908	530,744
Transfer to subsidiaries / related party	**(4,052)**	**(18,809)**	(17,530)	(16,714)
Expense recharged	**-**	**11,731**	-	-
Paid during the year	**(302,089)**	**(248,540)**	(258,414)	(196,593)
At 31 December	**3,265,077**	**2,849,298**	2,923,371	2,599,050

In accordance with the provisions of IAS 19 'Employee Benefits', management has carried out an exercise to assess the present value of its obligations as at 31 December 2014 and 31 December 2013, using the projected unit credit method, in respect of employees' end of service benefits payable under the Oman Labour Law 2003 and its amendments. The expected liability at the date of leaving the service has been discounted to net present value using a discount rate of 4% (2013 - 4%). Under this method, an assessment has been made of an employee's expected service life with the company and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 3% (2013 - 3%).

22 Deferred taxation

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

	1 January 2014 Group and Parent Company RO	Credit to statement of comprehensive income RO	31 December 2014 Group and Parent Company RO
Deferred tax liability:			
Accelerated tax depreciation	**345,050**	**(65,181)**	279,869
Goodwill	**105,360**	**-**	105,360
Deferred tax asset:			
Provision for inventories	**(151,979)**	**(3,488)**	(155,467)
Allowance for credit losses	**(43,819)**	**(36,826)**	(80,645)
Tax loss carried forward	**-**	**(379,958)**	(379,958)
Net deferred tax liability/(asset)	**254,612**	**(485,453)**	(230,841)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

22 Deferred taxation (continued)

	1 January 2013 Group and Parent Company RO	**Charge to statement of comprehensive income RO**	31 December 2013 Group and Parent Company RO
Deferred tax liability:			
Accelerated tax depreciation	**353,602**	**(8,552)**	345,050
Goodwill	**105,360**	**-**	105,360
Deferred tax asset:			
Provision for inventories	**(230,474)**	**78,495**	(151,979)
Allowance for credit losses	**(96,353)**	**52,534**	(43,819)
Net deferred tax liability	**132,135**	**122,477**	254,612

23 Bank borrowings

	2014 Group and Parent Company RO	2013 Group and Parent Company RO
Short term loans	**29,650,000**	28,000,000
Bank overdrafts	**1,462,482**	853,729
	31,112,482	28,853,729

Short term loans and overdraft facilities have been obtained from commercial banks at average interest rates ranging from 2.5% to 2.75% (2013 - 2.5% to 6.5%) per annum. The interest rates are subject to change upon renegotiation of the facilities which takes place on an annual basis in the case of overdrafts and at more frequent intervals in the case of short term loans.

24 Trade and other payables

	2014 Group RO	**2014 Parent Company RO**	2013 Group RO	2013 Parent Company RO
Trade payables	**6,498,050**	**4,431,982**	6,234,259	3,446,001
Creditors for capital purchases	**1,372,681**	**1,372,681**	205,809	205,809
Due to related parties (note 25d)	**1,493,505**	**1,466,264**	746,585	743,617
Accrued expenses	**3,465,373**	**2,295,478**	2,311,445	1,918,489
Accrued project expenses	**19,938,843**	**12,087,270**	8,680,833	7,478,680
Excess billings [see (c) below]	**1,935,300**	**1,935,300**	387,787	23,054
Advances from customers	**7,652,012**	**4,823,534**	4,355,844	3,029,965
Other payables	**3,312,366**	**3,204,490**	1,783,001	1,164,639
	45,668,130	**31,616,999**	24,705,563	18,010,254

(a) The Group's accounts payable include RO 3,179,115 (2013 - RO 544,044) and the Parent Company's accounts payable include RO 3,179,115 (2013 - RO 544,044) payable in foreign currencies.

(b) Other payables include a loss of RO 346,917 (2013 – gain of RO 4,356) which relates to a revision of forward currency contracts to fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

24 Trade and other payables (continued)

(c) The excess billings comprise of:

	2014 Group RO	2014 Parent Company RO	2013 Group RO	2013 Parent Company RO
Progress billings	**13,823,236**	**13,823,236**	8,043,483	3,894,417
Less: contracts in progress at cost plus estimated attributable profits	**(11,887,936)**	**(11,887,936)**	(7,655,696)	(3,871,363)
	1,935,300	**1,935,300**	387,787	23,054

25 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:

	2014 Group RO	2014 Parent Company RO	2013 Group RO	2013 Parent Company RO
Entities related to Directors				
Contract costs	**(1,420,529)**	**(1,420,529)**	(998,344)	(998,344)
General and administration expense	**(179,040)**	**(179,040)**	(201,553)	(201,474)
Contract income	**-**	**-**	141,710	141,710
Other income	**14,244**	**14,244**	15,782	-
Purchase of equipment	**-**	**-**	(2,115)	(2,115)
Subsidiary company				
Recharge of interest	**-**	**284,871**	-	186,949
Staff costs recharged	**-**	**371,773**	-	252,941
Contract income	**-**	**5,583,118**	-	2,491,395
Other income	**-**	**-**	-	6,453
Disposal of equipment	**-**	**-**	-	122,625

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

	2014 Group and Parent Company RO	2013 Group and Parent Company RO
Short term employment benefits	**321,004**	425,786
End of service benefits	**17,345**	23,680
Directors' sitting fees	**23,550**	20,750
	361,899	470,216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

25 Related parties (continued)

(c) The Directors' remuneration and meeting attendance fees is subject to shareholders' approval at the Annual General Meeting.

(d) The amounts due from subsidiaries are repayable on demand and carry commercial rates of interest. The amount due to and from other related parties are interest free and pertain to the entities related to the Directors (note 16 and 24). During the year, the Parent Company has waived interest for the year in respect of amounts due from a subsidiary company, the balance of which at 31 December 2014 is RO 4.10 Million (2013 - RO 3.82 Million).

(e) The Parent Company has provided bank guarantees to the customers of the subsidiary companies amounting to RO 13,078,239 (2013 - RO 11,527,777) [note 29].

26 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:

	2014 Group	**2014 Parent Company**	2013 Group	2013 Parent Company
Net assets (in Rial Omani)	**10,024,554**	**9,491,034**	12,192,385	12,307,845
Number of shares outstanding	**75,208,000**	**75,208,000**	75,208,000	75,208,000
Net assets per share (in Rial Omani)	**0.133**	**0.126**	0.162	0.164

27 Basic (loss)/earnings per share

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

	2014 Group	**2014 Parent Company**	2013 Group	2013 Parent Company
Net (loss)/profit for the year (in Rial Omani)	**(1,440,518)**	**(2,089,498)**	655,291	(678,205)
Average number of shares outstanding during the year	**75,208,000**	**75,208,000**	75,208,000	75,208,000
Basic (loss)/profit per share (in Rial Omani)	**(0.019)**	**(0.028)**	0.009	(0.009)

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.

28 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 of Oman (PDO) which has been substantially completed. 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 which are included in the Parent Company's financial statements for the year, based on management accounts as at 31 December 2014 are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

28 Joint venture (continued)

	2014	2013
	40% share in joint venture	%40 share in joint venture
	RO	RO
Current assets	**30,729**	79,587
Current liabilities	**32,955**	81,813
Accumulated losses	**2,226**	2,226

29 Contingent liabilities

Outstanding guarantees with banks relating to contractual performance in the ordinary course of business amounted to RO 39,887,641 (2013 - RO 22,270,848). Included in this amount are the guarantees issued on behalf of the subsidiaries totaling to RO 13,078,239 (2013 - RO 11,527,777).

30 Commitments

(i) **Purchase commitments**

Group
At the reporting date, the value of outstanding purchase orders amounted to RO 44,289,597 (2013 - RO 26,622,698).

Parent Company
At the reporting date, the value of outstanding purchase orders amounted to RO 27,444,154 (2013 - RO 9,467,230).

(ii) **Capital commitments:**

Group
At the reporting date, the value of outstanding purchase orders amounted to RO 368,990 (2013 - RO 458,245).

Parent Company
At the reporting date, the value of outstanding purchase orders amounted to RO 322,924 (2013 - RO 10,815).

(iii) **Other commitments:**

At the reporting date the Parent Company had:

(a) unutilized letters of credit relating to the commercial and financing operations amounting to RO 25,533,132 (2013 - RO 17,603,997).

(b) forward purchase contracts of foreign currencies (treated as cash flow hedges) amounting to RO 5,700,086 (2013 - RO 208,708) outstanding in order to cover specific liabilities for the purchases of materials.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

30 Commitments (continued)

	2014 Group and Parent Company RO	2013 Group and Parent Company RO
Amounts committed:		
Not later than one year	**20,194**	20,194
Later than one year not later than five years	**80,777**	80,777
Later than five years	**289,452**	309,646
	390,423	410,617

31 Operating segment

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

Group	**2014 Group**		2013 Group	
	Contract income	**Contract and other receivables**	Contract income	Contract and other receivables
	RO	**RO**	RO	RO
Sultanate of Oman - Parent Company	**43,441,627**	**60,970,799**	43,624,907	48,945,738
Sultanate of Oman – Subsidiaries	**16,159,924**	**10,849,524**	4,149,066	1,060,216
Other GCC countries – Subsidiaries	**22,276,481**	**23,700,392**	17,288,559	12,791,614
Elimination on consolidation	**(5,583,119)**	**(24,998,419)**	(2,491,395)	(13,517,224)
	76,294,913	**70,522,296**	62,571,137	49,280,344

Parent Company

Management has determined the operating segments based on the reports reviewed by the Board of Directors of the Parent Company that are used to make strategic decisions. The Board considers the business from a company level as the company is principally engaged in one segment which is electrical, mechanical, instrumentation and civil contracting. As the directors effectively look at only one company level segment, all relevant details are as set out in the statement of comprehensive income and statement of financial position.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

11(a) Property and equipment (continued)

Year 2014 Group	Freehold land	Buildings	Machinery and equipment	Furniture, fixtures and office equipment	Instrumentation and testing equipment	Vehicles	Capital work- in -progress	Total
	RO	RO	RO	RO	RO	RO	RO	RO
Cost								
At 1 January 2014	875,905	1,199,441	17,697,298	2,498,662	1,125,991	5,823,335	722,550	29,943,182
Reclassification	-	32,108	(34,943)	-	-	-	2,835	-
Additions during the year	-	111,907	1,260,580	410,694	34,080	897,898	949,296	3,664,455
Transfer	-	-	308,728	-	-	-	(308,728)	-
Disposals during the year	-	-	(157,542)	(15,442)	-	(93,775)	-	(266,759)
At 31 December 2014	875,905	1,343,456	19,074,121	2,893,914	1,160,071	6,627,458	1,365,953	33,340,878
Accumulated depreciation								
At 1 January 2014	-	125,111	12,368,873	1,904,538	1,022,760	3,672,842	-	19,094,124
Reclassification	-	(45,059)	96,399	(11,689)	(1,575)	(38,076)	-	-
Charge for the year	-	174,450	1,841,294	396,239	59,607	740,706	-	3,212,296
Disposals during the year	-	-	(136,535)	(15,259)	-	(93,770)	-	(245,564)
At 31 December 2014	-	254,502	14,170,031	2,273,829	1,080,792	4,281,702	-	22,060,856
Net book values								
At 31 December 2014	875,905	1,088,954	4,904,090	620,085	79,279	2,345,756	1,365,953	11,280,022

11(a) Property and equipment (continued)

Year 2014 Parent Company	Freehold land	Buildings	Machinery and equipment	Furniture, fixtures and office equipment	Instrumentation and testing equipment	Vehicles	Capital work- in-progress	Total
	RO	RO	RO	RO	RO	RO	RO	RO
Cost								
At 1 January 2014	875,905	238,240	15,906,467	2,026,330	1,092,178	5,254,152	234,878	25,628,150
Additions during the year	-	111,907	1,026,494	279,537	2,730	751,231	934,461	3,106,360
Transfer	-	-	308,728	-	-	-	(308,728)	-
Disposals during the year	-	-	(157,542)	(2,842)	-	(93,775)	-	(254,159)
At 31 December 2014	875,905	350,147	17,084,147	2,303,025	1,094,908	5,911,608	860,611	28,480,351
Accumulated depreciation								
At 1 January 2014	-	78,287	11,867,733	1,721,859	1,015,430	3,394,967	-	18,078,276
Charge for the year	-	89,409	1,442,944	338,796	45,725	628,368	-	2,545,242
Disposals during the year	-	-	(136,535)	(2,659)	-	(93,770)	-	(232,964)
At 31 December 2014	-	167,696	13,174,142	2,057,996	1,061,155	3,929,565	-	20,390,554
Net book values								
At 31 December 2014	875,905	182,451	3,910,005	245,029	33,753	1,982,043	860,611	8,089,797

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

11(a) Property and equipment (continued)

Year 2013 Group	Freehold land	Buildings	Machinery and equipment	Furniture, fixtures and office equipment	Instrumentation and testing equipment	Vehicles	Capital work- in -progress	Total
	RO	RO	RO	RO	RO	RO	RO	RO
Cost								
At 1 January 2013	875,905	958,367	17,515,877	2,333,646	1,106,145	6,186,915	415,998	29,392,853
Additions during the year	-	8,436	1,820,184	296,656	54,889	638,435	539,190	3,357,790
Transfer	-	232,638	-	-	-	-	(232,638)	-
Transfer from a related party	-	-	7,770	40,135	-	1,706	-	49,611
Transfer to a related party	-	-	(12,585)	(129,760)	-	(4,601)	-	(146,946)
Disposals during the year	-	-	(1,633,948)	(42,015)	(35,043)	(999,120)	-	(2,710,126)
At 31 December 2013	875,905	1,199,441	17,697,298	2,498,662	1,125,991	5,823,335	722,550	29,943,182
Accumulated depreciation								
At 1 January 2013	-	61,049	12,014,624	1,765,052	996,207	3,875,454	-	18,712,386
Charge for the year	-	64,062	1,801,763	265,506	61,270	727,686	-	2,920,287
Transfer to a related party	-	-	(5,015)	(89,424)	-	(2,895)	-	(97,334)
Disposals during the year	-	-	(1,442,499)	(36,596)	(34,717)	(927,403)	-	(2,441,215)
At 31 December 2013	-	125,111	12,368,873	1,904,538	1,022,760	3,672,842	-	19,094,124
Net book values								
At 31 December 2013	875,905	1,074,330	5,328,425	594,124	103,231	2,150,493	722,550	10,849,058

11(a) Property and equipment (continued)

Year 2013 Parent Company	Freehold land	Buildings	Machinery and equipment	Furniture, fixtures and office equipment	Instrumentation and testing equipment	Vehicles	Capital work- in-progress	Total
	RO	RO	RO	RO	RO	RO	RO	RO
Cost								
At 1 January 2013	875,905	229,804	16,324,512	1,925,780	1,096,202	5,680,975	-	26,133,178
Additions during the year	-	8,436	1,215,903	142,565	31,019	572,297	234,878	2,205,098
Disposals during the year	-	-	(1,633,948)	(42,015)	(35,043)	(999,120)	-	(2,710,126)
At 31 December 2013	875,905	238,240	15,906,467	2,026,330	1,092,178	5,254,152	234,878	25,628,150
Accumulated depreciation								
At 1 January 2013	-	61,049	11,771,448	1,572,603	993,111	3,690,660	-	18,088,871
Charge for the year	-	17,238	1,538,784	185,852	57,036	631,710	-	2,430,620
Disposals during the year	-	-	(1,442,499)	(36,596)	(34,717)	(927,403)	-	(2,441,215)
At 31 December 2013	-	78,287	11,867,733	1,721,859	1,015,430	3,394,967	-	18,078,276
Net book values								
At 31 December 2013	875,905	159,953	4,038,734	304,471	76,748	1,859,185	234,878	7,549,874

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