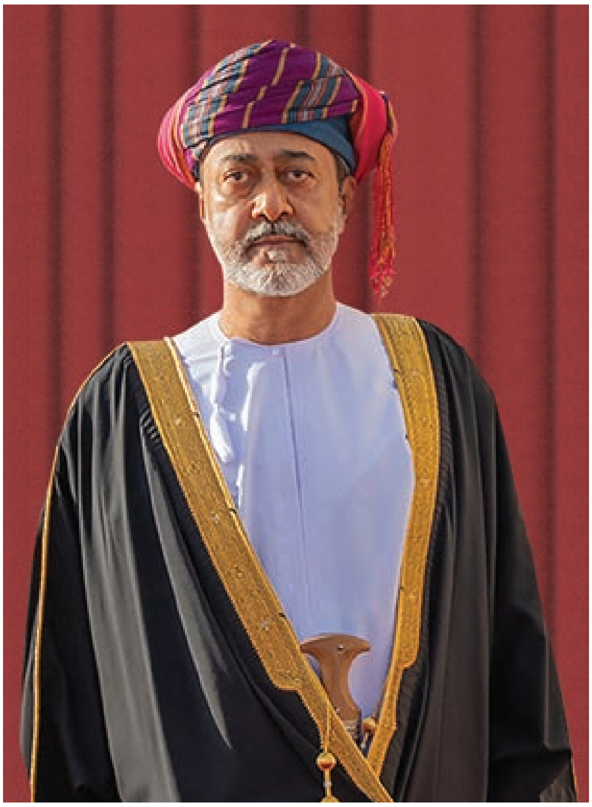
Galfar

ANNUAL REPORT 2019

Transforming landscapes.
TRANSFORMING LIVES.

His Majesty
Sultan Qaboos Bin Said (Late)



His Majesty
Sultan Haitham Bin Tarik

Contents

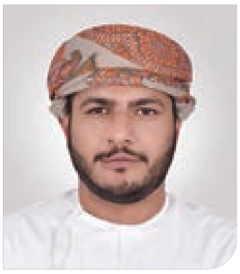
Board of Directors

Engr. Majid Salim Said Al Fannah Al Araimi

Engr. Majid Salim Said Al Fannah Al Araimi holds a BSc in Engineering Management from the University of Missouri, USA. He is one of the directors with an active role in developing the business of a group of private companies and several reputed educational institutions in the Sultanate of Oman. He is the Chairman of the Board of Directors of Galfar Engineering & Contracting SAOG from March 2017 till date.

Engr. Majid served as Operations Manager at Galfar Engineering & Contracting LLC from 1997 to 2006. He supervised the implementation of several projects awarded to the company, before he was elected as a Director in the Board of Galfar after transformation into a public joint stock company in 2007. He was a member in the Board of Directors of Oman International Development & Investment Co. SAOG (OMINVEST) between March 2001 and October 2015 and March 2017 to November 2018 and was a member in the Board of Directors of A'Saffa Foods SAOG from March 2017 to May 2020.

He is the Chairman of National Drilling and Services Co. LLC and Travel Point Group and holds office of Vice Chairman of a number of private companies.

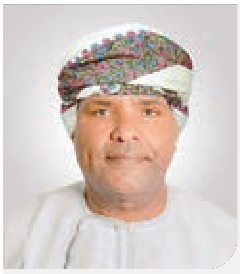


Eng. Mohiuddin Mohamad Ali

Mr. Mohiuddin Mohamad Ali, is a Civil Engineering graduate from Carnegie Mellon University, Pittsburgh, USA.

He is the Vice Chairman of PMA International LLC and MFAR Group of Companies which has presence in Construction, Hospitality, Education, Manufacturing and Real Estate & Development in the Sultanate of Oman, UAE, Qatar, Kuwait, Maldives, Sri Lanka and India.

Mr. Mohiuddin is the Chairman & Managing Director of Alpha Fishco LLC, a fisheries sector investment at SEZAD. He is the member of Board of Directors and Board of Trustees of National University of Science & Technology and various other companies in Engineering & Construction, Drilling, Hospitality & manufacturing sectors. He has been part of various Government and Private sector delegations & committees.



Mr. Hamdan Ahmed Hamood Al-Shaqsi

Hamdan Al Shaqsi started his career with Petroleum Development Oman in 1980 where he served for 20 years in various senior roles, part of which, he was cross posted to Brunei Shell Petroleum for 3+ yeas as the Asset Management Accountant for Corporate, New Business Development, Marine and Refinery.

In the year 2000 Hamdan joined Oman LNG where he served as the Chief Financial officer, Chairman of the Tender Board and Secretary to the Board of Directors.

In 2007 Hamdan left Oman LNG to be a co-founder, promoter, developer and CEO of, Gulf International Pipe Industry LLC (GIPI), a High Pressure ERW Pipe Mill in Sohar being the very first High-pressure Pipe Mill dedicated to serve the Oil and Gas sector in Oman. Since full divestment of their stake in GIPI during 2012 to TMK, Hamdan has led Golden Dunes International LLC as Shareholder & Chairman with diversified investments in Trading, Oil & Gas Services, Marine, Technology and Real Estate.

Hamdan holds an MBA majoring in Financial Management, ACCA finalist 1989 and is a Certified SAP ERP Consultant on CO module.

Engr. Kalat Ghuloom Hassan Al Bulooshi

Eng. Kalat Al Bulooshi is the Chief Executive Officer of Oman Investment Corporation SAOC and Chairman of Khazaen Economic City.

Eng. Kalat is an Omani leader in the private equity investment field. He has created opportunities, raised funds, successfully delivered more than 16 deals and investments in Oman. Thereby bringing foreign investments to Oman, creating sustainable development, employment opportunities and creating wealth to the investors. He led the development of a number of projects in Oman, such as Sembcorp Salalah Power & Water Plant, Khazaen Economic City, GIPI pipe mill, Takaful Oman, Aman Health Care. Invested in and was a key player in realizing other investments such as Nafath Renewable, Gulf Energy, OPCP, Omania Educational Services and V2 trenching.

Prior to this he worked in project management roles in PDO, Sohar Industrial Port and Sohar Aluminum. His work experience includes working for 3 years in Italy and Canada.

Kalat also serves as an independent board member in Galfar and has previously served as Deputy Chairman of Mwasalat, where he led the restructuring and turnaround of the public transport in Muscat and Oman. He was also an independent member in board of Oman Gas Company. He served in a number of national committees such as the PPP, participated on the Oman 2040 vision development and currently leading the private sector development work stream as part of the 10th 5-year plan by the Government.

Eng. Kalat holds an Engineering Honors Degree from UK and has completed the Wharton Advanced Management Program, a Wharton Alumni.

Eng. Salman Rashid Al Fannah Al Araimi

Engr. Salman Rashid Al Fannah Al Araimi received his Bachelor of Civil Engineering from The San Diego State University of USA. He started his career at Oman Telecommunications Co. (SAOG) as Head of Civil & Electrical Mechanical Engineer from 1988 to 1998 and then joined Nawras Company SAOG as a consultant for Civil & Electrical Mechanical for two years.

Engr. Salman is currently the Chairperson of Al Asala Group of Companies.

Mr. Badar Mohamed Rashid Al Fannah Al Araimi

Mr. Bader Mohamed Rashid holds a Masters in Global Finance Management from Regents Business School London, United Kingdom and Bachelors in Business Information Systems from Leeds Metropolitan University, United Kingdom. He is the Director of Al Siraj Investment Holding LLC

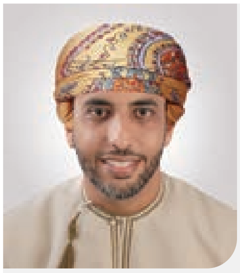
He started his career in the Internal Audit Department of Galfar Engineering & Contracting SAOG and then moved to HSBC. He is presently a board director in A'Sharqiya Investment Holding SAOG, Al Siraj Holdings LLC, Galfar Kuwait KSCC, Al Siraj Global Holdings LLC (DIFC), Travel Point LLC, Travel City LLC, Fortune Technology Services, Advanced Technology & Projects Co LLC, Delta International & Engineering LLC and Al Siraj Hospitality Management Services LLC.

Mr. Mohamed Taqi Ibrahim Al Jamalani

Mr. Mohammed Al Jamalani is an experienced and professional in regulatory, financial legal fields and capital markets industry with more than 29 years of practice. In addition, he has knowledge and experience in real estate development, construction and in trading businesses.

He was Vice President for insurance sector at Capital Market Authority beside various positions through heading and/or participating and managing different directorates, committees and official delegations. He holds Bachelors of Science in Economics and Finance from UK and has completed post graduate certificate in International Capital Markets Qualification from London Institute of Securities. In addition to participating in variety of courses, conferences, workshops and seminars including program in IMD.

Mr. Mohammed Al Jamalani's experience includes directorship of Oman Centre of Governance and Sustainability, membership of investment committee of Oman Chamber of Commerce and Industry and is the chairperson of a charitable Investment and Finance committee. He supervises the management of a family group of companies.



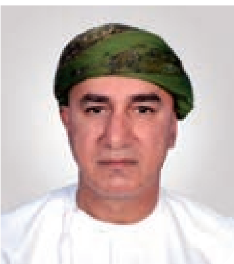
Engr. Said Salim Ali Al Hajri

Engr. Said Al Hajri is an entrepreneur who has founded a few companies. He is the founder of Vision Advanced Petroleum Solutions (VAPS), a consultancy company that is providing petroleum engineering solutions to oil companies. In addition, VAPS has built first ever regional laboratory for hydrocarbon analysis (PVT) in Oman. He is also a founder of Local Line LLC which is a chemical manufacturing and supplying company for oil and gas sectors.

Previously, Engr. Said held several positions in PDO as petroleum engineer, well services activities manager & new oil team leader.

Engr. Said graduated with honors from Imperial Collage with a dual degree in Mechanical Engineering and Master Degree in Petroleum Engineering. He is also a graduate of The National CEO program from IMD.

On another dimension, as a contribution to the society, Engr. Said has worked as a volunteer lecturer in Higher College of Technology teaching petroleum production engineering for the undergraduate program for four consecutive years. In addition, Engr. Said is MTC member of Oman Rail Company where he contributes in putting contracting strategies, ensuring the contracting process is fair & transparent. Also Engr. Said is an investment committee member of Oman National Investments Development Company.



Engr. Maqbool Hussein Salih Al Zadjali

Engr. Maqbool Hussein Salih Al Zadjali has over 35 years of experience in the Oil and Gas sectors, with particular expertise in major pipeline projects, construction management as well facilities projects.

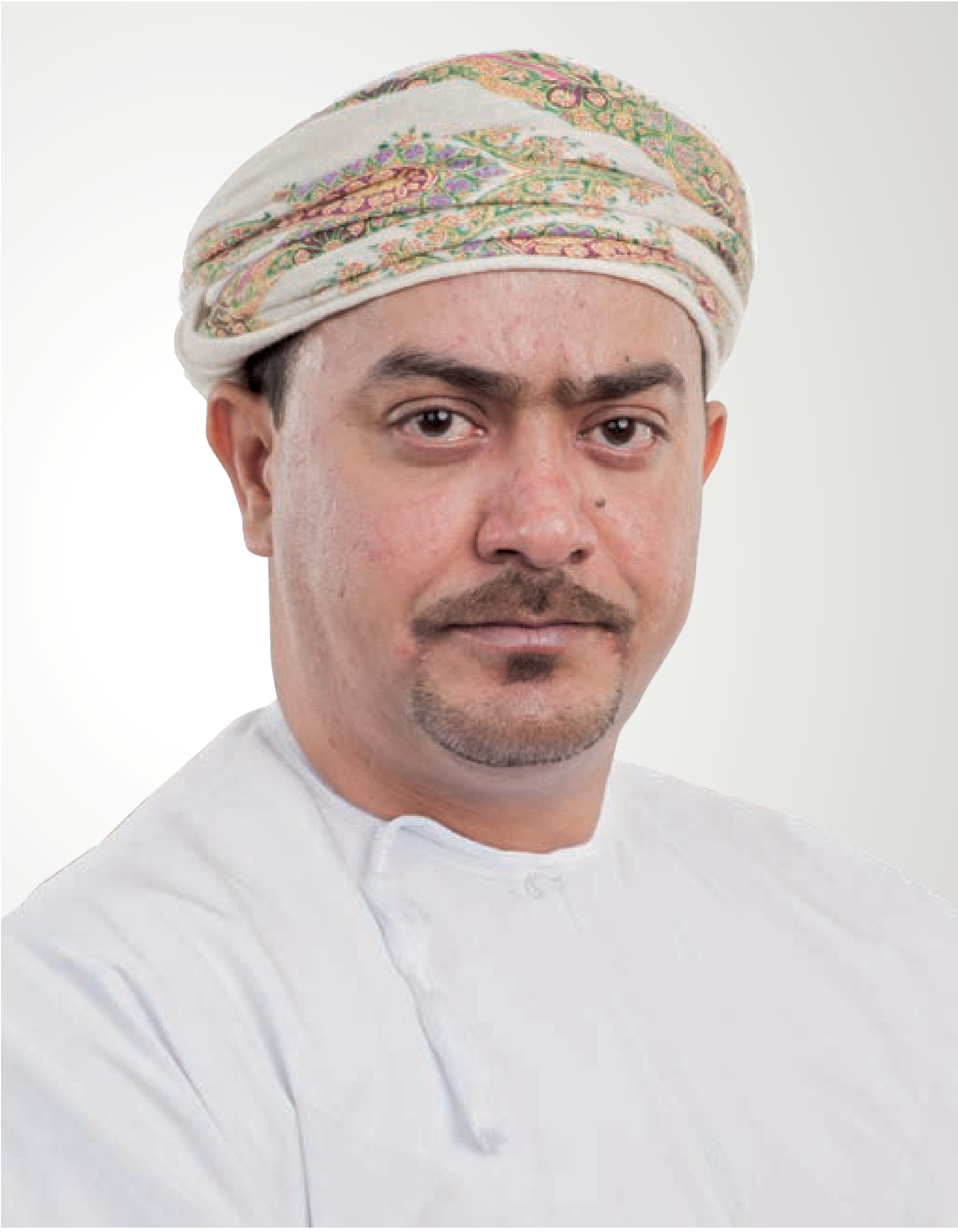
He holds bachelor degree in Mechanical Engineering from university of Sunderland (UK).

Maqbool spent most of his career in PDO, his last position was Engineering Manager (North) before proceeding on early retirement, prior to which he also worked in Singapore as resident engineer for PDO projects and then was assigned to Malaysia (Sarawak) for 4.5 years managing offshore pipeline projects for Shell Malaysia.

Mr. Fazlin Anam
Secretary of the Board

Mr. Fazlin Anam has over twenty-two years of experience in the Legal profession. He graduated from St. Stephens College and has a degree in law from Law Faculty, New Delhi. He worked for seventeen years as an attorney and legal advisor in the Supreme Court of India before joining Galfar in 2012. He was appointed by the Board in the post of Board Secretary in November 2017. The Secretary sends out the invitations for meetings of the board, prepares the topics to be listed in the Agenda, records the minutes of the meetings in detail and follows up the implementation of the resolutions adopted by the Board.

Director's Report



Dear Shareholders,

I am pleased to welcome you all on behalf of the Board of Directors to the Annual General Meeting of Galfar Engineering & Contracting SAOG and present to you the Annual Report for the year that ended 31 December 2019.

Overview

The Group's performance including discontinued operation during the year 2019 has resulted in net loss of RO 6.3 million in comparison to profit of RO 0.08 million in the year 2018.

The Parent Company's performance including discontinued operation during the year 2019 has resulted in net loss of RO 20.1 million in comparison to profit of RO 5.7 million in the year 2018. Parent Company's performance has substantially impacted due to provision, mandated by applicable IFRS requirement, for impairment of receivables and other current assets for an amount of RO 17.8 million. Management and Board is confident to collect the old outstanding receivables against which provision is created in the books of account resulting reversal of those provisions in the near future.

The company achieved certain improvements in cost control and planning and will relentlessly follow this improvement through in 2020.

The liquidity issues of the Company continued on account of delay in receipt of certified payment from the Government and its related entities. The unpaid certified receivables were at RO 60 million at closing of the year. This has impacted ability to do business and has impacted our profitability.

Some claims due to the changes in government legislation and Ministerial decisions, like increase in fuel prices and the minimum wages for National workforce are outstanding. The time taken by some clients and consultants to settle contractual matters and close out contracts has become significantly longer than it was a few years ago. This affects the recovery of retention money, which again affects the cash position. The delay in projects close out and the associated payments do not affect our contractual rights but as per the interpretation of the applicable International Financial Reporting Standards ('IFRS') provisions have to be made for them.

The arbitration awards in favor of the Company are expected to be realized in 2020. Part of the arbitration amount has already been realized in the year 2019.

Operations (Parent Company)

During the year, the parent Company was awarded new projects and extension/variation of worth RO 229. The major contracts awarded were:

- **MOTC -** Additional Third and Fourth Lanes in the existing Rusayl-Nizwa Dual Road from Muscat Expressway Interchange to Al-sharqia Expressway Interchange (Part 1) (RO 86 million),
- **PAW -** Construction of Water Distribution Network for Wilayat Al Hamra and Bilad Sait at Al Dakhiliyah Governorate (RO 27 million),
- **Saipem SPA -** MEI Works for Sub-Package A & C – PKG 3-Offsite Facilities for Duqm Refinery Project, Oman (RO 24 million)
- **PAW -** Water Supply Scheme for Al Ayn, Sint & Seeh Al Maashi at Ibri & Bahla Wilayats (RO 21 million),
- **China Petroleum –** Raz Markaz Crude Oil Park (Phase 1), Construction of Access Road Pre-Site preparation, grading, levelling, Earth works and blasting works. (RO 14 million)

The summary of the financial performance of the company including group companies is as follows:

in RO Millions

Particulars	2019	2018 (Restated)
Total Revenue	248.8	289.1
Profit/(loss) from operations	(14.7)	16.1
Profit/(loss) for the year after Tax	(6.3)	0.08

The Board and management continue to explore avenues to strengthen the company's financial position in a challenging external environment. There are strict measures in place to control the manpower expenses and overhead expenses. These efforts are expected to reduce cash outflow and improve the operating financial results going forward.

With the Government in the process of boosting tax revenues with introduction of VAT, the Company is preparing itself to realign its business process.

Subsidiaries & Associates

Pursuant to the approval by the shareholders in the EGM on the divestment of Indian investments, during the year the Company has signed the Sale Purchase Agreement with M/s PMA International. As of date the Company has received the advance and first installment amount. This deal will facilitate the company to concentrate on its core business in Oman and enhance value addition to the shareholders and stakeholders.

Associate company, Galfar Engineering & Contracting Kuwait KSC has recorded profit for the financial year 2019. The parent company is aiming to explore additional opportunities, particularly in infrastructure and oil & gas sectors.

Internationalisation

As part of its strategic plan, in addition to divestment from India, the Company continues to pursue international business opportunities in selected geography in MENA region with a view to diversify geographical concentration risk. The Company is expecting to get awarded a project at Kuwait through its wholly owned subsidiary at Kuwait, which was established in the previous year.

Omanisation

Galfar is committed to the development of Omani Nationals. The Company today employs 3,850 Omani Nationals and continues to actively recruit, train and retain these employees in technical and managerial cadres.

As part of improving Omanisation, 350 Omani staff were recruited in 2019. This includes 13 senior and middle management staff, 37 staff in various Omanised categories (by replacing expatriates) and 300 trainees. With the help of the National Training Fund, the newly recruited trainees are being given training to perform their roles effectively.

Plan for 2020 includes further improvements in Omanisation by recruiting more Omanis in the middle and higher level positions, continue the trainings to upgrade their skills, bring down their turnover below 5%, effectively address their grievances and recognize and reward star performers and long serving employees.

Corporate Governance

A report on corporate governance, management discussion and analysis as well as auditor's report confirming the compliance with the provisions of code of corporate governance are included in the Annual Report of the Company.

Corporate Social Responsibility

The Company has contributed to local communities wherever we deliver our projects. In addition, we are active in supporting innovation and safety campaigns throughout the country. The Company procured goods in Oman for RO 33 million and Subcontracts for RO 36 million.

Outlook

The order book of the company as on 31 Dec 2019 stands at RO 401 million (FY18: RO 380 million) out of which RO 111 million (FY18: RO 177 million) is related to oil and gas sector.

On Record

The Directors take this opportunity to thank the customers, shareholders, suppliers, bankers, business partners/associates, financial institutions and the Government of Sultanate of Oman for their consistent support and encouragement to the Company.

On behalf of the Directors, I convey my sincere appreciation to all employees of the Company and its subsidiaries and associates for their hard work and commitment. Their dedication and competence has ensured that the Company continues to be a significant and leading player in the contracting industry.

Tribute to late His Majesty Sultan Qaboos bin Said bin Taimour, for his visionary leadership and wise guidance, which placed Oman firmly on the path to peace, prosperity and sustainable development over the past five decades. We pledge to fully support His Majesty Sultan Haitham bin Tarik and his government in their endeavors to build even further on this outstanding legacy in the years to come.

Majid Salim Said Al Fannah Al Araimi

Chairman

Corporate Governance Report

Building a better working world

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REPORT OF FACTUAL FINDING
TO THE SHAREHOLDERS OF GALFAR ENGINEERING & CONTRACTING SAOG

We have performed the procedures agreed with you and enumerated below, pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' corporate governance report of Galfar Engineering & Contracting SAOG (the "Company") as at and for the year ended 31 December 2019 and its application of the corporate governance practices in accordance with amendments to CMA's Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code"), set forth in the accompanying Annexure. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the Code as issued by the CMA and are summarised as follows:

1) We obtained the corporate governance report (the "report") issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and

2) We obtained the details regarding areas of non-compliance with the Code, identified by the Company's Board of Directors, for the year ended 31 December 2019. The Company's Board of Directors has identified areas of non-compliance with the Code.

We report our findings below:

a) With respect to item 1 we found the report includes all the minimum items suggested by CMA in Annexure 3 of the Code.

b) With respect to item 2 we found that the Company has reported non-compliance with Company's policies and procedures with respect to related parties' procurement process and key management transactions and remuneration in note 33 to the financial statements for the year ended 31 December 2019.

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 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 accompanying corporate governance report of Galfar Engineering & Contracting SAOG to be included in its annual report for the year ended 31 December 2019 and does not extend to any financial statements of Galfar Engineering & Contracting SAOG, taken as a whole.

Ernst & Young LLC

Muscat
7 June 2020

Corporate Governance Report

Company's Philosophy

Galfar Engineering and Contracting SOAG is committed to good corporate governance and healthy corporate practices. The concept of good governance envisages care of the Company to enhance the value of all its stakeholders by adhering to proper methods of management, internal controls, accountability, corporate governance rules and high level of transparency to the extent of not affecting the competitive position of the Company.

The Company adopts high standards of Corporate Governance and has implemented the principles of the Code of Corporate Governance, promulgated by the Capital Market Authority. Transparency, Accountability, Fairness and Responsibility are the pillars of good Corporate Governance.

Board of Directors

The Board of Directors comprises of 9 members, all of whom are non-executives and five of them are independent. The election for a new Board will be held in the upcoming Ordinary Annual General Meeting on Sunday 28th June 2020.

The Directors are well experienced in their diversified professional fields and have given great support to practice good governance, to supervise the performance of the Company's business with the view to ensuring its effectiveness and enhancement of shareholders value. An induction program is conducted to ensure that new Directors are acquainted with the Executive management and Company's activities.

Mission of Galfar Board is to steer the Company towards achieving its objectives, short and long terms strategic plans, besides monitoring the Company's businesses and its operations. In this context the Board gives support to Executive Management, without interfering in their day-to-day works, to perform their duties successfully and properly towards achieving the company's objectives.

No Director is a member of more than 4 joint stock public companies whose shares are listed on the Muscat Securities Market (MSM) and no Director is chairman of more than 2 public companies whose principal office is in the Sultanate of Oman. None of the Directors are members of a Board of a joint stock public or closed company which carries out similar business and whose principal office is in the Sultanate of Oman.

All our employees are guided by code of conduct including Board members and senior management. Code of conduct is featured in Company's web site www.galfar.com. New employees are given induction and trained on code of conduct.

The Board exercises its primary functions and duties in line with the powers stipulated in the Articles of Association of the company and the principles provided for in the Code of Corporate Governance. For this purpose, the Board is assisted by various sub committees and the higher executive management of the Company.

Board of Directors

Sr. No	Name of Director / Juristic person he Represents (if any)	Designation	Category	Directorship in Other Joint Stock Companies
1.	Engr. Majid Salim Said Al Fannah Al Araimi	Chairman	Non Independent Non - Executive	A'saffa Foods SAOG
2.	Engr. Mohiuddin Mohamad Ali	Vice-Chairman	Non Independent Non – Executive	Oman Medical College S.A.O.C
3.	Mr. Kalat Ghuloom Hassan Al Bulooshi	Director	Independent, Non - Executive	Sembcorp Salalah Power and Water SAOG, Oman Investment Corporation SAOC Khazaen Development and Investment Co.SAOC
4.	Mr. Hamdan Ahmed Hamood Al-Shaqsi	Director	Independent, Non-Executive	None
5.	Mr. Mohamed Taqi Ibrahim Al Jamalani	Director	Independent, Non - Executive	National Life & General Insurance Co. SAOG, Horizon Capital Markets SAOC
6.	Engr. Salman Rashid Al Fannah Al Araimi	Director	Non Independent Non - Executive	National Factory for Security & Safety Equipments SAOC
7.	Mr. Badar Mohamed Rashid Al Araimi	Director	Non Independent, Non - Executive	A'sharqiya Investment Holdings SAOG
8.	Mr. Maqbool Hussein Salih Al Zadjali	Director	A'sharqiya Investment Holdings SAOG	None
9.	Mr. Said Salim Ali Al Hajri	Director	Independent, Non - Executive	Oman National Investments Development Co. SAOC

Board Meetings:

During the year 2019, the Board held (11) meetings in (12) sessions and passed 38 resolutions by circulation. The dates of the meetings and the attendance details are given in the following table:

Board of Directors Meetings & Attendance Details - Year 2019

		Board Meeting - 2019										
Sr No	Name of Director	M93 / 17-Jan	M94 / 3-Feb	M95 / 11-Mar, 17-Mar	M96 / 20-May	M97 / 1-Aug	M98 / 10-Sep	M99 / 29-Sep	M100 / 11-Nov	M101 / 24-Nov	M102 / 16-Dec	M103 / 18-Dec
1	Engr. Majid Salim Said Al Fannah Al Araimi	√	√	√	√	√	X	X	√	√	X	√
2	Engr. Mohiuddin Mohamad Ali	X	X	√	√	√	√	√	√	√	X	√
3	Engr. Salman Rashid Al Fannah Al Araimi	X	√	√	√	√	√	√	√	√	√	√
4	Mr. Badar Mohamed Rashid Al Araimi	√	√	√	√	X	√	√	√	√	√	√
5	Engr. Kalat Ghuloom Hassan Al Bulooshi	√	√	√	√	X	√	√	√	√	X	√
6	Mr. Mohamed Taqi Ibrahim Al Jamalani	√	√	√	√	√	X	√	√	√	√	√
7	Engr. Said Salim Ali Al Hajri	√	√	√	√	X	X	X	√	√	√	X
8	Engr. Maqbool Hussein Salih Al Zadjali	√	√	√	√	√	√	√	√	√	√	√
9	Mr. Hamdan Ahmed Hamood Al-Shaqsi	√	√	√	√	X	√	√	√	√	√	√

Sub-Committees of the Board:

The following Sub-committees assist and support the Board in carrying out its responsibilities.

Executive Committee (Ex-Com)

The Executive Committee comprises of 4 members. The primary role and responsibilities of the Committee are to Provide strategic direction to the Company by working closely with management to develop and accomplish the Company's objectives, strategies, and performance targets that by way of improving the financial position; Review the annual budget and business plan; Study of Investment Opportunities / Divestment; Setting and monitoring the required supervisory procedures for the performance of all the Company Units from all aspects, and Monitors the performance of all Company's units.

EX-Com Members & Meetings

During the year 2019, Ex-Com held 5 meetings. The following table shows names of the members, dates of the meetings and attendance details:

Sr. No.	Committee members	Designation	M47 / 28-Jan	M48 / 5-Mar	M49 / 9-May	M50 / 29-Jul	M51 / 7-Nov
1.	Engr. Majid Salim Said Al Fannah Al Araimi	Chairman	√	X	√	√	√
2.	Engr. Mohiuddin Mohamad Ali	Member	√	√	√	√	√
3.	Engr. Kalat Ghuloom Hassan Al Bulooshi	Member	√	√	X	X	X
4.	Engr. Maqbool Hussein Salih Al Zadjali	Member	X	√	√	√	√

Audit Committee:

The Audit Committee comprises of 5 non-executive members, from which 3 are Independent members. The primary responsibilities and functions of Audit Committee are to provide assistance to the Board of Directors in fulfilling its responsibilities of monitoring and overseeing the adequacy and effectiveness of the internal control systems, procedures, financial reporting process, the effectiveness of the internal audit function and recommends the appointment of the external auditor in performing its duties, the committee maintains effective working relationships with the board of directors, management, and the external and internal auditors.

Audit Committee Members & Meetings:

The Audit Committee held 7 meetings in the year 2019. The dates of the meetings and the attendance details are given in the following table:

Sr. No.	Members of the committee	Designation	06-Mar	19-May	31-Jul	16-Sep	18-Sep	29-Sep	07-Nov
1.	Mr. Hamdan Ahmed Hamood Al-Shaqsi	Chairman	√	√	√	√	√	√	√
2.	Engr. Salman Rashid Al Fannah Al Araimi	Member	√	√	√	√	X	√	√
3.	Mr. Mohamed Taqi Ibrahim Al Jamalani	Member	√	√	√	√	√	√	√
4.	Engr. Said Salim Ali Al Hajri	Member	√	√	X	X	X	X	X
5.	Mr. Bader Mohamed Rashid Al Araimi	Member	√	√	X	√	√	√	√

Human Resource Nomination and Remuneration Committee (HRN&RC):

The Human Resource Nomination and Remuneration Committee (HRN&RC) was formed by the Board in accordance with the requirements of the Code and comprises of 3 members. The Committee scrutinizes the candidates for election and recommends election of the Candidates who fulfill the required criteria and skills to the Board of Directors. It assists the board in selecting the suitable executives to the executive management and oversees the succession planning for such key executives.

HRN Members & Meetings:

The HRN&RC Committee held 2 meetings in the year 2019. The dates of the meetings and the attendance details are given in the following table:

Sr. No.	Members of the Committee	Designation	M18 / 28 Mar	M19/ 17 Sep
1	Engr. Said Salim Ali Al Hajri	Chairman	√	√
2	Engr. Mohiuddin Mohamad Ali	Member	√	√
3	Mr. Bader Mohamed Rashid Al Araimi	Member	√	√

Sitting Fees & Remuneration to the Board of Directors:

The rate of siting fees approved by the shareholders for the year 2019 is OMR 700 per each Board meeting and OMR 400 per each of the sub- committees meeting.

The amount of the total sitting fees for the board meetings and the sub-committees meetings held in 2019 is OMR 77,500

Sr. No	Name of Director & Representative	Sitting Fees	Remuneration	Total
		OMR		OMR
1	Engr. Majid Salim Said Al Fannah Al Araimi	7,200	-	7,200
2	Engr. Mohiuddin Mohamad Ali	8,400	-	8,400
3	Engr. Salman Rashid Al Fannah Al Araimi	9,400	-	9,400
4	Mr. Bader Mohamed Rashid Al Araimi	10,000	-	10,000
5	Engr. Kalat Ghuloom Hassan Al Bulooshi	7,100	-	7,100
6	Mr. Mohamed Taqi Ibrahim Al Jamalani	9,800	-	9,800
7	Engr. Said Salim Ali Al Hajri	6,500	-	6,500
8	Engr. Maqbool Hussein Salih Al Zadjali	9,300	-	9,300
9	Mr. Hamdan Ahmed Hamood Al-Shaqsi	9,800	-	9,800
Total				**77,500**

Note: The above sitting fees will be approved in upcoming AGM in 2020 and will be recognized as expense in the financial statements for the year ending 31 December 2020.

Annual General Meeting:

The Annual General Meeting for the year 2018 was held on 8th April 2019. The attendance details are given below.

Sr. No.	Name of Director & Representative	Designation	Attendance
1.	Engr. Majid Salim Said Al Fannah Al Araimi	Chairman	√
2.	Engr. Mohiuddin Mohamad Ali	Vice Chairman	√
3.	Engr. Salman Rashid Al Fannah Al Araimi	Director	√
4.	Mr. Bader Mohamed Rashid Al Araimi	Director	√
5.	Engr. Kalat Ghuloom Hassan Al Bulooshi	Director	√
6.	Mr. Mohamed Taqi Ibrahim Al Jamalani	Director	√
7.	Engr. Said Salim Ali Al Hajri	Director	√
8.	Mr. Hamdan Ahmed Hamood Al-Shaqsi	Director	√

Corporate Social Responsibility (CSR):

In line with Principal 13 of the code of Corporate Governance, Galfar integrates its business values and operations for boosting up the national economic development of Oman. Galfar supports monetarily and technically, within its capabilities, the surrounding Communities at projects work sites and society at large, protecting the environment and safety of the citizens and striving to meet expectations of all stakeholders.

During the year 2019, the Company contributed a sum of OMR 1,000 for social support and has estimated a budget in a sum of RO 100,000 for the social support for the year 2020.

Procedure for Standing as a Candidate for the Board:

The Company's Board of Directors comes up for election once in three years. Accordingly, the present Board will come up for election in the upcoming Annual Ordinary General Meeting. In case any vacancy arises due to resignation of any one of its Board members, it will be filled up temporarily, and is subject to election at the next Annual General Meeting.

The right to stand as a candidate for membership of the Board of Directors of the Company is open to shareholders and non-shareholders who satisfy the legal requirements provided for in the Commercial Company Law, the Articles of Associations of the Company and principles of the Code of Corporate Governance.

In case of a shareholder, whether in personal capacity or representing a juristic person, he must have a minimum equity of not less than 10000 shares. Any person who wishes to stand as a candidate for the Board and is eligible for the same as per the regulations as well as the Articles of association, is required to submit the candidacy form as prescribed by CMA. A candidate who stands for election to the Board is elected at the General Meeting by following the procedures laid down in the Commercial Companies Law, and rules and regulations issued by the CMA.

The Company's Legal Advisor reviews the candidates form to ensure that all the required information is recorded and the candidates satisfy all the terms and conditions of the election process.

Key Management Remuneration:

Total remuneration during the financial year 2019 to key Management (top 6) was RO 625,843.

Employment contract

Employment contracts to staff are for a period of one to two years, which is subject to renewal at the time of expiry based on terms and conditions agreed between the parties. Notice period is one month for all positions or salary in lieu thereof.

Non-Compliance:

The Company complies with the principles of Code of Corporate Governance. During the year 2019, CMA had imposed penalty for delay in disclosing the approved unaudited Financial statements for Q1 2019.

Compliance with Rules and Regulations:

The Company has been following the applicable rules and regulations issued by MSM, CMA and those stipulated in the Commercial Companies Law and Articles of Association of the Company. The Compliance with Rules and Regulations are monitored and ensured jointly by the Legal & Compliance Department and the Internal Audit Unit in coordination with the other units.

However, there were only 3 transactions identified by Internal Audit, whereby Management did not comply with the Related Party Transaction procedures and the related provisions of Corporate Governance. The justifications for non-compliances by Management have been looked into by Internal Audit and are reported to Audit Committee and Board of Directors to ensure that such incidents are avoided and appropriate measures as directed by the Code of Corporate Governance are adopted.

We continually strive to improve future monitoring of Related Party Transactions by incorporating and automated flagging in our ERP system to identify all RPT entities that have been declared. This automation will avoid human errors and potential non-compliance by Management in the process.

The Company has in place internal regulations and control systems duly approved by the Board which includes Manual of Authority, policies for Whistle blowing, Code of conduct, Related Party Transactions, Revenue Recognition in addition to a Corporate Social Responsibility Policy. The Company follows the disclosure rules of the Capital Market Authority and the disclosure guidelines for Public Listed Companies of the Muscat Securities Market.

Communication with Shareholders and Investors:

The Company maintains good communication with shareholders and Investors and responds as much as possible to their queries and requests in line with the disclosures rules.

The Company publishes its un-audited financial results in the newspapers on a quarterly basis and the audited financial statements annually. Detailed financial statements are sent to shareholders on request. The Company posts its quarterly and annual results on MSM website, and also on the Company's website: www.galfar.com. All the Company's announcements are posted on MSM's website.

The Management discussions and analysis report forms an integral part of the Annual Report.

Statement on Market Price and distribution of Holdings:

Market High/Low price during each month of 2019:

Sr. No.	Month	High	Low	Closing
1	Jan-19	0.084	0.072	0.073
2	Feb-19	0.087	0.069	0.086
3	Mar-19	0.091	0.079	0.088
4	Apr-19	0.102	0.081	0.082
5	May-19	0.084	0.076	0.080
6	Jun-19	0.087	0.078	0.080
7	Jul-19	0.082	0.075	0.078
8	Aug-19	0.083	0.078	0.082
9	Sep-19	0.086	0.076	0.076
10	Oct-19	0.084	0.076	0.077
11	Nov-19	0.080	0.077	0.077
12	Dec-19	0.079	0.066	0.069

Distribution of Ownership of Shares shareholders at 2019 (Including Shares preferential voting rights)

Sr. No.	Category	No. of Shareholders	No. of Shares	% of Shareholding
1.	Less than 5%	4,312	141,063,045	33.97
2.	5% to 10%	2	51,442,431	12.39
3.	Above 10%	4	222,710,161	53.64
Total		**4,318**	**415,215,637**	**100.00**

There are no Securities / Convertible Financial Instruments as on the reporting date which will have an impact on the Shareholders' equity.

Profile of the Statutory Auditor

EY is a global network of firms in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923 and employs over 7,000 professionals. EY has been operating in Oman since 1974 and is one of the leading professional services firms in the country. EY MENA forms part of EY's EMEIA practice, with over 4,889 partners and approximately 124,318 professionals. Globally, EY operates in more than 150 countries and employs 328,597 professionals in 700 offices. Please visit ey.com for more information about EY.

Audit fees of the Company and Subsidiaries:

Audit Fees of Company and Subsidiaries and fees for other services paid to the Auditors for 2019.

Amount (In RO)

Sr. No.	Particulars	Audit	Others
1.	Galfar Engineering and Contracting SOAG	55,000	11,500
2.	Al Khalij Heavy Equipment & Engineering LLC (Subsidiary)	2,100	300
3.	Galfar Training Institute LLC (Subsidiary)	1,350	350
4.	Aspire Projects & Services LLC (Subsidiary)	3,000	500
5.	Galfar Aspire Ready-mix LLC (Subsidiary)	3,000	500

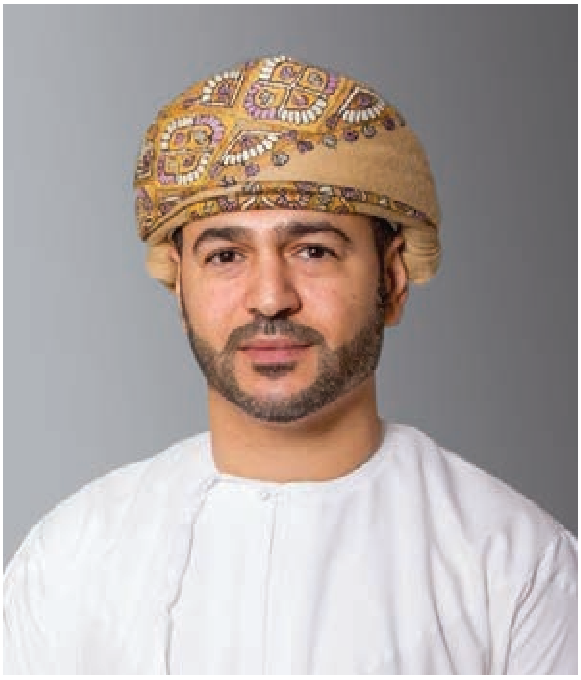
The Board of Directors acknowledges the preparation of financial statements in accordance with the applicable standards and rules. The internal control systems of the Company are efficient and adequate and that it complies with internal rules and regulations and there is no material matter that affects the continuation of the Company and its ability to continue its operations during the next financial year.

Majid Salim Said Al Fannah Al Araimi

Chairman

Management Discussion and Analysis Report

Management Discussion and Analysis Report 2019



General Overview

The construction and contracting business are among those sectors expected to receive highest impact of current downturn due the economic implications of COVID-19 pandemic and drop in oil & gas prices. As one of the mitigations taken by the government, the country's 2020 budget has been reduced by 10% affecting expenditure in infrastructure and some development projects.

In addition, the oil and gas industry considered several mitigations to reduce expenditure in new projects and development of oil fields. This has been elevated by the planned OPEC plus oil production cuts as attempt to restore oil prices.

The cash-flow strains with the government treasury have affected severely payments of dues to Engineering and Contracting business such as Galfar, adding burden to these businesses to bridge the cash flow deficit with expensive short-term borrowing. Within the current economic situation it is essential to improve cash-flow and payment of dues to contractors to sustain in the short term.

Galfar performance overview in 2019

Galfar Engineering and Contracting SAOG maintained its position as a flagship of Oman construction and contracting business with operations across the Sultanate. Galfar remains one of the largest employers of Omani nationals in the Private Sector.

Galfar's objectives are always aligned with the policies of the Sultanate, with its core objective to satisfy its stakeholders and clients through committed efforts to deliver projects on time and in strict compliance with safety and quality standards.

The Group's performance during the year 2019 has resulted in negative contribution to the equity and increase in accumulated losses due to significant amount of provision for impairment of receivables.

During the year, the Company has completed the divestment process of Indian operations and received part of the money from the buyer.

In spite of the difficult economic conditions as explained above, the Company managed to generate a positive cash flow during the year under review. The Company was successful in collecting certain long pending receivables from its clients. This has facilitated to reduce its bank borrowing. However, there are significant amount of overdue receivables to be collected especially from Government entities.

Asset turnover ratio for the year is also very much improved in comparison to previous periods.

During the year Company, including its subsidiaries, has recorded turnover of RO 248.8m (2018: RO 289.1m) with loss after tax of RO 6.3m (2018: Profit RO 0.08 m).

The parent company's turnover for the year 2019 was RO 231.4m (2018: RO 272.3m) and reported loss after tax of RO 21.4m (2018: Profit RO 5.7m).

The performance of the subsidiaries is as follows:

Galfar Aspire Readymix LLC, which produces ready mix concrete, recorded a turnover of RO 19.8 m (2018: RO 17.9 m) with loss after tax RO 0.5 m (2018: RO 1.6 m).

Aspire Projects and Services LLC which is a specialized engineering and services company had a turnover of RO 7.7 m (2018: RO 7.7 m) with profit after tax RO 0.4 m (2018: RO 0.6 m).

Al Khalij Heavy Equipment & Engineering LLC which specializes in hiring out of equipment recorded a turnover of RO 1.7 m (2018: RO 1.8 m) and incurred a profit RO 0.01 m (2018: Loss RO 0.02 m).

Galfar Training Institute LLC which specializes in the field of training Omanis in various trades recorded a turnover of RO 0.4 m (2018: RO 0.7 m) and incurred a loss of RO 0.06 m (2018: RO 0.05 m).

During the year under review the Company has received new orders worth RO 229 Million. This has contributed to increase the value of orders on hand as on 31 December 2019 to RO 401 million.

Business Scenario

The business scenario demands a transformation for achieving operational excellence.

Transformation initiatives started in 2016 includes but not limited to the following:

1. Strengthening execution and operational efficiency

   The Company is focused on operational cost reduction and efficient use of resources for achieving profitable growth in the competitive business environment. The emphasis is on better contract and project management and lean operations. The endeavour is to lower cost by maintaining quality and managing complexity. The transformation programme initiated in 2016, will continue and includes organizational transformation, liquidity management and assets optimization, overhead cost reductions, productivity improvement and lean execution, supply chain management optimization and site skill-based training. The newly introduced construction methods have enhanced the operational performance in all areas of the business.

2. Value addition to business

   The company is focused on value creation and enhancing return through monetization. As such all Indian operations were sold.

3. Emphasize on Improving Working capital level

   The Company will continue to focus on reducing the working capital level by emphasis on speedy collection, accelerating invoicing of work completed and reducing inventory level.

4. System implementation

   The company has identified system implementation as a key driver to enhance its competitiveness. Various initiatives are underway through implementation of Xpedeon, an enterprise resource model, which integrates project management.

5. Organizational Restructure

   The company is also regularly amending the organization structure in order to achieve cost effective cost effective efficient operations.

Quality, Health, Safety and Environment

Galfar consistently maintains a competitive edge through its management systems certified for compliance with ISO 29001:2010 (Petroleum & Petrochemical Sector Standard), ISO 9001:2015 (Quality), OHSAS 18001:2007 (Health & Safety) and ISO 14001:2015 (Environment) standards.

Despite exposure to high level of activities and challenges, our performance continues to be encouraging; we have worked 70 million man hours and have driven 71 million kilometers collectively during the year 2019. The Lost Time Injury Frequency recorded during the year is 0.17 (lower than the set limit of 0.28). The Road Traffic Accident Frequency of the company for the period is also lower than the limit set for the year (1.53 against 2.0).

Over the course of 2019, we have maintained international best practices on our projects and incorporated new initiatives successfully to reduce defective work and reduction of incidents:

- A new HSE Induction video has resulted in customer accolades and better HSE output
- 4M – 'Lean Methods' – revitalization of methods, procedures and tools to enhance productivity
- Pre-activity workshops – significant reduction of re-work through engaging workers responsible for technical on-site activities
- Quarterly CEO Award for the 'Best Near Miss Reporter'.

Galfar senior management is a key component of high levels of success. They imbibe and live by the company's values, policies and procedures and demonstrate effective leadership by inspiring staff and the workforce towards higher levels of performance.

Our focus throughout the year has been to support SMEs and Local Community Contractors.

Human Resources and Omanization

Galfar is committed to developing its resource and maintaining its Omanization targets. Our total salary bill remains a high risk to profitability which can only be offset by enhanced people and equipment output. To that effect daily performance monitoring and enhancement has been introduced. Galfar aims to accomplish employee development through transparent and harmonious HR policies, maintain a motivating work environment and retain talent. Our goal is to be seen as the employer of choice.

As part of improving Omanization, 350 Omani staff were recruited in 2019. This includes 13 senior and middle management staff, 37 staff in various Omanized categories (by replacing expatriates) and 300 trainees. With the help of the National Training Fund, the newly recruited trainees are being given training to perform their roles effectively.

Galfar outlook for 2020

For 2020 the Government development budget is 1300 Mln RO. Continuous development in roads and ports, water and power and sewage treatment infrastructure is expected.

Oil and Gas

There are several Projects in this sector and we expect tenders in the range of RO. 350 Million to be released during the year 2020 by all major oil Companies. These will range from upstream maintenance and service contracts to downstream process related projects. Some of these Projects are in the Oil and Gas concession areas while others will be in and around Duqm. The Projects envisaged will also include large diameter cross-country pipelines.

In the coming years, new opportunities in engineering and construction are expected from BP and ENI, who have signed an Exploration and Production sharing agreement with the Ministry of Oil and Gas to work jointly towards a significant new exploration opportunity in Oman. The same is expected from the signing of an interim agreement by the Ministry of Oil and Gas with Shell and Total for the development of integrated gas projects in Oman.

Roads & Bridges

With several noteworthy iconic projects, Galfar continues to be a Contractor of choice for the Roads sector in Oman. During the year 2019 Galfar was primarily engaged in finishing the ongoing projects. Our wait for some of the Projects scheduled for last year will end soon, and we are in full preparedness to proceed with their execution.

Civil and Marine

The Civil and Marine Unit of Galfar continues to deliver its commitments thorough 2020. Both the Hospital and the Duqm Fishery Port are well underway towards completion. We expect to be awarded a few projects in 2020.

Utilities and Services

With the award of the Sultan Qaboos University Maintenance works our Utilities and Services unit has secured its future in the O&M Sector. While the competition is cut-throat we will strive to maintain the high standards we have brought to this sector and continue to maintain our position as a “prime choice” O&M contractor.

Further, with substantial tenders announced in the power transmission and distribution, we believe the Unit can grow in the utility sector with prominence.

Opportunities in the water management sector will continue to grow with increased transmission and distribution networks being installed in the Sultanate.

Risks

Risks remain an integral part of the construction business in the region. The construction sector faces the risk of higher cost of capital and increasingly difficult access to working capital in the future.

The main threat is the delay in receipt of payment for major projects which has led to significant unpaid certified receivables which further increased since the beginning of 2020. Another major threat is the economic implication of the ongoing Covid-19 pandemics which poses risks of uncertain proportion to the business.

Galfar has a strong confirmed order book paired with a positive business development pipeline. However, an increasingly difficult macroeconomic context could cause clients to slow down or even stop ongoing projects and delay award of new projects.

The profitable delivery of projects relies on the right talent. Higher salaries in other countries in the Arabian Peninsula are driving away expatriate workforce and pose a risk to Galfar operations. At the same time, the construction sector is struggling in attracting experienced Omani nationals.

To mitigate this, the Company is actively involved in risk management and impact of events on project progress is reviewed weekly with the Management Leadership Team.

Our gratitude and commitment

Galfar take this opportunity to thank the customers, shareholders, suppliers, bankers, business partners/associates, financial institutions and the Government of Sultanate of Oman for their consistent support and encouragement to the Company.

On behalf of Galfar, I convey my sincere appreciation to all employees of the Company and its subsidiaries and associates for their hard work and commitment. Their dedication and competence has ensured that the Company continues to be a significant and leading player in the contracting industry.

Tribute to late His Majesty Sultan Qaboos bin Said bin Taimour, for his visionary leadership and wise guidance, which placed Oman firmly on the path to peace, prosperity and sustainable development over the past five decades. We pledge to full loyalty to His Majesty Sultan Haitham bin Tarik and his government in their endeavors to build even further on this outstanding legacy in the years to come.

Hamoud Rashid Al Tobi

Chief Executive Officer

Financial Statements

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GALFAR ENGINEERING & CONTRACTING SAOG

Report on the audit of the Parent Company and consolidated financial statements

Disclaimer of Opinion

We were engaged to audit the Parent Company and consolidated financial statements (the "financial statements") of Galfar Engineering & Contracting SAOG (the "Parent Company" or "Company") and its subsidiaries (together "the Group"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion

a) Effective 1 January 2019, the Parent Company commenced migration of its Information Technology system from Oracle ERP to Xpedeon ERP. Based on the audit procedures performed, we have assessed that IT General Controls (manage access, manage change and manage operations) ("ITGCs") on the Xpedeon ERP were not effective. Consequently, we could not test IT applications controls. In the absence of any alternative audit procedures that we could perform; we were unable to satisfy ourselves on the controls surrounding the data generated from the Xpedeon ERP system for financial reporting as at and for the year ended 31 December 2019. Consequently, we are not able to determine whether any adjustments to the financial statements were necessary.

b) At 31 December 2019, the Parent Company carried trade payables in the statement of financial position amounting to RO 45,219 thousand. We have requested balance confirmations on a sample basis. On confirmations received and where reconciliations were prepared by management, a difference of RO 3,623 thousand was identified and not recorded in the books at 31 December 2019. On confirmations received amounting to RO 18,453 thousand; management were unable to perform reconciliations on differences identified. We did not receive confirmations for trade payable balances amounting to RO 2,529 thousand. In the absence of these confirmations and reconciliations, we were unable to obtain sufficient appropriate audit evidence on the carrying value of trade payables as at 31 December 2019. Consequently, we were unable to determine whether any adjustments might have been necessary in respect of trade payables as at 31 December 2019 and the related impact on contract cost, contract revenue, contract work in progress and results for the year ended 31 December 2019.

c) During the year ended 31 December 2019, the management of the Parent Company was informed of a significant number of invalid purchase orders to suppliers that were raised by the supply chain management unit. An internal investigation carried out on these purchase orders and the procurement process resulted in a number of findings and irregularities identifying violations of procurement policies and procedures of the Parent Company. As at 31 December 2019, the financial impact of these irregularities could not be ascertained. Consequently, we are unable to determine whether any adjustments might have been necessary in respect of cost of sales and profit or loss for the year ended 31 December 2019, any corresponding adjustments to trade payables and accumulated losses as at 31 December 2019 and the related impact, if any, on prior years.

d) As disclosed in note 33 to the financial statements, the Parent Company has transacted with related parties during the year ended 31 December 2019. However, in the absence of a detailed reconciliation of movement of related party balances; we were unable to verify the accuracy of the amounts reported as related party transactions during the year. Consequently, we were unable to determine whether any adjustments might have been necessary in respect of related party transactions disclosed for the year ended 31 December 2019.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GALFAR ENGINEERING & CONTRACTING SAOG (CONTINUED)

Report on the audit of the Parent Company and consolidated financial statements (continued)

In addition to above mentioned Basis for Disclaimer of Opinion matters, we have identified additional matters as below, that would have otherwise required a modification of our audit opinion:

a) During our audit for the year ended 31 December 2018, we noted that, the Parent Company's accruals for purchases and sub-contracts as of 31 December 2018 were carried in the statement of financial position at RO 27,508 thousand. Although the Parent Company began its implementation of the Xpedeon ERP system from 1 January 2019; as at 21 March 2019, the date of our audit report on the financial statements for the year ended 31 December 2018, the implementation of Xpedeon ERP was not complete. As a result, the Parent Company had not recorded all the invoices subsequent to 1 January 2019 in its accounting records. In the absence of the related accounting information, we were unable to obtain sufficient appropriate audit evidence on the value of accruals for purchases and sub-contracts as at 31 December 2018. Consequently, we were unable to determine whether any adjustments might have been necessary in respect of these accruals as of 31 December 2018 and the related impact on contract cost, contract revenue and contract work in progress for the year ended 31 December 2018 and the consequent impact for the year ended 31 December 2019 and the balances as at 31 December 2019.

b) As disclosed in note 6A to the financial statements, the Parent Company has disposed of its Indian operations comprising three subsidiaries and three associates, to a related party, during the year ended 31 December 2019. The gain on sale of these investments in the Parent Company's financial statements and the consolidated financial statements amounted to RO 1,265 thousand and RO 15,215 thousand, respectively, and the related disclosures in accordance with IFRS 5 are disclosed in note 6A to the financial statements. However, the gain on the sale of the Indian operations, loss for the period from discontinued operations and the related disclosures are based on financial information of these entities as at 31 December 2018, and not upto the date of their disposal on 27 June 2019. We had qualified our opinion on account balances of assets held for sale and liabilities held for sale for the year ended 31 December 2018 and results for year then ended as mentioned in point (e) below that may have an impact on the determination of gain on sale of Indian operations, loss for the period from discontinued operations and the related disclosures. Accordingly, we were unable to obtain sufficient appropriate audit evidence in respect of gain on sale of these investments, loss for the period from discontinued operations and the related disclosures included in these financial statements as at and for the year ended 31 December 2019. Consequently, we are unable to determine whether any adjustments might have been necessary for the gain determined on the sale of Indian operations and loss for the period from discontinued operations for the year ended 31 December 2019 and the related disclosures.

c) Assets held for sale at 31 December 2018
We were unable to obtain sufficient audit evidence relating to the Group's subsidiary in India classified as disposal group held for sale due to the following reasons as explained in note 6A:

- Incomplete fixed asset register as of 31 December 2018
- Non-compliance with the Goods and Service Tax Act, 2017
- Non-availability of balance confirmation from the suppliers and the related reconciliation statements.

Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the account balances as set out below:

- Assets held for sale amounting to RO 8,493 thousand as of 31 December 2018
- Liabilities held for sale amounting to RO 6,870 thousand as of 31 December 2018
- Results from discontinued operations amounting to a loss of RO 2,149 thousand for the year ended 31 December 2018.

Report on the audit of the Parent Company and consolidated financial statements (continued)

d) As at 31 December 2019, one of the subsidiaries of the Group has created a provision for employee bonus amounting to RO 350 thousand. Based on the modified opinion issued by the subsidiary company's auditor, there was no sufficient appropriate audit evidence on the appropriateness of this provision as at 31 December 2019. Consequently, we are unable to determine whether any adjustments to provisions and accruals might have been necessary as at 31 December 2019 and the consequential impact on the results for the year ended 31 December 2019.

Emphasis of Matters:

Further, we would like to draw attention to the below matters:

i) We draw attention to Note 33 of the financial statements which describes irregularities noted in the related parties procurement process and key management personnel remuneration and transactions, an internal investigation was conducted during the current year. The review has resulted in significant findings and irregularities indicating violation of policies and procedures of the Parent Company.

ii) Note 24.1 to the financial statements, which describes the position taken by the Parent Company relating to allowability of write off of provision for impairment amounting to RO 283 thousand, RO 1,981 thousand and RO 10,597 thousand, while computing the income tax payable for the year ended 31 December 2019, 31 December 2018 and 31 December 2017, respectively. The tax assessment for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 has not commenced.

iii) Notes 39(b)(iii), (iv), (v), (vi), (vii) and (viii) of the financial statements which sets out the status of certain ongoing negotiations, arbitration and litigation proceedings relating to certain claims raised by the Parent Company and their recoverability. Notes 39(b)(iii), (iv), (v), (vi), (vii) and (viii) also describe the Parent Company's position on the following matters:
- The details regarding a final settlement reached on the Muscat Expressway contract and the Central Corridor project.
- The status of arbitration proceedings and ongoing negotiations initiated by the Parent Company towards recovery of certain claims filed against other clients. A portion of these claims amounting to RO 23,833 thousand is included in contract and trade receivables by the Parent Company.

iv) During prior years, the Capital Market Authority (CMA) had carried out certain investigative audits relating to certain of the Group's transactions for the years from 2010 to 2014. Management have informed us that as of date, based on the draft investigation audit reports received from independent auditors appointed by the CMA, the management has taken corrective actions and had filed responses to the clarification sought by the CMA. Management has informed that no adjustment to the financial statements in respect of such years is anticipated and the Group has not yet received any further communication from the CMA in respect of this matter.

The above emphasis of matters does not constitute basis for disclaimer of opinion.

Material uncertainty related to going concern

We draw attention to note 2.4 of the financial statements, which indicates that the Parent Company and the Group has incurred loss from continuing operations of RO 21,414 thousand and RO 21,509 thousand respectively for the year ended 31 December 2019 and as of that date the Parent Company and the Group has accumulated loss position of RO 28,952 thousand and RO 25,695 thousand respectively, (2018: accumulated loss position of RO 8,753 thousand and RO 19,346 thousand respectively). It further describes the measures implemented by the Parent Company's Board of Directors to improve its financial position and the grounds on which the financial statements have been prepared on going concern basis. However, these measures are highly dependent on timely execution of; ongoing projects, certification of billed receivables and settlement of contract and trade receivables from projects, the majority of which are from Government or Government related entities as disclosed in note 36 of the financial statements.

These factors indicate that a material uncertainty exists that may cast a significant doubt on the Group's ability to continue as a going concern should the measures implemented not achieve a successful outcome. The above matter does not constitute basis for disclaimer of opinion.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GALFAR ENGINEERING & CONTRACTING SAOG (CONTINUED)

Responsibilities of management and those charged with governance for the financial statements

Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law, as amended, and the CMA of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Parent Company's financial statements and Group's consolidated financial statements in accordance with International Standards on Auditing (ISAs) and to issue an auditor's report. However, because of the matter described in the Basis of Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law, as amended, and CMA of the Sultanate of Oman.

Ernst & Young LLC

Philip Dennis Stanton
Muscat
7 June 2020

Statement of Financial Position

As at 31 December 2019

Amount in RO'000s

	Notes	Parent Company 2019	Parent Company 2018	Consolidated (Restated)* 2019	Consolidated (Restated)* 2018
ASSETS					
Non-current assets					
Property, plant and equipment	3	**41,313**	52,689	**47,032**	59,168
Intangible assets	4	**283**	180	**294**	202
Right of use assets	4A	**1,439**	-	**1,862**	-
Investment in subsidiaries	5	**3,923**	4,072	**-**	-
Investment in associates	6	**5,466**	5,466	**4,943**	4,764
Investments at fair value through other comprehensive income		**125**	125	**145**	145
Retentions receivables	9	**8,042**	13,973	**8,042**	13,973
		60,591	76,505	**62,318**	78,252
Current assets					
Inventories	7	**9,034**	9,097	**10,712**	10,143
Contract work in progress	8	**56,486**	59,094	**57,466**	59,858
Contract and trade receivables	9	**133,880**	193,214	**141,105**	199,548
Advances, prepayments and other receivables	10	**25,222**	9,413	**26,255**	13,922
Deposits with banks	11	**2,307**	3,657	**2,329**	3,680
Cash and bank balances	12	**2,538**	604	**4,246**	2,655
		229,467	275,079	**242,113**	289,806
Assets held for sale	6A	**-**	14,563	**-**	51,443
Total assets		**290,058**	366,147	**304,431**	419,501
EQUITY AND LIABILITIES					
Equity					
Share capital	13	**41,522**	41,522	**41,522**	41,522
Share premium	14	**18,337**	18,337	**18,337**	18,337
Statutory reserve	15	**13,840**	13,840	**14,426**	14,425
Foreign currency translation reserve	16	**-**	-	**(320)**	(332)
Accumulated losses		**(28,952)**	(8,753)	**(25,695)**	(19,346)
Reserve of a disposal group held for sale	16	**-**	-	**-**	(2,566)
Equity attributable to shareholders		**44,747**	64,946	**48,270**	52,040
Non-controlling interests		**-**	-	**906**	902
Total equity		**44,747**	64,946	**49,176**	52,942
Non-current liabilities					
Term loans	18	**11,321**	38,010	**11,713**	39,197
Lease liability	18A	**850**	-	**1,288**	-
Employees' end of service benefits	22	**14,818**	14,611	**15,020**	14,749
Advance from customers	23	**7,411**	3,970	**7,411**	3,970
Deferred tax liability	24	**-**	-	**323**	398
		34,400	56,591	**35,755**	58,314
Current liabilities					
Term loans - current portion	18	**13,711**	16,946	**14,418**	17,750
Lease liability -current portion	18A	**467**	-	**644**	-
Short term loans	19	**27,050**	29,250	**27,050**	29,250
Bank borrowings	20	**34,204**	44,851	**34,261**	44,851
Trade payables	21	**69,627**	75,063	**79,815**	82,575
Other payables and provisions	23	**64,450**	76,471	**61,804**	78,148
Provision for taxation	24	**1,402**	2,029	**1,508**	2,275
		210,911	244,610	**219,500**	254,849
Liabilities directly associated with assets held for sale	6A	**-**	-	**-**	53,396
Total liabilities		**245,311**	301,201	**255,255**	366,559
Total equity and liabilities		**290,058**	366,147	**304,431**	419,501
Net assets per share (RO)	32	**0.108**	0.156	**0.116**	0.125

The attached notes 1 to 42 form part of these financial statements.

* Comparative information does not correspond to the 2018 financial statements and reflect adjustments incorporated as explained in note 40

The financial statements were approved by the Board of Directors on 4 June 2020 and were signed on their behalf by:

Chairman **Chief Financial Officer**

Statement of comprehensive income

For the year ended 31 December 2019

Amount in RO '000s

	Notes	Parent Company 2019	Parent Company 2018	Consolidated (Restated)* 2019	Consolidated (Restated)* 2018
Continuing operations					
Contract revenue - recognised over the time		**227,361**	268,818	**229,095**	270,701
Sales and services income	**25**	**4,027**	3,539	**19,713**	18,444
Total revenue		**231,388**	272,357	**248,808**	289,145
Cost of contracts and sales	**27**	**(224,172)**	(255,069)	**(239,842)**	(271,006)
Gross profit		**7,216**	17,288	**8,966**	18,139
Other income	**26**	**2,510**	2,584	**2,581**	2,777
General and administrative expenses	**28**	**(6,517)**	(4,379)	**(8,136)**	(5,705)
Reversal / (provision) for impairment of receivables and other current assets (net)	**8, 9, 10 and 11**	**(17,756)**	939	**(18,146)**	890
Impairment loss for investment in associates	**5, 6**	**(149)**	(1,500)	**-**	-
Financing costs, net	**30**	**(6,670)**	(7,229)	**(6,846)**	(7,373)
Share in results of associates	**6**	**-**	-	**167**	64
(Loss) /profit before tax		**(21,366)**	7,703	**(21,414)**	8,792
Income tax expense	**24**	**(48)**	(2,024)	**(95)**	(2,226)
(Loss) /profit for the year from continuing operations		**(21,414)**	5,679	**(21,509)**	6,566
Discontinuing operations					
Profit after tax on sale of Investments	**6A**	**1,265**	-	**15,215**	-
Loss after tax for the year from discontinuing operations	**6A**	**-**	-	**-**	(6,484)
(Loss) /profit for the year		**(20,149)**	5,679	**(6,294)**	82
Other comprehensive income					
Item that may be subsequently reclassified to profit or loss:					
Foreign currency translation reserve reclassified to profit or loss on disposal of foreign operations		**-**	-	**2,578**	(895)
Total comprehensive (loss) /income for the year		**(20,149)**	5,679	**(3,716)**	(813)
Attributable to:					
Equity shareholders of the parent company		**(20,149)**	5,679	**(6,298)**	82
Non-controlling interests		**-**	-	**4**	-
		(20,149)	5,679	**(6,294)**	82
(Loss) /Earnings per share from continuing operations (RO)		**(0.055)**	0.014	**(0.052)**	0.016

The attached notes 1 to 42 form part of these financial statements.

* Comparative information does not correspond to the 2018 financial statements and reflect adjustments incorporated as explained in note 40.

Statement of changes in equity - Parent Company

For the year ended 31 December 2019

Amount in RO '000s

	Attributable to equity holders of the Parent Company				
	Share capital	**Share premium**	**Statutory reserve**	**Accumulated losses**	**Total**
Balance as at 1 January 2018	41,522	18,337	13,840	(14,432)	59,267
Total comprehensive Income for the year	-	-	-	5,679	5,679
Balance as at 31 December 2018	**41,522**	**18,337**	**13,840**	**(8,753)**	**64,946**
Impact of adopting IFRS 16 (Note 2.5)	**-**	**-**	**-**	**(50)**	**(50)**
Balance as at 1 January 2019	**41,522**	**18,337**	**13,840**	**(8,803)**	**64,896**
Total comprehensive loss for the year	**-**	**-**	**-**	**(20,149)**	**(20,149**
Balance as at 31 December 2019	**41,522**	**18,337**	**13,840**	**(28,952)**	**44,747**

Statement of changes in equity - consolidated

For the year ended 31 December 2019

Amount in RO '000s

	Attributable to equity holders of the Parent Company								
	Share capital	**Share premium**	**Statutory reserve**	**Foreign currency translation reserve**	**Accumulated losses**	**Reserve of disposal group held for sale**	**Total**	**Non controlling interest**	**Grand total**
Balance as at 1 January 2017	41,522	18,337	14,305	(2,003)	(18,708)	-	53,453	902	54,355
Prior period adjustment (note 40)	-	-	-	-	(600)	-	(600)	-	(600)
Balance as at 1 January 2018	41,522	18,337	14,305	(2,003)	(19,308)	-	52,853	902	53,755
Total comprehensive income for the year	-	-	-	-	82	-	82	-	82
Transfer to statutory reserve	-	-	120	-	(120)	-	-	-	-
Foreign currency translation reserve	-	-	-	(895)	-	-	(895)	-	(895)
Discontinued operations	-	-	-	2,566	-	(2,566)		-	-
Balance as at 1 January 2018	**41,522**	**18,337**	**14,425**	**(332)**	**(19,346)**	**(2,566)**	**52,040**	**902**	**52,942**
Impact of adopting IFRS 16 (Note 2.5)	**-**	**-**	**-**	**-**	**(50)**	**-**	**(50)**	**-**	**(50)**
Balance as at 1 January 2019	**41,522**	**18,337**	**14,425**	**(332)**	**(19,396)**	**(2,566)**	**51,990**	**902**	**52,892**
Loss for the year	**-**	**-**	**-**	**-**	**(6,298)**	**-**	**(6,298)**	**4**	**(6,294)**
Other comprehensive income	**-**	**-**	**-**	**12**	**-**	**2,566**	**2,578**	**-**	**2,578**
Total comprehensive income /(loss) for the year	**-**	**-**	**-**	**12**	**(6,298)**	**2,566**	**(3,720)**	**4**	**(3,716)**
Transfer to statutory reserve	**-**	**-**	**1**	**-**	**(1)**	**-**	**-**	**-**	**-**
Balance as at 31 December 2019	**41,522**	**18,337**	**14,426**	**(320)**	**(25,695)**	**-**	**48,270**	**906**	**49,176**

The attached notes 1 to 42 form part of these financial statements.

Comparative information does not correspond to the 2018 financial statements and reflect adjustments incorporated as explained in note 40.

Statement of cash flows

For the year ended 31 December 2019

			Amount in RO '000s	
			Consolidated	
	Parent Company		**(Restated)***	
	2019	2018	**2019**	2018
Operating activities				
(Loss) / profit before tax from continuing operations	**(21,366)**	7,703	**(21,414)**	8,792
Loss before tax from discontinued operations	**-**	-	**-**	(6,982)
(Loss) / profit before tax for the year	**(21,366)**	7,703	**(21,414)**	1,810
Adjustments for:				
Depreciation on property, plant and equipment	**13,039**	15,592	**14,487**	17,684
Amortisation of intangible assets	**78**	19	**86**	2,168
Depreciation on Right of use assets	**579**	-	**684**	-
Finance cost, net	**6,670**	7,229	**6,846**	13,868
Share of loss of associates	**-**	-	**(167)**	144
Gain on disposal of plant and equipment	**(1,608)**	(2,061)	**(1,636)**	(2,149)
Impairment loss for investment in subsidiaries & associates	**149**	1,500	**-**	-
Provision for end of service benefits	**1,890**	1,948	**1,971**	2,068
Working capital movements:				
Inventories	**63**	962	**(569)**	1,396
Contract, trade and other receivables	**60,465**	(29,841)	**62,834**	(31,649)
Trade payables, other payables and provisions	**(17,516)**	8,420	**(19,234)**	18,289
Non-current operating assets/liabilities changes:				
Retention receivables	**5,931**	15,149	**5,931**	15,043
Advance and other payable	**-**	-	**-**	1,203
Advance payable	**3,441**	(15,244)	**3,441**	(15,244)
Employees' end of service benefits paid	**(1,683)**	(967)	**(1,700)**	(1,134)
Income tax paid	**(898)**	-	**(1,066)**	(163)
Net cash flows from operating activities	**49,234**	10,409	**50,494**	23,334
Investing activities				
Purchase of property, plant and equipment	**(1,793)**	(4,724)	**(2,679)**	(5,848)
Disposal of property, plant and equipment	**1,738**	2,273	**1,964**	2,808
Movement in intangible assets	**(181)**	(156)	**(189)**	4,733
Investment in associates and subsidiaries	**1,720**	(2,900)	**1,732**	(611)
Bank deposits	**1,350**	296	**1,351**	274
Interest income	**278**	94	**278**	385
Net cash from / (used in) investing activities	**3,112**	(5,117)	**2,457**	1,741
Financing activities				
Repayment of term loans	**(30,924)**	(34,971)	**(31,927)**	3,751
Proceeds from term loans	**1,000**	44,000	**1,304**	-
Repayment of Short term loans	**(56,700)**	(76,800)	**(56,700)**	(82,677)
Proceeds from Short term loans	**54,500**	75,150	**54,500**	75,150
Repayment of Bank borrowings	**(10,647)**	(6,517)	**(10,590)**	(7,457)
Lease payments	**(693)**	-	**(823)**	-
Interest paid	**(6,948)**	(7,323)	**(7,124)**	(14,253)
Net cash flows used in financing activities	**(50,412)**	(6,461)	**(51,360)**	(25,486)
Net increase/(decrease) in cash and bank balances	**1,934**	(1,169)	**1,591**	(411)
Cash and bank balances at the beginning of the year	**604**	1,773	**2,655**	3,920
Cash and bank balances at the end of the year	**2,538**	604	**4,246**	3,509
Non-Cash Transactions				
Operating activities				
Contract, trade and other receivables	**(14,331)**	-	**(15,468)**	-
Investing activities				
Investment in associates and subsidiaries	**14,331**	-	**15,468**	-
Right of use assets	**(1,439)**	-	**(1,862)**	-
Financing activities				
Lease liability	**1,439**	-	**1,862**	-

The attached notes 1 to 42 form part of these financial statements.

* Comparative information does not correspond to the 2018 financial statements and reflect adjustments incorporated as explained in note 40.

1. Activities

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

The principal activities of Galfar Engineering and Contracting SAOG and its subsidiaries ("The Group") are road, bridge and airport construction, oil and gas including EPC works, civil and mechanical construction, public health engineering, electrical, HVAC, ready-mix concrete productionand sale, plumbing and maintenance contracts.

2. Significant accounting policies

(2.1) Basis of preparation and presentation

The financial statements have been presented separately for Parent Company on a standalone basis and consolidated which comprise the Parent Company and its subsidiaries (together "the Group"). These are collectively referred to as "the financial statements".

The financial statements have been prepared on the historic cost basis, except for investments at fair value through other comprehensive income that have been measured at fair value. These financial statements have been prepared in accordance with International Financial Reporting Standard "IFRS" as issued by the International Accounting Standards Board (IASB) and the requirements of the Commercial Companies Law of the Sultanate of Oman, as amended and the Capital MarketAuthority.

The new Commercial Companies Law promulgated by the Royal Decree No. 18/2019 (the Commercial Companies Law of the Sultanate of Oman) was issued on 13 February 2019 which has replaced the Commercial Companies Law of 1974. As per the articles of the Royal Decree No. 18/2019, the new Commercial Companies Law became effective on 17 April 2019 and the companies should comply with the new law within 1 year from 17 April 2019.

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

(2.2) Significant accounting judgements, estimates and assumptions:

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in note 39.

2. Significant accounting policies (continued)

(2.3) Current versus non-current classification

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

a) Expected to be realised or intended to sold or consumed in the normal operating cycle;

b) Held primarily for the purpose of trading;

c) Expected to be realised within twelve months after the reporting period; or

d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

a) It is expected to be settled in the normal operating cycle;

b) It is held primarily for the purpose of trading;

c) It is due to be settled within twelve months after the reporting period; or

d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(2.4) Going concern

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal activities and realisation of assets and settlement of liabilities in the normal course of business. The Parent Company and the Group has incurred loss from continuing operations of RO 21,414 thousand and RO 21,509 thousand respectively for the year ended 31 December 2019 and as of that date the Parent Company and the Group has accumulated loss position of RO 28,952 thousand and RO 25,695 thousand respectively, (2018: accumulated loss position of RO 8,753 thousand and RO 19,346 thousand respectively). These financial statements have been prepared on a going concern basis as a result of the following:

- The Group's performance during the year 2019 has resulted in negative contribution to the equity and increase in accumulated losses. The Parent Company have signed off the sale purchase agreement on 27 June 2019, related to sale of investments in Indian entities. This deal will facilitate the Parent Company to concentrate on its core business in Oman and enhance value addition to the shareholders and stakeholders.
- During the year 2020, the Parent Company expects realisation of old receivables and estimates that there is sufficient cash flow to continue the business without any disruption.
- The Parent Company has prepared a detailed cash flow demonstrating how it will manage the cash requirements in 2020. The inflows from the closed and ongoing projects are sufficient to take care of the cash requirements of those projects till completion. However, the projected cashflows are highly dependent of timely execution of ongoing projects, timely certification of billed receivables and timely settlement of receivables from the projects.

2. Significant accounting policies (continued)

(2.4) Going concern (continued)

- The Parent Company has never defaulted in servicing its lenders and the Group is committed to meeting all the loan repayment obligations as they fall due. The Parent Company continues to have multiple avenues for raising both short term and long-term financing. Further, the Parent Company regularly pays its employees and creditors and has not defaulted in tax payment.
- The Parent Company continues to build on its market position as one of the Oman's largest construction entity and having a strong order book at RO 397 million (2018: RO 380 million) and has worked to ensure that tendering activity adequately addresses potential risk associated with non-payment.
- The Board of Directors has taken necessary measures to strengthen the financial position of the Group and also to improve Group's profitability in coming years. In addition to the initiatives set out in above, the Directors/management continue to look at various sources of funding support and other long-term investment options to provide the working capital required for the business. Non-essential capital expenditure has been frozen and initiatives to reduce corporate overheads and improve cost control have been launched.
- The Parent Company has created adequate provisions against certain long outstanding receivables and confident that the majority of the receivable will get realised in the year 2020 resulting in improved bottom line and cash flow scenario.

The above coupled with the investor and market confidence restored by way of additional projects being awarded to the Parent Company in 2019 and as of 2020 has allowed the management to view the Parent Company / Group as a going concern and is satisfied that the Parent Company / Group has the resources to continue in business for the foreseeable future. Therefore, these financial statements are continued to be prepared on going concern basis.

(2.5) Change in accounting policies and disclosures

New and amended standards adopted by Galfar

For the year ended 31 December 2019, the Group has adopted all of the following new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2019.

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term interests in Associates and Joint Ventures
- Amendments to IAS 19 Plan, Amendment, Curtailment or Settlement
- Annual IFRS Improvement Process
  - IFRS 3 Business Combinations - Previously held interests in a joint operation
  - IFRS 11 Joint Arrangements - Previously held interests in a joint operation
  - IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity
  - IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

2. Significant accounting policies (continued)

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

New and amended standards adopted by Galfar (continued)

The above standards, other than IFRS 16 Leases and IFRIC Interpretation 23 Uncertainty over Income Tax Treatments, do not have any impact on the financial statements. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 01 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, the comparatives are not restated.

Nature of effect of adoption of IFRS 16:

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application

2. Significant accounting policies (continued)

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

IFRS 16 Leases (continued)

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:

- Right-of-use assets of RO 1,170 thousand in Parent Company and RO 1,698 thousand in Consolidation were recognised and presented separately in the statement of financial position.
- Prepayments of RO 3 thousand and trade and other payables of RO 38 thousand related to previous operating leases were derecognised in Parent Company and in Consolidation.
- The net effect of these adjustments had been adjusted to retained earnings RO 50 thousand in Parent Company and in consolidation and non-controlling interest RO Nil in consolidation.
- When measuring lease liabilities, the Parent Company discounted lease payments using incremental borrowing rate 6.5% at 1 January 2019 and the subsidiaries used an incremental borrowing rate of 5.4%.

Reconciliation with operating lease commitments
The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Reconciliation between lease commitments as of 31 December, 2018 and lease liabilities as of 01 January 2019

Amount in RO'000

	Parent	Consolidated
Operating lease commitments as of 31 December 2018	2,857	3,317
Lease with a remaining lease term of less than 12 months (short-term lease) -Expired in 2019	(1,492)	(1,492)
Others	(35)	(35)
Undiscounted lease payments as of 1 January 2019	1,330	1,790
Effect of discounting	(146)	(78)
Others	(61)	(61)
Operating lease liabilities as of 1 January 2019	1,123	1,651
Financing lease liabilities	-	193
Total of lease liabilities as of 1 January 2019	**1,123**	**1,844**
Right-of-use assets		
Gross Right-of-use assets at 1 January 2019	1,184	1,712
Prepaid expenses	38	38
Accrual for rent	(2)	(2)
Impact on retained earnings	(50)	(50)
Net Right-of-use assets at 1 January 2019	**1,170**	**1,698**

2. Significant accounting policies (continued)

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

IFRS 16 Leases (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Parent Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements.

(2.6) Standards issued but not yet effective

The following new standards and amendments have been issued by the IASB which may not have significant impact on the financial statements but are not yet mandatory for the year ended 31 December 2019. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts (not applicable)
- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material

2. Significant accounting policies (continued)

(2.6) Standards issued but not yet effective (continued)

Amendments to IFRS 3: Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendment to the definition of material is not expected to have a significant impact on the financial statements.

(2.7) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power.

2. Significant accounting policies (continued)

(2.7) Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intracompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at 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.

In the Parent Company's financial statements, the investment in subsidiaries is carried at cost less impairment.

(2.8) Transactions with non-controlling interests

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

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

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

2. Significant accounting policies (continued)

(2.9) Investments in associates

The Group's investments in its associates are accounted for under the equity method of accounting. In the Parent Company's financial statements, the investment in an associate is carried at cost less impairment. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

(2.10) Property, plant and equipment

All items of property, plant and equipment held for the use of Group's activities are recorded at cost less accumulated depreciation and any identified impairment. Land is not depreciated. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed; its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

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

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

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

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

2. Significant accounting policies (continued)

(2.10) Property, plant and equipment (continued)

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

(2.11) Capital work in progress

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(2.12) Intangible assets - Computer software:

Computer software costs (including under development) that are directly associated with identifiable and unique software products and have probable economic benefits exceeding the costs beyond one year are recognised as an intangible asset. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads. Computer software costs recognised as an asset are amortised using the straight-line method over the estimated useful life of five years.

The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as propriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

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

(2.13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price and all direct costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution. Provision is made where necessary for obsolete, slow moving and defective items.

(2.14) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are

2. Significant accounting policies (continued)

(2.14) Impairment of non-financial assets (continued)

largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The loss arising on impairment of an asset is recognised immediately in the statement of comprehensive income. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the statement of income.

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

Investments in subsidiaries are stated at cost less any impairment in the Parent Company's financial statements

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

2. Significant accounting policies (continued)

(2.15) Financial instruments

(2.15) (a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

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

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

– The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
– The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2. Significant accounting policies (continued)

(2.15) Financial instruments (continued)

(2.15) (a) Financial assets (continued)

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

– The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
– The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

2. Significant accounting policies (continued)

(2.15) Financial instruments (continued)

(2.15) (a) Financial assets (continued)

Derecognition

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

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

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

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

Impairment of financial assets

IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVTPL.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical default rates, adjusted for current and forward-looking factors specific to the debtors and the economic environment.

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

2. Significant accounting policies (continued)

(2.15) Financial instruments (continued)

(2.15) (a) Financial assets (continued)

Impairment of financial assets (continued)
Exposure due to deposits at Banks (whether rated or not) are also considered very low on default probability. However, the appropriate default probability adjustments are made to reflect industry standard practices along with pragmatism. The rating of the respective banks and the corresponding probability of default is considered for computation of expected credit losses.

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

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

– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or being past due for 365 days or more;
– it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

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

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

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

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

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

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

2. Significant accounting policies (continued)

(2.15) Financial instruments (continued)

(2.15) (a) Financial assets (continued)

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

(2.16) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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

(2.18) Cash and cash equivalents
Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the cash flows statement, the Group considers cash on hand and bank balances with a maturity of less than three months from the date of placement as cash and cash equivalents. The Group included its bank overdrafts as part of cash and cash equivalents. This is because these bank overdrafts are repayable on demand and form an integral part of the Group's cash management.

(2.19) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(2.20A) Leases- Policy before 1 January 2019
The determination of whether an arrangement is a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

2. Significant accounting policies (continued)

(2.20A) Leases- Policy before 1 January 2019 (continued)

Group as a lessee (continued)

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

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

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(2.20B) Leases - Policy effective 1 January 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a. Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. [Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term], the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets is subject to impairment.

2. Significant accounting policies (continued)

(2.20B) Leases - Policy effective 1 January 2019 (continued)

Group as a lessee (continued)

b. Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. a changes in future payments resulting from a change in index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

c. Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

2. Significant accounting policies (continued)

(2.21) Provisions (continued)

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

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

(2.22) Foreign currency translation

The financial statements are presented in Rial Omani, which is also the functional currency of the Parent Company.

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

As at the reporting date, the assets and liabilities of group entities are translated into the functional currency of the Group financial statements (the Rial Omani) at the rate of exchange ruling at the reporting date and its statements of comprehensive income is translated at the average exchange rates for the year. Exchange differences arising on equity accounting of foreign subsidiary are taken directly to the foreign currency translation reserve. Foreign currency translation reserve is recognised in equity under cumulative changes in fair value. On disposal of the foreign operations, such exchange differences are recognised in the statement of comprehensive income as part of the profit or loss on sale. A write down of the carrying amount of a foreign operation does not constitute a disposal.

(2.23) Provision for employees' benefits

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

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

(2.24) Dividend on ordinary shares

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

2. Significant accounting policies (continued)

(2.25) Taxation

Taxation is provided for based on relevant tax laws of the respective countries in which the Group operates. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

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

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

Income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

(2.26) Revenue

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, customer returns and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(a) Contract revenue and revenue from sale of goods

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

1. Identify the contracts with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

2. Significant accounting policies (continued)

(2.26) Revenue (continued)

(a) Contract revenue and revenue from sale of goods (continued)

4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has concluded that for majority of its arrangements, it is either creating or enhancing an asset controlled by the customer or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore it meets the criteria to recognise revenue overtime and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

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

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

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

2. Significant accounting policies (continued)

(2.26) Revenue (continued)

(a) Contract revenue and revenue from sale of goods (continued)

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

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

The Group combines two or more contracts entered into at or near the same time with the same customer and accounts for the contracts as a single contract if one or more of the following criteria are:

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

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

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

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

(b) Interest income

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

(c) Dividend income

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

(2.27) Contract costs

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

2. Significant accounting policies (continued)

(2.27) Contract costs (continued)

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

Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract cost exceed total contract revenue the expected loss is recognised as expense immediately.

(2.28) Concession intangible and financial assets

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

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

An intangible asset is measured at the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. The intangible asset is amortised over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the entity, starting from the date when the right to operate starts to be used (for example, in a toll road concession the Group uses the number of cars that use the road). Based on these principles, the intangible asset is amortised in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.

In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest method. Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

2. Significant accounting policies (continued)

(2.29) Revenue recognition under Concession arrangements

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

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

As set out above, the right to consideration gives rise to an intangible asset, or financial asset:

- Revenue from the concession arrangements earned under the financial asset model consists of the (i) fair value of the amount due from the grantor; and (ii) interest income related to the capital investment in the project.
- Revenue from the concession arrangements earned under the intangible asset model consists of the fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset and payments actually received from the users.

(2.30) Government grants

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

(2.31) Contract work in progress

Work in progress on long term contracts is calculated at cost plus attributable profit, to the extent that this is reasonably certain after making provision for contingencies, less any losses foreseen in bringing contracts to completion and less amounts received and receivable as progress payments. These are disclosed as ‘Due from customers on contracts’. Cost for this purpose includes direct labour, direct expenses and an appropriate allocation of overheads. For any contracts where receipts plus receivables exceed the book value of work done, the excess is included as ‘Due to customers on contracts’ in accounts payable and accruals. For impairment on contract work in progress, refer note 2.31(a).

(2.32) Directors’ remuneration

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

2. Significant accounting policies (continued)

(2.33) Share capital

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

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

(2.34) Assets classified as held for sale

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

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

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of Operations; or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in profit or loss.

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

2. Significant accounting policies (continued)

(2.35) Operating segments

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

(2.36) Earnings per share (EPS)

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

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

(2.37) Fair value measurement

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

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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

2. Significant accounting policies (continued)

(2.37) Fair value measurement (continued)

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

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

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

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

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

3. Property, plant and equipment - Parent Company

Amount in RO '000s

Description	Land	Building and camps	Plant & machinery	Motor vehicles & equipment	Furniture & equipment	Project equipment & tools	Capital work-in-progress	Total
Costs								
At 1 January 2018	1,278	36,277	112,644	60,745	9,684	13,860	-	234,488
Additions		482	2,930	68	213	1,031	-	4,724
Disposals	-	(537)	(9,490)	(5,761)	(37)	(5)	-	(15,830)
As at 1 January 2019	1,278	36,222	106,084	55,052	9,860	14,886	-	223,382
Additions		69	468	1,004	112	87	53	1,793
Disposals	-	(112)	(8,086)	(5,445)	(147)	(2)	-	(13,792)
As at 31 December 2019	**1,278**	**36,179**	**98,466**	**50,611**	**9,825**	**14,971**	**53**	**211,383**
Depreciation								
At 1 January 2018	-	23,687	86,019	44,390	7,853	8,770	-	170,719
Charge for the year	-	2,483	7,196	3,872	573	1,468	-	15,592
Disposals	-	(536)	(9,400)	(5,643)	(34)	(5)	-	(15,618)
As at 1 January 2019	-	25,634	83,815	42,619	8,392	10,233	-	170,693
Charge for the year	-	2,324	5,812	3,122	489	1,292	-	13,039
Disposals	-	(111)	(8,013)	(5,391)	(145)	(2)	-	(13,662)
As at 31 December 2019	**-**	**27,847**	**81,614**	**40,350**	**8,736**	**11,523**	**-**	**170,070**
Net book value								
As at 31 December 2019	**1,278**	**8,332**	**16,852**	**10,261**	**1,089**	**3,448**	**53**	**41,313**
As at 31 December 2018	1,278	10,588	22,269	12,433	1,468	4,653	-	52,689

3. Property, plant and equipment - Consolidated

Amount in RO '000s

Description	Land	Building and camps	Plant & machinery	Motor vehicles & equipment	Furniture & equipment	Project equipment & tools	Capital work-in-progress	Total
Costs								
At 1 January 2018	1,278	36,453	126,311	65,770	9,949	13,898	-	253,659
Additions	-	494	3,831	250	242	1,031	-	5,848
Disposals	-	(556)	(9,795)	(5,837)	(44)	(6)	-	(16,238)
As at 1 January 2019	1,278	36,391	120,347	60,183	10,147	14,923	-	243,269
Additions	-	70	1,122	1,202	121	87	77	2,679
Disposals	-	(112)	(9,022)	(6,232)	(73)	(4)	-	(15,443)
As at 31 December 2019	**1,278**	**36,349**	**112,447**	**55,153**	**10,195**	**15,006**	**77**	**230,505**
Depreciation								
At 1 January 2018	-	23,781	95,095	47,155	8,053	8,801	-	182,885
Charge for the year	-	2,498	8,384	4,282	596	1,470	-	17,230
Disposals	-	(555)	(9,702)	(5,709)	(43)	(5)	-	(16,014)
As at 1 January 2019	-	25,724	93,777	45,728	8,606	10,266	-	184,101
Charge for the year	-	2,339	6,815	3,513	526	1,294	-	14,487
Disposals	-	(111)	(8,916)	(5,963)	(122)	(3)	-	(15,115)
As at 31 December 2019	**-**	**27,952**	**91,676**	**43,278**	**9,010**	**11,557**	**-**	**183,473**
Net book value								
As at 31 December 2019	**1,278**	**8,397**	**20,771**	**11,875**	**1,185**	**3,449**	**77**	**47,032**
As at 31 December 2018	1,278	10,667	26,570	14,455	1,541	4,657	-	59,168

3. Property, plant and equipment (continued)

Land and buildings with a net book value of RO 7,083 (2018: RO 8,040) thousand have been mortgaged in favour of Bank against term loan obtained by the Parent Company. Vehicles and equipment also have been jointly registered with Bank / Finance company for insured value of RO 37,871 (2018: RO 69,957) thousand to obtain term loan.

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

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Cost of contract and sales (note 27)	**12,115**	14,658	**13,531**	16,257
General and administrative expenses (note 28)	924	934	**956**	973
	13,039	15,592	**14,487**	17,230

4. Intangible assets

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Costs				
Balance at beginning of the year	**2,899**	2,743	**2,973**	52,663
Addition during the year	**181**	156	**189**	169
Foreign currency translation difference	**-**	-	**-**	(4,902)
Pertains to asset held for sale	**-**	-	**-**	(44,957)
Balance at end of the year	**3,080**	2,899	**3,162**	2,973
Amortisation				
Balance at beginning of the year	**2,719**	2,700	**2,771**	3,773
Charge for the year	**78**	19	**86**	27
Written off during the year	**-**	-	**11**	-
Pertains to asset held for sale	**-**	-	**-**	(1,029)
Balance at end of the year	**2,797**	2,719	**2,868**	2,771
Net book value	**283**	180	**294**	202

Intangible assets comprise of computer software RO 283 (2018: RO 180) thousand in Parent Company and computer software RO 294 (2018: RO 202) thousand in consolidation.

4. Intangible assets (continued)

Intangible assets of the Group including that of discontinued operations comprise of computer software and concessionaire rights as follows:

Amount in RO '000s

	Computer software		Concessionaire rights	
	2019	2018	**2019**	2018
Costs				
Balance at beginning of the year	**2,973**	2,842	**-**	49,821
Addition for the year	**189**	166	**-**	(4,899)
Asset held for sale (note 6A)	**-**	(35)	**-**	(44,922)
Balance at end of the year	**3,162**	2,973	**-**	-
Amortisation				
Balance at beginning of the year	**2,771**	2,769	**-**	1,004
Charge for the period	**86**	31	**-**	2,137
Asset held for sale (note 6A)	**-**	(29)	**-**	(3,141)
Written off during the year	**11**	-	**-**	-
Balance at end of the year	**2,868**	2,771	**-**	-
Net book value	**294**	202	**-**	-

4A. Right of use assets

The Group has lease contracts for various items of land, building, vehicles and other equipment used in its operations. Leases of land and building generally have lease terms between 2 and 25 years, while vehicles and other equipment generally have lease terms between 1 and 5 years.

The Group also has certain leases of vehicles and machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' recognition exemptions for these leases.

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Costs				
Balance at beginning of the year	**1,170**	-	**1,698**	-
Addition during the year	**848**	-	**848**	-
Balance at end of the year	**2,018**	-	**2,546**	-
Depreciation				
Balance at beginning of the year	**-**	-	**-**	-
Charge for the year	**579**	-	**684**	-
Balance at end of the year	**579**	-	**684**	-
Net right of use assets	**1,439**	-	**1,862**	-

4. Intangible assets (continued)

4A. Right of use assets (continued)

Set out below are the carrying amounts of right-of-use assets based on the class of assets :

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Land and Building	**234**	-	**657**	-
Vehicle and Equipment	**1,205**	-	**1,205**	-
	1,439	-	**1,862**	-
The following are the amounts recognised in profit or loss:				
Depreciation expense of right-of-use assets	**579**	-	**684**	-
Interest expense on lease liabilities	**79**	-	**103**	-
Expense relating to short-term leases (included in cost of sales)	**7,216**	6,741	**8,529**	7,600
	7,874	6,741	**9,316**	7,600

5. Investment in subsidiaries

Galfar Engineering & Contracting India Pvt. Ltd. *	**-**	11,897	**-**	-
Salasar Highways Pvt. Ltd. *	**-**	1,276	**-**	-
Kashipur Sitarganj Highways Pvt. Ltd.*	**-**	307	**-**	-
Galfar Aspire Readymix LLC	**2,898**	2,898	**-**	-
Al Khalij Heavy Equipment & Engineering LLC	**600**	600	**-**	-
Aspire Projects & Services LLC	**250**	250	**-**	-
Galfar Mott MacDonald LLC	**163**	163	**-**	-
Galfar Training Institute LLC	**149**	149	**-**	-
Galfar Oman Engg. & Contg. S.P.C, Kuwait	**12**	12	**-**	-
	4,072	17,552	**-**	-
Classified as assets held for sale and discontinued operations*	**-**	(13,480)	**-**	-
Provision for impaired investment	**(149)**	-	**-**	-
	3,923	4,072	**-**	-

5. Investment in subsidiaries (continued)

During the year, Parent Company has created a provision on investment in Galfar Training Institute LLC for the invested amount of RO 149 thousand (2018: RO Nil).

Information on shareholding of subsidiary companies is summarised below:

	Principal activity	Place and year of acquisition	
Galfar Aspire Readymix LLC	Manufacturing	Oman	2012
Aspire Projects & Services LLC	Construction	Oman	2011
Galfar Training Institute LLC	Training	Oman	2009
Al Khalij Heavy Equipment & Engineering LLC	Hiring Equipment	Oman	2006
Galfar Mott MacDonald LLC	EPC consultancy	Oman	2013
Galfar Oman General Contracting for Building Company	Construction	Kuwait	2018
Galfar Wasen Contracting Company	Construction	Libya	2010

	Shares acquired by Parent Company		Shares acquired by the Group	
Galfar Aspire Readymix LLC	**100%**	100%	**100%**	100%
Aspire Projects & Services LLC	**100%**	100%	**100%**	100%
Galfar Training Institute LLC	**99%**	99%	**100%**	100%
Al Khalij Heavy Equipment & Engineering LLC	**52%**	52%	**52%**	52%
Galfar Oman General Contracting for Building Company	**100%**	-	**100%**	-
Galfar Mott MacDonald LLC	**65%**	65%	**65%**	65%
Assets disposed during the year (Refer note 6A)				
Galfar Engineering & Contracting India Pvt. Ltd.	**-**	100%	**-**	100%
Salasar Highways Pvt. Ltd.	**-**	20%	**-**	100%
Kashipur Sitarganj Highways Pvt. Ltd.	**-**	4%	**-**	100%

6. Investment in associates

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Galfar Engineering & Contracting Kuwait KSC (GEC)	**6,966**	6,966	**4,943**	4,764
Mahakaleshwar Tollways Pvt. Ltd. (MTPL) *	**-**	2,255	**-**	(1,268)
Shree Jagannath Expressway Pvt. Ltd. (SJEPL) *	**-**	739	**-**	1,204
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL) *	**-**	344	**-**	329
International Water Treatment LLC (IWT)	**4,144**	4,144	**-**	-
	11,110	14,448	**4,943**	5,029
Provision for impaired investment	**(5,644)**	(5,644)	**-**	-
Classified as assets held for sale and discontinued operations* (Note 6A)	**-**	(3,338)	**-**	(265)
	5,466	5,466	**4,943**	4,764

Provision for impairment in associates comprises:

(i) RO 4,144 (2018: RO 4,144) thousand for investment in IWT, being parent companies share in cumulative loss of IWT till 2016, as IWT is unable to recover the loss from their future business.

(ii) RO Nil (2018: RO 1,500) thousand for investment in GEC, based on capitalization of earning method with discounted cash flow of next five years considering weighted average of capital cost @ 13% per annum.

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

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

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

6. Investment in associates (continued)

Information on shareholding of associate companies is summarised below:

	Principal activity		**Place and year of acquisition**	
Galfar Engineering & Contracting Kuwait KSC (i)	Construction		Kuwait	2010
International Water Treatment LLC (iii)	Construction		Oman	2013
	Shares acquired by Parent Company		**Shares acquired by the Group**	
Galfar Engineering & Contracting Kuwait KSC (i)	**26%**	26%	**26%**	26%
Mahakaleshwar Tollways Pvt. Ltd. (MTPL) (ii) *		26%	-	26%
Shree Jagannath Expressway Pvt. Ltd. (SJEPL) (ii)*		6%	-	26%
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL) (ii)*		2%	-	26%
International Water Treatment LLC (IWT) (iii)	**30%**	30%	**30%**	30%

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

(ii) * The Company has signed the Sale Purchase Agreement (SPA) with M/s PMA international on 27 Jun 2019. Total sale proceeds to be received against this sale of investment is RO 17,200 thousand. As per the SPA, total sale proceeds to be settled by the buyer as 10% towards advance on signing the SPA and balance amount in four equal installments (six monthly) with 5% interest towards the deferred payment period. As of date the Company has received RO 5,590 thousand (Advance amount of RO 1,720 thousand and first installment of RO 3,870 thousand).

(iii) The Parent Company have 30% shareholding in this company in partnership with VA Tech Wabag Ltd. of India and Cadagua SA of Spain with 32.5% and 37.5% shareholding respectively. This company has completed 'Ghubrah independent water desalination project'. The project is currently under maintenance period which is expected to be completed by 2020. Post completion of the maintenance period, the company would be liquidated.

6. Investment in associates (continued)

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

Share of associates statement of financial position:

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Current assets			**5,067**	4,645
Non - current assets			**3,498**	3,512
Current liabilities			**(2,587)**	(2,513)
Non - current liabilities			**(1,035)**	(880)
Net assets and carrying amount of the investment			**4,943**	4,764
Share of associates statement of comprehensive income:				
Revenue			**4,939**	5,235
Costs of revenue			**4,772**	5,171
Net profit for the year			**167**	64

Share of profit for the period comprises of profit from GEC Kuwait RO 167 (2018: RO 64) thousand.

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

Statement of financial position:	**GEC, Kuwait**	
Current assets	**17,927**	16,304
Non-current assets	**13,454**	13,508
Current liabilities	**(8,388)**	(8,106)
Non-current liabilities	**(3,981)**	(3,383)
Net assets and carrying amount of the investment	**19,012**	(3,383)
Reconciliation of carrying amount:		
Net assets at the beginning of the year	**18,323**	18,220
Share capital added during the year	**-**	-
Profit for the year	**641**	246
Reserves / currency translation impact	**48**	(143)
Net assets at the end of the year	**19,012**	18,323
Group's share in %	**26%**	26%
Carrying amount	**4,943**	4,764
Statement of comprehensive income:		
Revenue	**18,996**	20,133
Less: costs of revenue	**18,346**	19,872
Profit before tax	**650**	261
Less: tax	**9**	15
Profit after tax	**641**	246

6. Investment in associates (continued)

Note 6A: Discontinued operations

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

Subsequent to 2018, on 18 February 2019, the Parent Company signed a non-binding preliminary sale agreement with PMA International LLC, a related party ("the buyer") , for sale of all its investments in India i.e. Galfar Engineering & Contracting (India) Pvt. Ltd and five special purpose vehicles for road projects.

The key terms of the preliminary agreement are as follows:

a) The parties have agreed for a sale price of RO 17.2 million.
b) Post obtaining necessary approvals, on execution of the Share Purchase Agreement, the buyer would pay 10% of the consideration.
c) Remaining 90% would be paid in 4 equal half-yearly instalments secured by way of post-dated cheques / corporate guarantee / pledge of the Parent Company's shares held by the related parties.
d) Deferred consideration would carry an interest @ 5% per annum.

The preliminary sale purchase agreement was approved by the shareholders in the extra-ordinary general meeting held on 8th April 2019. Subsequent to this formal sale purchase agreement was signed off on 27 June 2019.

The results from the discontinued operations classified as held for sale for the period are presented below:

Amount in RO '000s

Particulars	2019	2018
Contract revenue	-	1,047
Sales and services income	-	4,341
Total revenue	-	5,388
Other income	-	(96)
Cost of contracts and sales	-	(4,985)
Gross profit	-	307
General and administrative expenses	-	(586)
Financing costs, net	-	(6,495)
Share in loss of associates	-	(208)
Loss before tax	-	(6,982)
Income tax expense / (income)	-	498
Loss for the year and total comprehensive expense from discontinuing operation	-	(6,484)
Loss per share:		
Basic and diluted loss for the year for discontinuing operations	**0.04**	(0.02)

6. Investment in associates (continued)

Note 6A: Discontinued operations

The major classes of assets and liabilities of discontinued operations classified as held for sale as follows:

Amount in RO '000s

Particulars	2019	2018
Assets		
Property, plant and equipment	-	2,603
Intangible assets	-	41,789
Retention receivables	-	106
Advances and other receivables	-	1,284
Inventories	-	392
Contract work in progress	-	344
Contract and trade receivables	-	106
Advances, prepayments and other receivables	-	3,696
Cash and bank balances	-	857
Investment in associates	-	266
Total assets	-	51,443
Equity and liabilities		
Foreign currency translation reserve	-	(2,566)
Total reserves held for sale	-	(2,566)
Term loans	-	31,405
Employees' end of service benefits	-	56
Term loans - current portion	-	1,645
Trade payables	-	772
Other payables and provisions	-	19,411
Provision for taxation	-	107
Total liabilities	-	53,396
Net assets directly associated with discontinuing operations	-	613

6. Investment in associates (continued)

Profit on Sale of Investments - Subsidiaries and Associate Companies in India

Amount in RO '000s

Particulars	2019	2018
Galfar Engineering & Contracting India Pvt. Ltd.	**11,897**	-
Salasar Highways Pvt. Ltd.	**1,276**	-
Kashipur Sitarganj Highways Pvt. Ltd.	**307**	-
Mahakaleshwar Tollways Pvt. Ltd. (MTPL)	**2,255**	-
Shree Jagannath Expressway Pvt. Ltd. (SJEPL)	**739**	-
Ghaziabad Aligarh Expressway Pvt. Ltd. (GAEPL)	**344**	-
Total Invested value before provision for impairment	**16,818**	-
Less: Provision for Impairment in Investment - MTPL	**(2,255)**	-
Net Book value of the Investment as on 31 December 2018	**14,563**	-
Sale value	**17,200**	-
Netting off Current Account receivable from Galfar India and MTPL	**(1,149)**	-
Profit before tax on sale of Investments	**1,488**	-
Less: Tax expense	**(223)**	-
Profit after tax on sale of Investments	**1,265**	-
Profit on Sale of Investments - Consolidated		
Total Assets of discontinued Indian investment as on 31 December 2018	**51,443**	-
Total Liabilities of discontinued Indian investment as on 31 December 2018	**(53,396)**	-
Total reserves of discontinued Indian investments as on 31 December 2018	**2,566**	-
Net Assets of discontinued Indian Investments as on 31 December 2018	**613**	-
Total Sale consideration after netting off current account as on 31 December 2018	**16,051**	-
Profit before tax on sale of Indian investment accrued at Group level	**15,438**	-
Less: Tax expense	**(223)**	-
Profit after tax on sale of Indian investment accrued at Group level	**15,215**	-

7. Inventories

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Materials and consumables	**9,473**	9,445	**11,251**	10,553
Allowance for non-moving inventories	**(439)**	(348)	**(539)**	(410)
	9,034	9,097	**10,712**	10,143
Movement for the provision for inventories is as follows:				
At the beginning of the year	**348**	1,572	**410**	1,601
Charge for the year	**91**	55	**129**	88
Written back during the year	**-**	(658)	**-**	(658)
Written off during the year	**-**	(621)	**-**	(621)
At the end of the year	**439**	348	**539**	410

During 2019, RO 38,105 (2018: RO 57,148) thousand for the Parent Company and RO 49,696 (2018: RO 65,859) thousand for the Group was recognised as an expense in cost of sales for inventories carried at net realisable value.

8. Contract work in progress

	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Work-in-progress on long term contracts at cost plus attributable profit considered as receivables	**78,560**	74,978	**79,540**	75,742
Provision for impaired contract work in progress	**(22,074)**	(15,884)	**(22,074)**	(15,884)
	56,486	59,094	**57,466**	59,858
Movement on the provision for impairment of contract work in progress:				
At the beginning of the year	**15,884**	17,119	**15,884**	17,119
Charge for the year	**6,484**	320	**6,484**	320
Written back during the year	**(16)**	-	**(16)**	-
Written off during the year	**(278)**	(1,555)	**(278)**	(1,555)
At the end of the year	**22,074**	15,884	**22,074**	15,884
Due from customers on construction contracts:				
Revenue recognised at cost plus attributable profit	**808,508**	810,478	**824,220**	814,649
Less: Progress claims received and receivable	**729,948**	735,500	**744,680**	738,907
	78,560	74,978	**79,540**	75,742
To customers under construction contracts recorded as billings in excess of work done (note 23)	**2,341**	4,231	**2,341**	4,327

8. Contract work in progress (continued)

Due from customers on construction contracts:

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Progress claims received and receivable	**536,763**	290,711	**536,763**	290,983
Less: Revenue recognised at cost plus attributable profit	**534,422**	286,480	**534,422**	286,656
	2,341	4,231	**2,341**	4,327

9. Contract and trade receivables

Contract billed receivables	**125,707**	180,790	**126,358**	181,337
Trade receivables	**4,903**	4,850	**11,081**	10,811
Due from related parties -contract and trade (note 33)	**-**	859	**-**	859
Retention receivables - current	**22,820**	15,638	**23,860**	15,789
	153,430	202,137	**161,299**	208,796
Provision for impaired receivables	**(19,550)**	(8,923)	**(20,194)**	(9,248)
	133,880	193,214	**141,105**	199,548
Retentions receivables				
Non-current portion	8,042	13,973	**8,042**	13,973

Provision for impaired receivables and contract work in progress, mentioned in note 8 and 9, includes RO 2,353 (2018: RO 3,340) thousand towards time value provision for substantial delay in receipts of certain receivables in line with IFRS 9 requirements.

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

At the beginning of the year	**8,923**	13,446	**9,248**	13,769
Charge for the year	**13,959**	6,889	**14,281**	6,839
Written back during the year	**(3,327)**	(8,231)	**(3,330)**	(8,179)
Written off during the year	**(5)**	(3,181)	**(5)**	(3,181)
At the end of the year	**19,550**	8,923	**20,194**	9,248

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

At the beginning of the year	**16**	22	**16**	22
Charge for the year	**103**	-	**103**	-
Written back during the year	**-**	(6)	**-**	(6)
At the end of the year	**119**	16	**119**	16

10. Advances, prepayment and other receivables

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Advance on sub-contracts and supplies	**2,699**	2,153	**2,774**	3,925
Advances to employees	**307**	528	**307**	530
Prepaid expenses	**5,343**	4,497	**5,370**	4,658
Due from related parties - others (note 33)	**18,346**	3,073	**19,296**	5,637
Insurance claims receivable	**15**	34	**15**	34
Deposits	**365**	431	**366**	435
Other receivables	**-**	-	**6**	19
	27,075	10,716	**28,134**	15,238
Provision for due from related parties	**(1,851)**	(1,301)	**(1,877)**	(1,314)
Provision for others	**(2)**	(2)	**(2)**	(2)
	25,222	9,413	**26,255**	13,922

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

At the beginning of the year	**1,303**	1,215	**1,316**	1,215
Charge for the year	**1,164**	88	**1,177**	101
Written back during the year	**(614)**	-	**(614)**	-
At the end of the year	**1,853**	1,303	**1,879**	1,316

11. Deposits with bank

Term deposits	**2,307**	3,657	**2,307**	3,657
Margin deposits	**-**	-	**22**	23
	2,307	3,657	**2,329**	3,680

The term deposit carry interest rates of 0.9% to 3.0% (2018: 0.9% to 2.5%) per annum and are kept for a period more than three months from the date of placement.

Movement of ECL on deposits with banks are as follows:

At the beginning of the year	**4**	5	**4**	5
Written back during the year	**(1)**	(1)	**(1)**	(1)
At the end of the year	**3**	4	**3**	4

12. Cash and bank balances

Cash in hand	**109**	116	**119**	152
Bank balances with current accounts	**2,429**	488	**4,127**	2,503
	2,538	604	**4,246**	2,655

12. Cash and bank balances (continued)

Movement of ECL on bank balances are as follows:

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
At the beginning of the year	**1**	1	**1**	1
Charge for the year	**4**	-	**4**	-
At the end of the year	**5**	1	**5**	1

13. Share capital

Authorised:				
500,000,000 (2018: 500,000,000) ordinary shares of par value RO 0.100 (2018: RO 0.100) each	**50,000**	50,000	**50,000**	50,000
Issued and fully paid:				
Balance at beginning of the year	**41,522**	41,522	**41,522**	41,522
Balance at end of the period	**41,522**	41,522	**41,522**	41,522

The issued and fully paid share capital comprises of 415,215,637 (2018: 415,215,637) shares having a par value of RO 0.100 (2018: RO 0.100) each. Pursuant to the terms of its IPO, the share capital of the Parent Company has been divided into two classes comprising of 289,980,637 (2018: 289,980,637) ordinary shares and 125,235,000 (2018: 125,235,000) preferential voting rights shares. The preferential voting rights shares are held by the promoting shareholders and carry two votes at all general meetings while otherwise ranking pari-passu with ordinary shares in all rights including the dividend receipt.

14. Share premium

This reserve is available for distribution to the shareholders. During the current year, there is no movement in share premium account.

15. Statutory reserve

As required by the Commercial Companies Law of Oman, the statutory reserve is maintained at least one third of the issued share capital. No transfer was made during the year in the Parent Company's financial statements as the Parent Company has reached the statutory requirement. A transfer of RO 1K was made during the year in the Company's consolidated financial statement on account of transfer by a subsidiary.

16. Foreign currency translation reserve

Foreign currency translation reserve represents impact of translation of associates company (Galfar Kuwait) financial statement figures in foreign currency to functional currency of the Parent Company as required under IAS 21. As per IFRS 5, foreign currency translation reserve relating to the disposal group held for sale has been classified into 'Reserves of a disposal group held for sale', which is recognised in profit or loss on disposal of the components. (Refer note 6A).

17. Dividend

During the year no dividend was proposed and paid for the year ended 31 December 2018 (2018: No dividend declared and paid for the year ended 31 December 2017).

18. Term loans

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Term loans:				
- from banks	**19,910**	48,774	**20,166**	49,161
- finance companies	**5,122**	6,182	**5,965**	7,786
	25,032	54,956	**26,131**	56,947
Current portion				
- from banks	**11,812**	14,938	**11,920**	15,069
- finance companies	**1,899**	2,008	**2,498**	2,681
	13,711	16,946	**14,418**	17,750
Non-current portion				
- from banks	**8,098**	33,836	**8,246**	34,092
- finance companies	**3,223**	4,174	**3,467**	5,105
	11,321	38,010	**11,713**	39,197
The term loans are repayable as follows:				
Within one year	**13,711**	16,946	**14,418**	17,750
In the second year	**4,930**	27,589	**5,507**	28,259
From third year onwards	**6,391**	10,421	**6,206**	10,938
	25,032	54,956	**26,131**	56,947

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

The interest rates on term loans were as follows:

	2019	2018
Floating rate loans	**-**	LIBOR + 2.0%
Fixed interest rate loans	**5.75% to 8.5%**	4.75% to 8.0%

18A. Lease liability

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
At the beginning of the year	**1,123**	-	**1,844**	-
Addition	**808**	-	**808**	-
Accretion of interest	**79**	-	**103**	-
Payments	**(693)**	-	**(823)**	-
Balance at the end of the year	**1,317**	-	**1,932**	-
Current portion	**467**	-	**644**	-
Non-Current portion	**850**	-	**1,288**	-
	1,317	-	**1,932**	-

19. Short term loans

- from banks	**27,050**	29,250	**27,050**	29,250

Short term loans from banks are repayable in one year and are secured against the contract assignments and/or joint registration of vehicle/equipment. The interest rates on these loans vary between 5.0% to 7.75% (2018: 4.0% to 7.5%) per annum.

20. Bank borrowings

Bank overdrafts	**3,489**	5,759	**3,546**	5,759
Loan against trust receipts	**6,896**	19,308	**6,896**	19,308
Bills discounted	**23,819**	19,784	**23,819**	19,784
	34,204	44,851	**34,261**	44,851

Bank borrowings are repayable on demand or within one year. The interest rates on bank borrowings vary between 4.50% to 7.0% (2018: 4.0% to 7.5%) per annum. Bank borrowings are secured against the contract receivables assignments.

The Company is in breach of certain financial covenants, however, there is no financial implication on the financial statements at the reporting date.

21. Trade payables

Sundry creditors	**45,219**	47,755	**55,363**	52,524
Provision for purchases and sub-contracts	**24,408**	27,308	**24,452**	30,051
	69,627	75,063	**79,815**	82,575

22. Employees' end of service benefits

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Balance at beginning of the year	**14,611**	13,630	**14,749**	13,775
Charge for the year	**1,890**	1,948	**1,971**	2,068
Paid during the year	**(1,683)**	(967)	**(1,700)**	(1,094)
Balance at end of the year	**14,818**	14,611	**15,020**	14,749

23. Other payables and provisions

Provision for employees' leave pay and passage	**4,529**	4,762	**4,581**	4,864
Creditors for capital purchases	**-**	142	**-**	275
Advance from customers - current	**30,718**	44,166	**31,114**	44,276
Due to customers on contracts (note 8)	**2,341**	4,231	**2,341**	4,327
Provision for future loss on contracts	**733**	1,883	**733**	1,883
Retention on sub-contracts	**4,793**	3,087	**4,793**	3,087
Accrued expenses	**10,251**	10,128	**11,442**	11,104
Due to related parties (note 33)	**9,709**	6,778	**5,348**	6,834
Statutory dues payable	**459**	387	**459**	388
Other payables	**917**	907	**993**	1,110
	64,450	76,471	**61,804**	78,148
Advance from customers Non-current portion	**7,411**	3,970	**7,411**	3,970

Advances from customers are secured by bank guarantees.

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

24. Taxation

Income tax is provided for Parent Company and Omani subsidiaries as per the provisions of the 'Law of Income Tax on Companies' in Oman at the rate of 15% of result after adjusting non-assessable and disallowable items. It is provided for Indian subsidiary as per 'Income tax Act' in India @ 33% of taxable profit after adjusting non-admissible expenses and depreciation difference.

Income tax expense for continuing operations

Tax charge for the current year	**48**	2,024	**180**	2,115
Deferred tax charge for the year	**-**	-	**(101)**	15
Tax charge of prior years	**-**	-	**16**	96
	48	2,024	**95**	2,226

24. Taxation (continued)

Income tax expense for discontinued operations

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Tax charge / (benefit) for the current year	**223**	-	**223**	(153)
Deferred tax charge / (benefit) for the year	**-**	-	**-**	(403)
Deferred tax charge of prior years	**-**	-	**-**	-
	223	-	**223**	(556)

As per the Sale Purchase Agreement entered with M/s PMA International any tax liability that may accrue shall be borne by the buyer.

24.1 Tax computation of the Parent Company and Consolidated includes deduction from taxable income amounting to RO 283 (2018: RO 1,981) thousand for the write off of short recovery of dues from a Government client. The write off is based on the final account settlement of the contract dues duly signed by both parties.

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

Accounting profit before tax from continuing operations	**(21,366)**	7,703	**(21,414)**	8,864
Loss before tax from discontinued operations	**-**	-	**-**	(6,484)
Accounting profit before income tax	**(21,366)**	7,703	**(21,414)**	2,380
Tax as per law of respective country	**(3,205)**	1,155	**(3,099)**	344
Tax effect on write-off of contract receivables and contract work in progress	**42**	315	**42**	315
Tax effect on non admissible expenditure and adjustments	**3,211**	554	**3,152**	1,011
	48	2,024	**95**	1,670
Income tax expense reported in the statement of comprehensive income	**48**	2,024	**95**	2,226
Income tax expense / (benefit) attributable to discontinued operation	**223**	-	**223**	(556)

24. Taxation (continued)

Provision for tax

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

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Balance at beginning of the year	**2,029**	5	**2,275**	487
Transfer relating to asset held for sale	**-**	-	**-**	(260)
Charge during the year	**271**	2,024	**299**	2,211
Tax adjustment/paid during the period	**(898)**	-	**(1,066)**	(163)
Balance at end of the period	**1,402**	2,029	**1,508**	2,275

Deferred tax liability - for continuing operations

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

Balance at beginning of the year	**-**	-	**398**	786
Transfer relating to asset held for sale	**-**	-	**-**	(403)
Charge during the year	**-**	-	**(75)**	15
Balance at end of the period	**-**	-	**323**	398

Deferred tax liability - for discontinued operations

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

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

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

Property, plant and equipment:

Balance at beginning of the year	**3,493**	4,293	**3,891**	4,734
Release to income statement	**-**	(800)	**(75)**	(843)
Balance at end of the year	**3,493**	3,493	**3,816**	3,891
Trade receivables and inventories				
Balance at beginning of the year	**(3,493)**	(4,293)	**(3,493)**	(4,293)
Release to income statement	**-**	800	**-**	800
Balance at end of the year	**(3,493)**	(3,493)	**(3,493)**	(3,493)
	-	-	**323**	398

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

25. Sales and services income

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Sales and services - point in time	**2,837**	2,357	**16,801**	15,502
Hiring services - point in time	**1,190**	1,182	**2,778**	2,917
Training services - point in time	**-**	-	**134**	25
	4,027	3,539	**19,713**	18,444

26. Other income

Gain on sale of assets	**1,608**	2,061	**1,636**	2,184
Miscellaneous income	**902**	523	**945**	593
	2,510	2,584	**2,581**	2,777

27. Cost of contract and sales

Materials	**38,105**	57,148	**49,696**	65,859
Manpower costs (note 29)	**96,765**	84,172	**95,293**	88,491
Sub-contracting costs	**35,240**	55,525	**34,245**	50,554
Plant and equipment repair and maintenance	**8,719**	9,557	**9,312**	10,788
Plant and equipment hiring costs	**7,216**	6,741	**8,529**	7,600
Fuel expenses	**13,511**	15,077	**15,157**	17,311
Training expenses	**225**	-	**225**	475
Depreciation on right to use asset (Note 4A)	**579**	-	**684**	-
Depreciation and amortisation (notes 3)	**12,115**	14,658	**13,531**	16,257
General and administrative expenses (note 28)	**11,697**	12,191	**13,170**	13,671
	224,172	**255,069**	**239,842**	271,006

28. General and administrative expenses

Manpower costs (note 29)	**4,834**	1,877	**7,141**	3,764
Rent	**522**	3,493	**665**	3,833
Electricity and water charges	**3,430**	3,257	**3,520**	3,362
Professional and legal charges	**2,988**	1,763	**3,098**	1,817
Insurance charges	**1,450**	1,535	**1,526**	1,612
Bank guarantee and other charges	**1,288**	1,420	**1,299**	1,488
Communication expenses	**634**	449	**678**	512
Repairs and maintenance - others	**725**	625	**755**	647
Traveling expenses	**362**	505	**431**	569
Printing and stationery	**255**	226	**266**	253
Business promotion expenses	**30**	32	**38**	45
Tender fees	**136**	139	**140**	139
Directors' expenses	**59**	50	**59**	50
Corporate social responsibility expenses	**1**	7	**1**	7
Miscellaneous expenses	**498**	239	**647**	278
Depreciation and amortisation (notes 3 and 4)	**1,002**	953	**1,042**	1,000
	18,214	16,570	**21,306**	19,376
Pertaining to cost of contract and sales (Note 27)	**11,697**	12,191	**13,170**	13,671
	6,517	4,379	**8,136**	5,705

29. Manpower costs

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Salary and wages	**85,543**	72,378	**85,630**	76,735
Employees' service benefits	**1,890**	1,948	**1,951**	2,521
Camp and catering expenses	**6,206**	6,882	**6,433**	7,591
Hired salary and wages	**1,936**	1,815	**2,216**	1,932
Other expenses	**6,024**	3,455	**6,204**	3,832
Staff incentives	**-**	(429)	**-**	(356)
	101,599	86,049	**102,434**	92,255
Pertaining to cost of contract and sales (Note 27)	**96,765**	84,172	**95,293**	88,491
Pertaining to general and administration expenses (Note 28)	**4,834**	1,877	**7,141**	3,764

30. Financing costs, net

Interest expense	**6,869**	7,323	**7,021**	7,467
Interest income	**(278)**	(94)	**(278)**	(94)
Interest on lease liability	**79**	-	**103**	-
	6,670	7,229	**6,846**	7,373

31. Earnings (loss) per share

Profit/(loss) attributable to equity shareholders of the Parent Company:

Continuing operations	**(22,679)**	5,679	**(21,509)**	6,566
Discontinued operations	**1,265**	-	**15,215**	(6,484)
Profit/(loss) attributable to equity shareholders of the Parent Company:	**(21,414)**	5,679	**(6,294)**	82
Number of shares in '000 (note 13)	**415,220**	415,220	**415,220**	415,220
Basic and diluted earnings per share for the year	**(0.052)**	0.014	**(0.015)**	0.000
Basic profit/(loss) per share from continued operations	**(0.055)**	0.014	**(0.052)**	0.016

32. Net assets per share

Net assets per share is calculated by dividing the equity attributable to shareholders of the Parent Company at the reporting date by the number of shares outstanding as follows:

Net assets	**44,747**	64,946	**48,270**	52,040
Number of shares in '000 (note 13)	**415,220**	415,220	**415,220**	415,220
Net assets per share (RO)	**0.108**	0.156	**0.116**	0.125

33. Related party disclosures

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

The Group maintains balances with these related parties which arise in the normal course of business from commercial transactions, and are entered into at terms and conditions which are approved by the management.

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

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Contract income				
- with subsidiaries	**-**	-	**6,006**	-
- with associates	**-**	101	**-**	101
- with other related parties	**132**	499	**132**	499
Sales and services				
- with subsidiaries	**38**	1,099	**6,049**	1,099
- with associates	**-**	-		-
- with other related parties	**620**	36	**2,164**	36
Purchase of property, plant and equipment				
- with other related parties	**67**	22	**94**	22
Purchase of goods and services				
- with subsidiaries	**12,949**	12,842	**13,319**	12,842
- with other related parties	**6,257**	4,630	**8,560**	4,630
- with shareholders	**158**	158	**158**	158
Sale of Investment	**17,200**	-	**17,200**	-
Director's sitting fees	**64**	50	**64**	50

The transactions with subsidiaries under the consolidated column are only for information and have been eliminated on consolidation in the statement of comprehensive income.

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

Due from shareholders	**4**	4	**4**	4
Due from subsidiary and associate companies	**1,712**	2,664	**2,662**	5,228
Due from key management personnel	**486**	845	**486**	845
Due from other related parties	**16,144**	419	**16,144**	419
Provision for due from related parties	**(1,851)**	(1,301)	**(1,877)**	(1,314)
	16,495	2,631	**17,419**	5,182
Due to shareholders	**57**	57	**57**	57
Due to subsidiary and associate companies	**6,851**	3,530	**5,291**	3,514
Due to key management personnel	**-**	1	**-**	1
Due to other related parties	**2,801**	3,190	**-**	3,262
	9,709	6,778	**5,348**	6,834

33. Related party disclosures (continued)

The amounts outstanding are unsecured and will be settled. During the year, RO 912 (2018: 223) thousand has been recognised towards doubtful debts pertaining to related parties.

In the year 2018, the Parent Company has recorded payable of RO 508 thousand to Al Khalij Heavy Equipment and Engineering LLC towards the sale proceeds of fixed assets which was mistakenly recorded in the Parent Company's financial statements in earlier years.

Related party transactions (under the caption -Purchase of Goods and Services - With other related parties) for the year ended 31 December 2018 have been restated due to an error in identifying and disclosing certain transactions amounting to RO 677 thousand as related party transactions for the year ended 31 December 2018.

During the year ended 31 December 2018, the Parent Company had purchased equipment from related parties amounting to RO 676 thousand and entered into a service contract with another related party for RO 1,153 thousand. Due to irregularities in the related parties procurement process, an internal investigation on such purchases of equipment and service contracts from related parties was conducted during the current year. The review has resulted in significant findings and irregularities indicating violation of policies and procedures of the Parent Company. However, the management has concluded that there are no financial implications arising out of these transactions.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise).

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

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Salaries	**600**	516	**887**	845
End of service benefit	**26**	23	**107**	26
	626	539	**994**	871

At 31 December 2019, the Parent Company has receivables from Key Management personnel amounting to RO 486 thousand that has been fully provided for. Due to irregularities noted in the key management transactions and remuneration, an internal investigation on Key Management Remuneration and transactions with Key management was conducted during the year. The review has resulted in certain irregularities including violation of the Parent Company's policies and procedures. However, the management has concluded that there are no financial implications arising out of these transactions and the outstanding receivable balance has been fully provided.

34. Commitments and contingencies

Bonds and guarantees	**102,223**	88,617	**102,439**	88,798
Corporate guarantees	**4,961**	6,313	**4,961**	6,313
Capital commitments	**506**	457	**506**	610
Legal cases	**208**	691	**208**	691
	107,898	96,078	**108,114**	96,412

34. Commitments and contingencies (continued)

The Parent Company has provided corporate guarantees for subsidiaries and associates and does not anticipate any material liability to arise from these guarantees.

The Parent Company has provided support sponsor's undertakings for any shortfall in project funding and toll collection of all concessionaire companies (MTPL, SJEPL, GAEPL, KSHPL and SHPL) for DBFOT road projects in India, on joint and several basis. The contingent liability for the same is not determinable. The investments in Indian subsidiaries and associates have been sold accordingly all contingent liabilities will also be assumed by the buyer as per the SPA.

34.1 Legal cases

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

34.2 Penalties

Penalties amounting to RO 5,253 (2018: RO 5,264) thousand have been levied on the Parent Company. Though the penalties are countered by the extension of time claims from the Parent Company and cases are under various stages of negotiations/arbitration and expected to be settled in due course, moreover the same has been recorded in the books of account.

Further imposable penalties on account of expected completion delays amounting to RO 12,268 (2018: RO 11,242) thousand on certain projects is not considered in the books of the Parent Company as the management believes that the delay in these projects is majorly due to the delay from the customer's side and based on their recent discussions with these customers these penalties are not expected to be levied on the Company.

35. Operating segments

The Group operates in two geographical segments, GCC and India. During the year Investments in India have been disposed. (Refer note 6A)

Geographical segment	**Revenue**		**Non-current operating assets**	
	2019	2018	**2019**	2018
GCC Countries	**248,808**	283,757	**49,188**	59,370
India	**-**	5,388	**-**	44,392
	248,808	289,145	**49,188**	103,762

Non-current assets for the purpose of geographical segment consist of property, plant and equipment, right-of-use assets and intangible assets.

Segmental information is presented in respect of the Group's operating segments. Operating segment is based on the Group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

35. Operating segments (continued)

The Group business is divided in five segments - construction, manufacturing, hiring of equipment, toll collection and training of personnel. The principal activities of the Group are road, bridge and airport construction, oil and gas including EPC works, civil and mechanical construction, public health engineering, electrical, plumbing and maintenance contracts. The other activities are hiring out of cranes, equipment and other vehicles and training of drivers, operators, manufacturing of readymix concrete and others.

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

Amount in RO '000s

	Construction		Manufacturing		Hiring		Toll Collection		Training		Inter segments		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Segment revenue and expenses														
Segment revenue	**239,128**	274,241	**19,782**	17,826	**1,687**	1,781	**-**	-	**438**	229	**(12,227)**	(4,932)	**248,808**	289,145
Segment expenses	**260,372**	268,087	**20,312**	19,429	**1,678**	1,783	**-**	-	**498**	284	**(12,543)**	(7,004)	**270,317**	282,579
Segment results	**(21,244)**	6,154	**(530)**	(1,603)	**9**	(2)	**-**	-	**(60)**	(55)	**316**	2,072	**(21,509)**	6,566
Segment assets and liabilities														
Segment assets	**293,994**	405,815	**12,732**	2,761	**2,936**	3,497	**-**	40,351	**(781)**	(613)	**(4,450)**	(42,311)	**304,431**	419,500
Segment liabilities	**246,379**	323,812	**8,077**	7,570	**765**	1,335	**-**	33,702	**47**	157	**(13)**	-	**255,255**	366,576

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

36. Financial instruments and related risk management

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finances for the Group's operations. The Group's financial assets include trade and other receivables, and cash and short- term deposits that arrive directly from its operations.

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

36. Financial instruments and related risk management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk. Financial instruments affected by market risk include loans and borrowings, deposits, investments at fair value through comprehensive income.

Interest rate risk

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (short term bank deposits, bank borrowings and term loans). The management manages the interest rate risk by constantly monitoring the changes in interest rates and availing lower interest bearing facilities.

As at the reporting date, had the interest rate were to move up or down by 1%, the impact on the Parent and consolidated statement of comprehensive income would have been RO 1,070 (2018: RO 1,238) thousand and RO 1,098 (2018: RO 2,409) thousand respectively.

Term loans amounting to RO 25,032 (2018: RO 54,956) thousand are recognised at fixed interest rates and expose the Parent Company to fair value interest rate risk. The remaining term loans of RO Nil thousand (2018: RO 1,320) thousand are recognised at floating rates thus exposing the Parent Company to cash flow interest rate risk.

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

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The management has set up a policy to require the Company to manage its foreign exchange risk against their functional currency. The Group operates in international markets and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euros, Pound sterling and all GCC currencies. At 31 December 2019 the exposure to foreign currency denominated assets and liabilities is immaterial.

Equity price risk

The Group do not hold any quoted investment.

Credit risk

Credit risk primarily arises from credit exposures to customers, including outstanding receivables and committed transactions. The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

36. Financial instruments and related risk management (continued)

Exposure to credit risk

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

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Contract work in progress, contract and trade receivables	**209,170**	261,477	**216,979**	268,749
Retention receivables	**30,862**	29,611	**31,902**	29,762
Other receivables	**18,726**	3,538	**19,683**	6,125
Deposits with banks	**2,307**	3,657	**2,329**	3,680
Cash and bank balances	**2,538**	604	**4,246**	2,655
	263,603	298,887	**275,139**	310,971

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

Government customers	**143,574**	196,719	**143,574**	196,719
Petroleum Development Oman	**44,491**	45,995	**44,491**	45,995
Other private customers	**21,105**	18,763	**28,914**	26,035
	209,170	261,477	**216,979**	268,749

The Group has established credit policies and procedures that are considered appropriate for the Parent Company and its subsidiaries. The Group's business is conducted mainly by participating in tenders / bids. On acceptance of a tender / bid it enters into a detailed contract with the customer. This contract specifies the payment and performance terms as well as the credit terms. Also refer to note 40 for key sources of estimation of uncertainty for the impairment of contract work in progress, contract and trade receivables.

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

Not past due	**54,320**	97,216	**54,453**	97,719
Past due 1- 180 days	**32,035**	66,342	**37,506**	71,192
Past due 181 - 365 days	**33,522**	21,949	**34,209**	22,600
More than 365 days	**89,293**	75,970	**90,811**	77,238
	209,170	261,477	**216,979**	268,749
Provision for expected credit loss	**41,624**	24,807	**42,268**	25,132

Liquidity risk

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

36. Financial instruments and related risk management (continued)

Liquidity risk (continued)

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

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

The following are the financial liabilities:

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Term loans	**25,032**	54,956	**26,131**	56,947
Lease liability	**1,317**	-	**1,932**	-
Short term loans	**27,050**	29,250	**27,050**	29,250
Bank borrowings	**34,204**	44,851	**34,261**	44,851
Trade and other payables	**156,306**	170,115	**164,050**	179,442
	243,909	299,172	**253,424**	310,490

The contractual maturities of above financial liabilities were:
Term loans: (principle+future interest)

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Up to 90 days	**9,861**	5,511	**10,075**	,583
91 - 180 days	**1,884**	5,423	**2,071**	5,493
181 - 365 days	**3,200**	8,613	**3,548**	9,377
More than 365 days	**11,796**	39,719	**12,228**	40,967
	26,741	59,266	**27,922**	61,420
Short term loans:				
Up to 90 days	**22,250**	26,750	**22,250**	26,750
91 - 180 days	**4,800**	2,500	**4,800**	2,500
	27,050	29,250	**27,050**	29,250
Bank borrowings:				
Up to 90 days	**26,484**	30,852	**26,541**	30,852
91 - 180 days	**7,720**	13,035	**7,720**	13,035
181 - 365 days	**-**	964	**-**	964
	34,204	44,851	**34,261**	44,851
Trade and other payables:				
Up to 90 days	**60,777**	93,590	**65,342**	99,313
91 - 180 days	**38,279**	31,367	**41,550**	32,441
181 - 365 days	**35,021**	26,577	**34,727**	28,986
More than 365 days	**22,229**	18,581	**22,431**	18,702
	156,306	170,115	**164,050**	179,442

36. Financial instruments and related risk management (continued)

Changes in liabilities arising from financing activities

Parent Company	**1 January 2019**	**Cash flows**	**New leases**	**Others**	**31 December 2019**
Current interest-bearing loans and borrowings	91,047	(12,847)	-	(3,235)	74,965
Non-Current interest-bearing loans and borrowings	38,010	(29,924)	-	3,235	11,321
Current lease liabilities	-	(693)	-	1,160	467
Non-Current lease liabilities	1,123	-	887	(1,160)	850
Total liabilities from financing activities	130,180	(43,464)	887	887	87,603

Parent Company	**1 January 2018**	**Cash flows**	**New leases**	**Others**	**31 December 2018**
Current interest-bearing loans and borrowings	103,690	(8,167)	-	(4,476)	91,047
Non-Current interest-bearing loans and borrowings	45,927	9,029	-	(16,946)	38,010
Total liabilities from financing activities	149,617	862	-	(21,422)	129,057

Changes in liabilities arising from financing activities

Group	**1 January 2019**	**Cash flows**	**New leases**	**Others**	**31 December 2019**
Current interest-bearing loans and borrowings	56,351	(12,790)	-	32,168	75,729
Non-Current interest-bearing loans and borrowings	39,197	(30,623)	-	3,139	11,713
Current lease liabilities		(823)		1467	644
Non-Current lease liabilities	1,844	-	911	(1,467)	1,288
Total liabilities from financing activities	97,392	(44,236)	911	35,307	89,374

Group	**1 January 2018**	**Cash flows**	**New leases**	**Others**	**31 December 2018**
Current interest-bearing loans and borrowings	112,270	(14,984)	-	(40,935)	56,351
Non-Current interest-bearing loans and borrowings	63,061	3,751	-	(27,615)	39,197
Total liabilities from financing activities	175,331	(11,233)	-	(68,550)	95,548

The 'Others' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including lease liabilities to current due to the passage of time.

At 31 December 2019 the exposure to letter of credit facility stood at RO 18,443 (2018: RO 23,278) thousand for the purchase of goods.

37. Fair values of financial instruments

Fair values

Financial instruments comprise financial assets and financial liabilities.

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

The fair value of financial assets and financial liabilities approximate to their carrying values.

38. Investigation by Capital Market Authority of Oman

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

39. Key sources of estimation uncertainty

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below :

(a) Revenue recognition

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

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

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

39. Key sources of estimation uncertainty (continued)

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

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

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

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

(ii) An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis.

At the reporting date, the Group's contract billed receivables were RO 126,358 (2018: RO 181,337) thousand, most of these receivables were from Government and quasi Government entities. This balance includes value of RO 100,407 (2018: RO 100,407) thousand certification in process, which is in the normal course of business activity in the construction industry. At 31 December 2019, the provision for impaired contract receivables and work in progress was RO 42,268 (2018: RO 25,132) thousand. Management believes the balance amounts are fully recoverable. In addition to this, the Groups' trade receivables were RO 11,081 (2018: RO 10,811) thousand.

(iii) The final account of Muscat Expressway project was agreed with Muscat Municipality for an amount of RO 39 million. Out of this RO 30.8 million has been realized till date, and the balance is expected to be collected on or before 30 June 2020.

The final account of Central Corridor project was concluded during 2018. Total outstanding as of 31 December 2019 is RO 2.3 million. This amount is expected to be collected on or before 30 June 2020.

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

39. Key sources of estimation uncertainty (continued)

(iv) Four arbitrations relating to Seeb Sewage Network project against Haya Water were awarded in favor of the Parent Company. Status of various arbitration awards are as follows:

The first arbitration awards against Haya Water towards road reinstatement measurement and other variations amounting to RO 3.58 million were awarded on 19 August 2016.

On 18 October 2018 the court issued judgment by accepting annulment case of Haya as the Award was not issued under the name of Sultan Qaboos. Galfar submitted appeal before the Supreme Court against this judgment and Court accepted Galfar challenge on 9 October 2019 and referred the case back to the Appeal Court for further proceedings and the case is held for Judgement on 26 March 2020. Cheque with the full amount received from court on 5 November 2019 for an amount of RO 3.58 million. Letter submitted to enforcement court to close the case.

Second arbitration award against Haya towards extension of time cost amounting to RO 18.28 million was awarded in favour of the Parent Company with 7% interest on the claim amount on 15 February 2018.

Haya's appeal for annulment of the arbitration award was rejected by the court on 25 November 2018. Haya submitted appeal before the Supreme Court against this judgment and Court accepted Haya challenge on 31 December 2019 and referred the case back to the Appeal Court for further proceedings and the next hearing is awaited. Parent Company has received RO 4.63 million being part of the award amount till date.

Third arbitration against Haya towards change in legislation claim of RO 2.1 million. Award issued in favour of Galfar on 31 October 2019 for an amount of RO 1.02 million. Haya filed nullification case at Muscat Appeal Court and on 2 March 2020 the Court rejected Haya nullification case. Galfar has submitted a request for execution and further procedures are ongoing.

Fourth arbitration award towards variation and claims amounting to RO 1.3 million has been awarded in favour of Galfar on 1 March 2018. Haya filed nullification case at Muscat Appeal Court and on 22 October 2018 the Court rejected Haya nullification case. Haya submitted appeal before the Supreme Court against this judgment and Court rejected Haya challenge on 31 December 2019. Galfar has received the full awarded amount of RO 1.33 million on 15 January 2019 and case is closed.

(v) The Parent Company had lodged arbitration cases against Haya towards recovery of penalty deducted by Haya towards Al Ansab STP project. Arbitration was awarded in favour of Galfar on 28 June 2018 for RO 2.63 million plus legal cost of RO 0.14 million. Haya had filed an appeal to nullify the arbitration award. On 21 January 2019 Court had rejected Haya's nullity case. Haya submitted appeal before the Supreme Court against this judgment and Court accepted Haya challenge on 31 December 2019 and referred the case back to the Appeal Court for further proceedings. Galfar has submitted a request for execution and further procedures are ongoing."

(vi) The Parent Company had lodged an arbitration case against Swissboring & Company LLC ("Swissboring") towards reimbursement of cost for repair of defects at Duqm Dry Dock Complex project. Arbitration was awarded in favour of the Parent Company on 26 February 2017 for RO 3.87 million plus 6.5% interest from the date of award till full payment. Settlement Agreement signed between Swissboring & Galfar for an amount of RO 4,69 million (including interest) on 13 October 2019. Payment shall be made in instalments including interest to complete by 31 December 2020. Copy of the Settlement Agreement submitted to court. Total amount received as on March 2020 is RO 1.72 million.

39. Key sources of estimation uncertainty (continued)

(vii) Modern Chanel Services had filed an arbitration case against Galfar for an compensation of RO 0.5 million towards a consortium agreement related to Duqm fishery harbor project. A three arbitrator's panel was appointed to foresee the case, and the case has been held for judgment after exchange of memos but no date is set yet. Galfar will most likely win the case with no liability as the case has major formal violations regarding the formation of the tribunal, as well as having no legal support for the claim other than the original agreement that was later amended.

(viii) In case of Ras Al Hadd Airport project, the Parent Company has recognised certain claims amounting to RO 5.64 million on the basis of report issued by an independent consultant. The Parent Company has also recorded revenue and receivable towards the amount of penalty which has been withheld by the customer in earlier years on the basis of legal opinion obtained from an independent consultant. The Parent Company has recorded provision amounting to RO 7.78 (2018: RO 3.13) million in accordance with IFRS 9.

(c) Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value through physical verification of inventories carried out annually. As majority of the inventories are at ongoing project sites these are considered as usable in nature by management as these are closely monitored by the respective project teams. Dedicated project teams also monitors surplus inventories on closed/completed jobs for assessing their usability to consider necessary provisions. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence. Management believes that provision of RO 539 (2018: RO 410) thousand for the Group is adequate (refer note 7).

(d) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

(e) Impairment of intangible assets

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

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

(e) Impairment of investments in subsidiaries and associates

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

39. Key sources of estimation uncertainty (continued)

(f) Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of respective Group companies. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.(refer note 24)

(g) Leases

Significant judgement in determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or to terminate (e.g., a change in business strategy, construction of significant leasehold improvements or significant customization to the leased asset).

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the fund necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit ratings).

40. Correction of errors and comparative information

Certain of the corresponding figures of previous year have been reclassified in order to conform with the presentation for the current year. Due to restatement of previous year financial statements of the Indian entities and one of its Oman subsidiary M/s Galfar Aspire Ready-mix, the reclassifications has impacted previously reported profit or shareholder's equity.

40. Correction of errors and comparative information (continued)

During the year 2019, the Parent Company engaged an independent counsel to review the procurement and other processes of the Company. Based on the independent counsel's report, the Parent Company's management carried out further investigation of the procurement and other processes from the years 2012 to 2018. In addition, the Parent Company's in-house internal audit department also carried out similar exercise for the years 2018 and 2019. These reports highlighted instances of various irregularities in the procurement process and non-recording of vendor invoices. The Company has, based on these investigations and the information available at this stage, primarily by obtaining balance confirmations and statement of accounts from the vendors, accounted for unrecorded vendor invoices amounting to RO 600 thousands for the years upto 2017 as at 1 January 2018 and RO 2,144 thousands during the year ended 31 December 2018. Accordingly, the cost of sales were lower and profits for these years were overstated by an equivalent amount. These financial statements have been restated to correct these errors. Due to uncertainty over the income tax treatments with respect to the increase in prior year losses, tax impact arising due to correction of such errors has not been considered in the restated financial statements.

Restatement of prior years' financial statements

Restatement impact as at 1 January 2018 - Galfar aspire readymix

Amount in RO '000s

Particulars	As previously reported 2017	Adjustments	Restated 2017
Cost of sales	18,027	600	18,627
Trade payables	3,571	600	4,171
Retained earnings	4,132	(600)	3,532

Restatement during the year ended 31 December 2018

Particulars	As previously reported 2018	Adjustments	Restated 2018
Cost of sales	16,378	2,144	18,522
Trade payables	2,461	2,144	4,605
Retained earnings	4,574	(2,144)	2,430

40. Correction of errors and comparative information (continued)

Certain corresponding figures for 2017 have also been restated in order to conform with the presentation for the current period.

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

Amount in RO '000s

Particulars	As previously reported 31 December 2017	Adjustments	Restated 1 January 2018
ASSETS			
Non-current assets			
Property, plant and equipment	74,265	-	74,265
Intangible assets	48,890	-	48,890
Investment in subsidiaries	5,457	-	5,457
Investments at fair value through other comprehensive income	145	-	145
Retentions receivables	29,122	-	29,122
Advances, prepayments and other receivables	2,487	-	2,487
	160,366	**-**	**160,366**
Current assets			
Inventories	11,931	-	11,931
Contract work in progress	40,672	-	40,672
Contract and trade receivables	185,857	-	185,857
Advances, prepayments and other receivables	19,587	-	19,587
Deposits with banks	3,957	-	3,957
Cash and bank balances	3,920	-	3,920
	265,924	**-**	**265,924**
Total assets	**426,290**	**-**	**426,290**
EQUITY AND LIABILITIES			
Equity			
Share capital	41,522	-	41,522
Share premium	18,337	-	18,337
Statutory reserve	14,305	-	14,305
Foreign currency translation reserve	(2,003)	-	(2,003)
Accumulated losses	(18,417)	(600)	(19,017)
Equity attributable to shareholders	**53,744**	**(600)**	**53,144**
Non controlling interests	902	-	902
Total equity	**54,646**	**(600)**	**54,046**
Non-current liabilities			
Term loans	63,061	-	63,061
Employees' end of service benefits	13,871	-	13,871
Advance from customers	19,214	-	19,214
Deferred tax liability	786	-	786
	96,932	**-**	**96,932**
Current liabilities			
Term loans - current portion	23,185	-	23,185
Short term loans	36,777	-	36,777
Bank borrowings	52,308	-	52,308
Trade payables	92,971	600	93,571
Other payables and provisions	68,984	-	68,984
Provision for taxation	487	-	487
	274,712	**600**	**275,312**
Total liabilities	**371,644**	**600**	**372,244**
Total equity and liabilities	**426,290**	**-**	**426,290**

41. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and benefit other stake holders. The management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Group monitors capital using a gearing ratio, which is 'net debt' divided by total equity plus net debt. The Group includes within net debt, interest bearing loans and borrowings less cash and short-term deposits, excluding discontinued operations.

Amount in RO '000s

	Parent Company		Consolidated (Restated)	
	2019	2018	**2019**	2018
Interest-bearing loans and borrowings (note 18,19 and 20)	**86,286**	129,057	**87,442**	131,048
Less: cash and short-term deposits (note 12)	**(2,538)**	(604)	**(4,246)**	(3,509)
Net debt	**83,748**	128,453	**83,196**	127,539
Total equity	**44,747**	64,946	**49,176**	52,942
Total equity and net debt	**128,495**	193,399	**132,372**	180,481
Gearing ratio	**65.18%**	66.42%	**62.85%**	70.67%

There has been no change in the Group's objectives, policies or process during the year ended 31 December 2019 and 31 December 2018.

42. Subsequent events

On 11 March 2020, the World Health Organization (WHO) made an assessment that the outbreak of a Coronavirus (COVID-19) can be characterized as a pandemic. In addition, oil prices significantly dropped between January to March 2020 because of a number of political and economic factors. As a result, businesses have seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities.

To alleviate the negative impact of the COVID-19 pandemic, the Government, Central Bank and other independent jurisdictions and regulators have taken measures and issued directives to support businesses and the economy at large, including extensions of deadlines, facilitating continuation of businesses through social-distancing and easing pressure on credit and liquidity in the country.

These conditions are considered significant and impacted the economic and risk environment in which the Company operates. The situation, including the government and public response to the challenges, continues to progress and rapidly evolve.

Based on assessment performed by the management, the Covid-19 has created an unprecedented upheave world-wide, testing the resilience of economies and humans. As for the Company, the COVID-19 thus far has no material financial impact other than recognized in the financial statements.

Therefore, the extent and duration of the impact of these conditions remain uncertain and depends on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of authorisation of these financial statements. Notwithstanding, these developments may impact our future financial results, cash flows and financial position.