Q1

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 MARCH 2020

Galfar

Dear Shareholders,

On behalf of the Board of Directors, I present to you the quarterly report on the performance of Galfar Engineering & Contracting SAOG ('the Parent Company') and its subsidiaries and associate companies (collectively 'the Consolidated Group') for the first quarter ended 31st March 2020 is presented below:

Financial Performance	Parent Company (RO '000s)		Consolidated (RO '000s)	
	Q1, 2020	Q1, 2019	Q1, 2020	Q1, 2019
Revenue	54,815	59,686	58,163	64,186
EBITDA	(3,405)	5,414	(2,578)	6,232
Operating profit	(6,646)	1,979	(6,307)	2,408
Profit/(loss) before tax	(7,951)	80	(7,541)	541
Net profit/(loss) after tax *	(7,951)	69	(7,654)	465
Net profit/(loss) after tax #				(868)

** Net Profit after Tax from continued operation*
 # Net Profit after Tax from discontinued operation
Previous year figures have been regrouped in line with IFRS 5 requirement on investment held for sale (all investment in India)

Operations

The Company incurred losses of RO. 7.654 millions in the first quarter of 2020 as revenues dropped by approximately 9% compared to the same period in 2019. The Company continues to sustain heavy interest cost due to delayed payment of receivables. The Parent Company has certified overdue receivables of more than RO 48 million as on date from the government and its related entities. The delay in receiving the overdue receivable has caused a strain on our cash flow, which resulted in suboptimal execution of certain projects and delay in completion of certain projects. As a result, revenue was lower than planned and lower than the same period in 2019.

The Board and management continue to explore opportunities to reduce operating expenses, to maintain our competitiveness and to improve the financial results whilst strengthening the Company's financial position. Company resources are optimized continuously to align with the financial situation.

The net profit of subsidiaries in Oman decreased to RO 218K in Q1, 2020 from RO 349K in Q1 2019. The associate in Kuwait made a contribution of RO 117K to Group's profit in Q1 2020 as against RO 112K in Q1 2019.

Outlook

The Board and Management are determined to turnaround and improve the financial performance of the company through various measures such as overdues collection, restructuring, cost optimization & better projects performance.

As a "flagship" for Oman's contracting and engineering business, Galfar is looking forward firmly to build on its strength and to continue supporting the Government endeavors for economic growth and pursual of important development and infrastructure projects.

During the period Q1-2020, the Parent Company has received new orders worth RO 9.845 million. The order book as of date is around RO 376 million. The contracts awarded were:

- Supply of Precast Concrete for Naphtha & Shoreline Tank Areas from - SAIPEM for Duqm Refinery- RO.0.345 Million
- Fahud Runway Rehabilitation Project from PDO- RO.9.450 Million

Oman's economy is expected to contract in 2020 due to the oil price slide and the COVID-19 public health response. Low oil prices and the spread of COVID-19 are the key challenges that Oman will need to navigate in the short-run. With oil prices in the mid-$30s in 2020 and constrained oil demand, growth is expected to contract. The company is expected to face severe challenges for the balance period of 2020 with pressure on committed delivery of materials and services from internal and external sources with cascading effect on the performance of the company.

The company also expects to have challenges on the Cash Flow front with pressure on collection of receivables from various clients.

The management is formulating strategies for the cost control, optimizing the resources and plans for close interaction and follow up with clients to ensure collection of outstanding receivables.

Going forward, management expects to maintain a solid work pipeline with a significant number of tenders under evaluation across a diverse array of sectors and clients. We reasonably expect to be successful in a number of those which will ensure stability and sustainability of our strong market position.

On Record

We extend our sincere thanks and gratitude to His Majesty Sultan Haitham bin Tarik and the government for the efforts accorded on handling COVID 19 Pandemic and to curb its impacts on Oman's economy and social development. We pledge our support to the efforts of the government in execution of significant development and infrastructure projects.

The Board would also like to thank our esteemed clients, Banks and Financial Institutions, Consultants, Suppliers, Service Providers and Shareholders for their generous cooperation and continued support and the employees and management of the company for their commitment and dedication.

Majid Salim Said Al Fannah Al Araimi
Chairman

Galfar Engineering & Contracting SAOG and its subsidiaries

Statement of financial position

As at 31 March 2020

Amount in RO '000s

	Notes	Parent Company Mar, 2020	Parent Company Dec, 2019	Consolidated Mar, 2020	Consolidated Dec, 2019
ASSETS					
Non-current assets					
Property, plant and equipment	3	39,007	41,313	44,413	47,032
Intangible assets	4	300	283	313	294
Right of use assets	4A	1,205	1,439	1,599	1,862
Investment in subsidiaries	5	3,923	3,923	-	-
Investment in associates	6	5,466	5,466	4,876	4,943
Investments at fair value through other comprehensive income		125	125	145	145
Retentions receivables	9	8,906	8,042	8,906	8,042
		58,932	60,591	60,252	62,318
Current assets					
Inventories	7	10,806	9,034	12,626	10,712
Contract work in progress	8	49,932	56,486	49,932	57,466
Contract and trade receivables	9	142,136	133,880	149,759	141,105
Advances, prepayments and other receivables	10	22,649	25,222	22,161	26,255
Deposits with banks	11	2,307	2,307	2,338	2,329
Cash and bank balances	12	1,719	2,538	3,118	4,246
		229,549	229,467	239,934	242,113
Total assets		288,481	290,058	300,186	304,431
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	14,426
Foreign currency translation reserve	16	-	-	(504)	(320)
Accumulated losses		(36,903)	(28,952)	(33,352)	(25,695)
Equity attributable to shareholders		36,796	44,747	40,429	48,270
Non-controlling interests		-	-	909	906
Total equity		36,796	44,747	41,338	49,176
Non-current liabilities					
Term loans	18	9,414	11,321	9,690	11,713
Lease liability	18A	850	850	1,259	1,288
Employees' end of service benefits	22	15,069	14,818	15,283	15,020
Advance from customers	23	15,587	7,411	15,587	7,411
Deferred tax liability	24	-	-	323	323
		40,920	34,400	42,142	35,755
Current liabilities					
Term loans - current portion	18	12,037	13,711	12,660	14,418
Lease liability -current portion	18A	285	467	452	644
Short term loans	19	28,050	27,050	28,050	27,050
Bank borrowings	20	34,689	34,204	34,689	34,261
Trade payables	21	75,519	69,627	85,481	79,815
Other payables and provisions	23	58,783	64,450	53,868	61,804
Provision for taxation	24	1,402	1,402	1,506	1,508
		210,765	210,911	216,706	219,500
Total liabilities		251,685	245,311	258,848	255,255
Total equity and liabilities		288,481	290,058	300,186	304,431
Net assets per share (RO)	32	0.089	0.108	0.097	0.116

The attached notes 1 to 34 form part of these financial statements.

The financial statements were approved by the Board of Directors on 25 June 2020 and were signed on their behalf

by: ______________________   ______________________

Chairman   Chief Executive Officer

Galfar Engineering & Contracting SAOG and its subsidiaries

Statement of comprehensive income

For the period ended 31 March 2020

Amount in RO '000s

	Notes	Parent Company		Consolidated	
		Mar, 2020	Mar, 2019	Mar, 2020	Mar, 2019
Continuing operations					
Contract revenue - recognised over the time		53,959	58,829	54,308	59,198
Sales and services income	25	856	857	3,855	4,988
Total revenue		54,815	59,686	58,163	64,186
Cost of contracts and sales	27	(60,618)	(57,038)	(64,018)	(60,800)
Gross profit		(5,803)	2,648	(5,855)	3,386
Other income	26	332	695	338	704
General and administrative expenses	28	(1,377)	(1,363)	(992)	(1,681)
Reversal for impairment of receivables and other current assets (net)	8, 9, 10 and 11	202	-	202	-
Financing costs, net	30	(1,305)	(1,899)	(1,351)	(1,947)
Share in results of associates	6	-	-	117	80
(Loss) /profit before tax		(7,951)	81	(7,541)	542
Income tax expense	24	-	(12)	(113)	(77)
(Loss) /profit for the period from continuing operations		(7,951)	69	(7,654)	465
Discontinued operations					
Profit/(loss) after tax for the period from discontiued operations (subsidiaries)					
Loss after tax for the period from discontinued operations		-	-	-	(868)
(Loss) /profit for the period		(7,951)	69	(7,654)	(403)
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		-	-	(184)	108
Total comprehensive (loss) /income for the period		(7,951)	69	(7,838)	(295)
Attributable to:					
Equity shareholders of the parent company		(7,951)	69	(7,657)	(410)
Non-controlling interests		-	-	3	7
		(7,951)	69	(7,654)	(403)
(Loss) /Earnings per share from continuing operations (RO)	31	(0.019)	0.000	(0.018)	0.001

The attached notes 1 to 34 form part of these financial statements.

Galfar Engineering & Contracting SAOG and its subsidiaries

Statement of changes in equity - Parent Company

For the period ended 31 March 2020

Amount in RO '000s

	Share capital	Share premium	Statutory reserve	Accumulated losses	Total
	Attributable to equity holders of the Parent Company				
Balance as at 1 January 2019	41,522	18,337	13,840	(8,803)	64,896
Total comprehensive Income for the year	-	-	-	(20,149)	(20,149)
Balance as at 1 January 2020	41,522	18,337	13,840	(28,952)	44,747
Total comprehensive loss for the period	-	-	-	(7,951)	(7,951)
Balance as at 31 March 2020	**41,522**	**18,337**	**13,840**	**(36,903)**	**36,796**

Statement of changes in equity - consolidated

For the period ended 31 March 2020

Amount in RO '000s

	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
	Attributable to equity holders of the Parent Company								
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 1 January 2020	41,522	18,337	14,426	(320)	(25,695)	-	48,270	906	49,176
Loss for the period	-	-	-	-	(7,657)	-	(7,657)	3	(7,654)
Foreign currency translation reserve				(184)			(184)		(184)
Balance as at 31 March 2020	41,522	18,337	14,426	(504)	(33,352)	-	40,429	909	41,338

The attached notes 1 to 34 form part of these financial statements.

Galfar Engineering & Contracting SAOG and its subsidiaries

Statement of cash flows

For the period ended 31 March 2020

Amount in RO '000s

	Parent Company		Consolidated	
	Mar, 2020	Mar, 2019	Mar, 2020	Mar, 2019
Operating activities				
(Loss) / profit before tax from continuing operations	(7,951)	81	(7,541)	542
Loss before tax from discontinued operations	-	-	-	(868)
(Loss) / profit before tax for the **period**	(7,951)	81	(7,541)	(326)
Adjustments for:				
Depreciation on property, plant and equipment	2,987	3,431	3,328	3,907
Amortisation of intangible assets	19	4	21	522
Depreciation on Right of use assets	235	-	264	-
Finance cost, net	1,305	1,899	1,351	3,483
Share of loss of associates	-	-	(117)	(235)
Gain on disposal of plant and equipment	(116)	(428)	(116)	(428)
Provision for end of service benefits	299	504	319	524
Working capital movements:				
Inventories	(1,772)	(687)	(1,914)	(768)
Contract, trade and other receivables	871	465	2,974	(6,318)
Trade payables, other payables and provisions	277	14,572	(2,221)	19,236
Non-current operating assets/liabilities changes:				
Retention receivables	(864)	838	(864)	843
Advance and other payable	-	(956)	-	(956)
Advance payable	8,176	-	8,176	
Employees' end of service benefits paid	(48)	(657)	(56)	(643)
Income tax paid	-	(3)	(115)	(249)
Net cash flows from operating activities	3,418	19,063	3,489	18,592
Investing activities				
Purchase of property, plant and equipment	(696)	(503)	(894)	(1,233)
Disposal of property, plant and equipment	131	428	301	1,081
Movement in intangible assets	(36)	-	(40)	(477)
Investment in associates and subsidiaries	-	-	(184)	70
Bank deposits	-	(1,924)	(9)	(1,923)
Net cash from / (used in) investing activities	(601)	(1,999)	(826)	(2,482)
Financing activities				
Repayment of term loans	(3,581)	(7,138)	(4,904)	(5,092)
Proceeds from term loans	-	-	1,304	-
Repayment of Short term loans	(15,250)	(1,850)	(53,500)	(1,850)
Proceeds from Short term loans	16,250	-	54,500	-
Repayment of Bank borrowings	(13,077)	(1,769)	428	(1,769)
Lease payaments	(235)	-	(268)	-
Interest paid	(1,305)	(1,899)	(1,351)	(3,483)
Net cash flows used in financing activities	(3,636)	(12,656)	(3,791)	(12,194)
Net increase/(decrease) in cash and bank balances	(819)	4,408	(1,128)	3,916
Cash and bank balances at the beginning of the year	2,538	604	4,246	3,509
Cash and bank balances at the end of the period	1,719	5,012	3,118	7,425

The attached notes 1 to 34 form part of these financial statements.

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 production and 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 Market Authority.

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.

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 7,951 thousand and RO 7,654 thousand respectively for the year ended 31 March 2020 and as of that date the Parent Company and the Group has accumulated loss position of RO 36,903 thousand and RO 33,352 thousand respectively, (2019-Q4: accumulated loss position of RO 28,952 thousand and RO 25,695 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 Q1-2020 has resulted in negative contribution to the equity and increase in accumulated losses.
- 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 clients.
- 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 376 million (2019: RO 340 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 period ended 31 March 2020, 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

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.

2. Significant accounting policies (continued)

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

IFRS 16 Leases **(continued)**
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.

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. Significant accounting policies (continued)

(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.

- IFRS 17 *Insurance Contracts* (not applicable) – Applicable for accounting period effective 1 January 2021.

The following amendments are applicable prospectively for annual periods beginning on or after 1 January 2020.

- Amendments to IFRS 3: *Definition of a Business*
- Amendments to IAS 1 and IAS 8: *Definition of Material*

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.

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. Significant accounting policies (continued)

(2.7) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 March 2020. 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.

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.

(2.7) Basis of consolidation (continued)

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. Significant accounting policies (continued)

(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.

(2.9) 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. Significant accounting policies (continued)

(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.

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

2. Significant accounting policies (continued)

(2.12) Intangible assets - Computer software (continued)

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 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.

2. Significant accounting policies (continued)

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

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

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.

(2.15) 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.

2. Significant accounting policies (continued)

(2.15) Financial instruments (continued)
(2.15) (a) Financial assets (continued)

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.

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.

2. Significant accounting policies (continued)

(2.15) Financial instruments (continued)
(2.15) (a) Financial assets (continued)

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.

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.

2. Significant accounting policies (continued)

(2.15) Financial instruments (continued)
(2.15) (a) Financial assets (continued)

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.

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.

2. Significant accounting policies (continued)

(2.15) Financial instruments (continued)
(2.15) (b) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowings

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in 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.

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. Significant accounting policies (continued)

(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.

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.

2. Significant accounting policies (continued)

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

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.

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.

2. Significant accounting policies (continued)

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

Group as a lessee (continued)

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.

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

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

2. Significant accounting policies (continued)

(2.22) 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.
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.

2. Significant accounting policies (continued)

(2.26) Revenue (continued)

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

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.

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.

2. Significant accounting policies (continued)

(2.26) Revenue (continued)

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

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.

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. Significant accounting policies (continued)

(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.

(2.29) 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. Significant accounting policies (continued)

(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.

(2.33) 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.

2. Significant accounting policies (continued)

(2.34) Assets classified as held for sale (continued)

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.

(2.35) 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. Significant accounting policies (continued)

(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.

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.

2. Significant accounting policies (continued)

(2.37) Fair value measurement (continued)

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

Particulars	Land	Building and camps	Plant & machinery	Motor vehicles & equipment	Furniture & equipment	Project equipment & tools	Capital work-in-progress	Total
Costs								
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 1 January 2020	1,278	36,179	98,466	50,611	9,825	14,971	53	211,383
Additions		-	33	72	112	25	454	696
Disposals	-	-	(512)	(581)	-	-	-	(1,093)
As at 31 March 2020	**1,278**	**36,179**	**97,987**	**50,102**	**9,937**	**14,996**	**507**	**210,986**
Depreciation								
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 1 January 2020	-	27,847	81,614	40,350	8,736	11,523	-	170,070
Charge for the peirod	-	546	1,323	703	107	308	-	2,987
Disposals	-	(1)	(497)	(580)	-	-	-	(1,078)
As at 31 March 2020	**-**	**28,392**	**82,440**	**40,473**	**8,843**	**11,831**	**-**	**171,979**
Net book value								
As at 31 March 2020	**1,278**	**7,787**	**15,547**	**9,629**	**1,094**	**3,165**	**507**	**39,007**
As at 31 December 2019	1,278	8,332	16,852	10,261	1,089	3,448	53	41,313

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 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 1 January 2020	1,278	36,349	112,447	55,153	10,195	15,006	77	230,505
Additions	-	5	203	86	120	26	454	894
Disposals	-	-	(582)	(583)	(4)	-	-	(1,169)
As at 31 March 2020	**1,278**	**36,354**	**112,068**	**54,656**	**10,311**	**15,032**	**531**	**230,230**
Depreciation								
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 1 January 2020	-	27,952	91,676	43,278	9,010	11,557	-	183,473
Charge for the peirod	-	549	1,551	805	114	309	-	3,328
Disposals	-	-	(403)	(579)	(1)	(1)	-	(984)
As at 31 March 2020	**-**	**28,501**	**92,824**	**43,504**	**9,123**	**11,865**	**-**	**185,817**
Net book value								
As at 31 March 2020	**1,278**	**7,853**	**19,244**	**11,152**	**1,188**	**3,167**	**531**	**44,413**
As at 31 December 2019	1,278	8,397	20,771	11,875	1,185	3,449	77	47,032

	Parent Company		Consolidated	
	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019

3. Property, plant and equipment (continued)

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

	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019
Cost of contract and sales (note 27)	2,762	3,200	3,077	3,559
General and administrative expenses (note 28)	225	231	251	261
	2,987	3,431	3,328	3,820

4. Intangible assets

	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019
Costs				
Balance at beginning of the year	3,080	2,899	3,162	2,973
Addition during the peirod	36	181	40	189
Balance at end of the period	3,116	3,080	3,202	3,162
Amortisation				
Balance at beginning of the year	2,797	2,719	2,868	2,771
Charge for the peirod	19	78	21	86
Written off during the period	-	-	-	11
Balance at end of the period	2,816	2,797	2,889	2,868
Net book value	300	283	313	294

Intangible assets comprise of computer software RO 300 (2019: RO 283) thousand in Parent Company and computer software RO 311 (2019: RO 294) thousand in consolidation.

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.

	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019
Costs				
Balance at beginning of the year	2,018	1,170	2,546	1,698
Addition during the period	-	848	-	848
Balance at end of the period	2,018	2,018	2,546	2,546
Depreciation				
Balance at beginning of the year	579	-	684	-
Charge for the period	235	579	263	684
Balance at end of the period	813	579	947	684
Net right of use assets	1,205	1,439	1,599	1,862

5. Investment in subsidiaries

	Parent Company Mar, 2020	Parent Company Dec, 2019	Consolidated Mar, 2020	Consolidated Dec, 2019
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	4,072	-	-
Provision for impaired investment	(149)	(149)	-	-
	3,923	3,923	-	-

Information on shareholding of subsidiary companies is summarised below:

	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%

	Parent Company		Consolidated	
	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019

6. Investment in associates

	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019
Galfar Engineering & Contracting Kuwait KSC (GEC)	6,966	6,966	4,876	4,943
International Water Treatment LLC (IWT)	4,144	4,144	-	-
	11,110	11,110	4,876	4,943
Provision for impaired investment	(5,644)	(5,644)	-	-
	5,466	5,466	4,876	4,943

Provision for impairment in associates comprises:

(i) RO 4,144 (2019: RO 4,144) thousand for investment in IWT, being parent companies share in cumulative loss of IWT till 2016, as IWT is unable to recover the loss from their future business.

(ii) RO 1,500 (2019: 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.

	Shares acquired by Parent Company		Shares acquired by the Group	
Galfar Engineering & Contracting Kuwait KSC (i)	26%	26%	26%	26%
International Water Treatment LLC (IWT) (ii)	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 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.

Share of associates statement of comprehensive income:

	Mar, 2020	Dec, 2019
Revenue	1,355	1,327
Costs of revenue	1,238	1,247
Net profit for the period	117	80

Share of profit for the period comprises of profit from GEC Kuwait RO 117 (2019: RO 80) thousand.

Amount in RO '000s

	Parent Company		Consolidated	
	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019
7. Inventories				
Materials and consumables	11,245	9,473	13,165	11,251
Allowance for non-moving inventories	(439)	(439)	(539)	(539)
	10,806	9,034	12,626	10,712
8. Contract work in progress				
Work-in-progress on long term contracts at cost plus attributable profit considered as receivables	70,615	78,560	70,615	79,540
Provision for impaired contract work in progress	(20,683)	(22,074)	(20,683)	(22,074)
	49,932	56,486	49,932	57,466
Due from customers on construction contracts:				
Revenue recognised at cost plus attributable profit	746,045	808,508	761,757	824,220
Less: Progress claims received and receivable	675,430	729,948	691,142	744,680
	70,615	78,560	70,615	79,540
To customers under construction contracts recorded as billings in excess of work done (note 23)	3,996	2,341	3,996	2,341
Due to customers on construction contracts:				
Progress claims received and receivable	538,320	536,763	538,320	536,763
Less: Revenue recognised at cost plus attributable profit	534,324	534,422	534,324	534,422
	3,996	2,341	3,996	2,341
9. Contract and trade receivables				
Contract billed receivables	135,616	125,707	137,177	126,358
Trade receivables	2,740	4,903	8,406	11,081
Retention receivables - current	24,535	22,820	25,575	23,860
	162,891	153,430	171,158	161,299
Provision for impaired receivables	(20,755)	(19,550)	(21,399)	(20,194)
	142,136	133,880	149,759	141,105
Retentions receivables				
Non-current portion	8,906	8,042	8,906	8,042

	Parent Company		Consolidated	
	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019
10. Advances, prepayment and other receivables				
Advance on sub-contracts and supplies	2,626	2,699	2,715	2,774
Advances to employees	279	307	280	307
Prepaid expenses	6,108	5,343	6,182	5,370
Due from related parties - others (note 33)	15,171	18,346	14,544	19,296
Insurance claims receivable	(9)	15	(8)	15
Deposits	318	365	318	366
Other receivables	-	-	-	6
	24,493	27,075	24,031	28,134
Provision for due from related parties	(1,842)	(1,851)	(1,868)	(1,877)
Provision for others	(2)	(2)	(2)	(2)
	22,649	25,222	22,161	26,255

	Parent Company		Consolidated	
	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019

11. Deposits with bank

	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019
Term deposits	2,307	2,307	2,307	2,307
Margin deposits	-	-	31	22
	2,307	2,307	2,338	2,329

The term deposit carry interest rates of 0.9% to 3.0% (2019: 0.9% to 3.0%) per annum and are kept for a period more than three months from the date of placement.

12. Cash and bank balances

	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019
Cash in hand	144	109	170	119
Bank balances with current accounts	1,575	2,429	2,948	4,127
	1,719	2,538	3,118	4,246

13. Share capital

	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019
Authorised:				
500,000,000 (2019: 500,000,000) ordinary shares of par value RO 0.100 (2019: 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 (2019: 415,215,637) shares having a par value of RO 0.100 (2019: 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 (2019: 289,980,637) ordinary shares and 125,235,000 (2019: 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 period, 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 period in the Parent Company's financial statements as the Parent Company has reached the statutory requirement.

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.

	Parent Company		Consolidated	
	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019

17. Dividend

For the year 2019, no dividend was proposed and paid.

18. Term loans

	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019
Term loans:				
- from banks	16,819	19,910	17,042	20,166
- finance companies	4,632	5,122	5,308	5,965
	21,451	25,032	22,350	26,131
Current portion				
- from banks	10,140	11,812	10,215	11,920
- finance companies	1,897	1,899	2,445	2,498
	12,037	13,711	12,660	14,418
Non-current portion				
- from banks	6,679	8,098	6,827	8,246
- finance companies	2,735	3,223	2,863	3,467
	9,414	11,321	9,690	11,713
The term loans are repayable as follows:				
Within one year	12,037	13,711	12,660	14,418
In the second year	3,397	4,930	3,974	5,507
From third year onwards	6,017	6,391	5,716	6,206
	21,451	25,032	22,350	26,131

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:

	Mar, 2020	Dec, 2019
Floating rate loans	-	-
Fixed interest rate loans	5.75% to 8.5%	5.75% to 8.5%

18A. Lease liability

	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019
At the beginning of the year	1,317	1,123	1,932	1,844
Addition	-	808	-	808
Accretion of interest Payments	53	79	59	103
Balance at the end of the period	(235)	(693)	(268)	(823)
	1,135	1,317	1,723	1,932
Current portion	285	467	452	644
Non-Current portion	850	850	1,259	1,288
	1,135	1,317	1,711	1,932

Amount in RO '000s

	Parent Company		Consolidated	
	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019
19. Short term loans				
- from banks	28,050	27,050	28,050	27,050

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% (2019: 5.0% to 7.75%) per annum.

	Parent Company Mar, 2020	Parent Company Dec, 2019	Consolidated Mar, 2020	Consolidated Dec, 2019
20. Bank borrowings				
Bank overdrafts	5,781	3,489	5,781	3,546
Loan against trust receipts	8,247	6,896	8,247	6,896
Bills discounted	20,661	23,819	20,661	23,819
	34,689	34,204	34,689	34,261

Bank borrowings are repayable on demand or within one year. The interest rates on bank borrowings vary between 4.50% to 7.0% (2019: 4.5% to 7.0%) 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.

	Parent Company Mar, 2020	Parent Company Dec, 2019	Consolidated Mar, 2020	Consolidated Dec, 2019
21. Trade payables				
Sundry creditors	50,579	45,219	60,457	55,363
Provision for purchases and sub-contracts	24,940	24,408	25,024	24,452
	75,519	69,627	85,481	79,815
22. Employees' end of service benefits				
Balance at beginning of the year	14,818	14,611	15,020	14,749
Charge for the period	299	1,890	319	1,971
Paid during the period	(48)	(1,683)	(56)	(1,700)
Balance at end of the period	15,069	14,818	15,283	15,020
23. Other payables and provisions				
Provision for employees' leave pay and passage	5,079	4,529	5,135	4,581
Advance from customers - current	20,410	30,718	20,813	31,114
Due to customers on contracts (note 8)	3,996	2,341	3,996	2,341
Provision for future loss on contracts Retention	3,356	733	3,356	733
on sub-contracts	5,126	4,793	5,126	4,793
Accrued expenses	10,353	10,251	11,055	11,442
Due to related parties (note 33)	9,076	9,709	2,988	5,348
Statutory dues payable	501	459	501	459
Other payables	886	917	898	993
	58,783	64,450	53,868	61,804
Advance from customers				
Non-current portion	15,587	7,411	15,587	7,411

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

24. Taxation

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

	Parent Company		Consolidated	
	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019
Income tax expense for continuing operations				
Tax charge for the current period	-	12	139	86
Deferred tax charge for the period	-	-	(26)	(26)
Tax charge of prior period	-	-	-	17
	-	12	113	77
Income tax expense for discontinued operations				
Deferred tax charge / (benefit) for the period	-	-	-	(58)
	-	-	-	(58)

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:

	Parent Company Mar, 2020	Parent Company Dec, 2019	Consolidated Mar, 2020	Consolidated Dec, 2019
Balance at beginning of the year	1,402	2,029	1,508	2,275
Charge during the period	-	271	113	299
Tax adjustement/paid during the period	-	(898)	(115)	(1,066)
Balance at end of the period	1,402	1,402	1,506	1,508

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.

	Parent Company Mar, 2020	Parent Company Dec, 2019	Consolidated Mar, 2020	Consolidated Dec, 2019
Balance at beginning of the year	-	-	323	398
Charge during the period	-	-	-	(75)
Balance at end of the period	-	-	323	323

	Parent Company		Consolidated	
	Mar, 2020	Mar, 2019	Mar, 2020	Mar, 2019
25. Sales and services income				
Sales and services - point in time	688	553	3,330	4,184
Hiring services - point in time	168	304	520	772
Training services - point in time	-	-	5	32
	856	857	3,855	4,988
26. Other income				
Gain on sale of assets	116	428	116	428
Miscellaneous income	216	267	222	276
	332	695	338	704

Amount in RO '000s

	Parent Company		Consolidated	
	Mar, 2020	Mar, 2019	Mar, 2020	Mar, 2019
27. Cost of contract and sales				
Materials	8,924	9,098	11,176	11,347
Manpower costs (note 29)	26,956	23,146	26,445	23,659
Sub-contracting costs	11,780	11,311	11,600	10,818
Plant and equipment repair and maintenance	1,816	2,268	1,970	2,442
Plant and equipment hiring costs	1,700	2,032	1,965	2,256
Fuel expenses	3,531	3,657	3,710	3,946
Training expenses	31	18	40	18
Depreciation on right to use asset (Note 4A)	235	-	264	-
Depreciation and amortisation (notes 3)	2,762	3,200	3,077	3,559
General and administrative expenses (note 28)	2,883	2,308	3,771	2,755
	60,618	57,038	64,018	60,800
28. General and administrative expenses				
Manpower costs (note 29)	1,440	936	1,762	1,485
Sub-contract expenses	(58)	(164)	(58)	(164)
Rent	137	175	164	218
Electricity and water charges	726	775	760	804
Professional and legal charges	438	317	456	361
Insurance charges	581	477	613	505
Bank guarantee and other charges	255	247	255	249
Communication expenses	130	152	137	163
Repairs and maintenance - others	136	86	139	90
Traveling expenses	78	139	86	142
Printing and stationery	61	53	62	55
Business promotion expenses	8	7	14	9
Tender fees	43	12	44	14
Miscellaneous expenses	41	224	57	240
Depreciation and amortisation (notes 3 and 4)	244	235	272	265
	4,260	3,671	4,763	4,436
Pertaining to cost of contract and sales (Note 27)	2,883	2,308	3,771	2,755
	1,377	1,363	992	1,681
29. Manpower costs				
Salary and wages	24,549	20,410	24,202	21,844
Employees' service benefits	299	504	303	521
Camp and catering expenses	2,133	1,270	2,175	1,306
Hired salary and wages	(83)	289	(83)	410
Other expenses	1,498	1,421	1,610	1,428
Staff incentives	-	188	-	188
	28,396	24,082	28,207	25,697
Pertaining to cost of contract and sales (Note 27)	26,956	23,146	26,445	24,212
Pertaining to general and administration expenses (Note 28)	1,440	936	1,762	1,485
30. Financing costs, net				
Interest expense	1,252	1,899	1,298	1,947
Interest on lease liability	53	-	53	-
	1,305	1,899	1,351	1,947

Amount in RO '000s

31. Earnings (loss) per share

	Parent Company		Consolidated	
	Mar, 2020	Mar, 2019	Mar, 2020	Mar, 2019
Profit/(loss) attributable to equity shareholders of the Parent Company:				
Continuing operations	(7,951)	69	(7,654)	458
Discontinued operations	-	-	-	(868)
Profit/(loss) attributable to equity shareholders of the Parent Company:	(7,951)	69	(7,654)	(410)
Number of shares in '000 (note 13)	415,220	415,220	415,220	415,220
Basic and diluted earnings per share for the period	(0.019)	0.000	(0.018)	(0.001)
Basic profit/(loss) per share from continued operations	(0.019)	0.000	(0.018)	0.001

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:

	Parent Company		Consolidated	
	Mar, 2020	Dec, 2019	Mar, 2020	Dec, 2019
Net assets	36,796	44,747	40,429	48,270
Number of shares in '000 (note 13)	415,220	415,220	415,220	415,220
Net assets per share (RO)	0.089	0.108	0.097	0.116

	Parent Company		Consolidated	
	Mar, 2020	Mar, 2019	Mar, 2020	Mar, 2019

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:

	Parent Company Mar, 2020	Parent Company Mar, 2019	Consolidated Mar, 2020	Consolidated Mar, 2019
Contract income				
- with subsidiaries	-	-	14	-
- with other related parties	547	-	547	-
Sales and services				
- with subsidiaries	111	119	111	119
- with other related parties	4	15	4	15
Purchase of property, plant and equipment				
- with other related parties	-	47	-	47
Purchase of goods and services				
- with subsidiaries	2,747	3,056	2,747	3,056
- with other related parties	604	554	1,992	554
- with shareholders	13	116	13	116

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

	Parent Company Mar, 2020	Parent Company Dec, 2019	Consolidated Mar, 2020	Consolidated Dec, 2019
Due from shareholders	-	4	-	4
Due from subsidiary and associate companies	1,883	1,712	1,256	2,662
Due from key management personnel	-	486	-	486
Due from other related parties	13,288	16,144	13,288	16,144
Provision for due from related parties	(1,842)	(1,851)	(1,868)	(1,877)
	13,329	16,495	12,676	17,419
Due to shareholders	42	57	42	57
Due to subsidiary and associate companies	6,122	6,851	4,127	5,291
Due to other related parties	2,912	2,801	(1,181)	(194)
	9,076	9,709	2,988	5,348

34. Key sources of estimation uncertainty

Estimates and assumptions

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

(a) Revenue recognition

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

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

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

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

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

The claims raised by the Group against the customers are mainly in relation to variations from the originally agreed contract scope, changes in costs incurred due to the effects of royal decrees issued after the commencement of contracts and additional costs incurred due to extension of the project completion time. Claims are determined mostly based on evaluation by third party consultants appointed by the Group and the Group's internal experts. The determination of claims to be recovered requires the use of estimates based on the evaluation performed by third party consultants and stage of negotiations of these claims with customers. The amount of claims which will be accepted by the customers after negotiations may be different from the amount claims recognized in the 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.

(ii) 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. Appeal Court rejected Haya's nullification and Haya submitted the petition before supreme court. Final judgement awaited from Supreme court.

34. Key sources of estimation uncertainty (continued)

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.
2nd Appeal Court supported Haya's nullification case. Galfar submitted petition before Supreme court on 18 May 2020 as last attempt. The petition is yet to be looked at by the Supreme Court awaiting final judgment

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 and Haya submitted the petition before supreme court. Galfar has submitted a request for execution and further procedures are ongoing. Judgement awaited from Supreme court.

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.

(iii) 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. On 31 May 2020 Galfar started the enforcement procedure. Hearing date awaited from Appeal court.

iv) 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 24 June 2020 is RO 2.71 million.

v) 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.

Award issued on 8 Jun 2020 in favour of Modern Channels Services for total amount of RO 548,250/ plus 6.5% interest
Galfar is entitled to file a Nullification case before Muscat Appeal Court on or before 8 Sep 2020 and Modern Channels Services is entitled to start enforcement procedures after 9 Sep 2020. Galfar will file a Nullification case before 8 Sep 2020

vi) 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.