

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GALFAR ENGINEERING AND CONTRACTING SAOG AND ITS SUBSIDIARIES**

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Galfar Engineering and Contracting SAOG ("the parent company") and its subsidiaries ("the group") which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Board of Director's Responsibility for the Consolidated Financial Statements**

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended, and the Rules and Guidelines on disclosure issued by the Capital Market Authority, and for such internal control as board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Basis for Qualified Opinion**

During the year, the parent company acquired a 26% share holding in Galfar Engineering & Contracting Kuwait, KSC, a foreign associate at a purchase consideration amounting to RO 5,322,702. In the absence of reliable management accounts or audited financial statements of foreign associate, the investment in foreign associate is carried at cost in the group's consolidated and parent company's separate financial statements. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the group's and parent company's investment in the Galfar Engineering & Contracting Kuwait KSC as at 31 December 2010. Consequently, we were unable to determine whether any adjustments to this amount was necessary.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
GALFAR ENGINEERING AND CONTRACTING SAOG AND ITS SUBSIDIARIES (continued)**

**Qualified Opinion**

In our opinion, except for the possible effects on the consolidated financial statements of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on Other Legal and Regulatory Requirements**

In our opinion the consolidated financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the Rules and Guidelines on disclosure issued by the Capital Market Authority.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

10 March 2011  
Muscat

A stylized, handwritten signature of 'P. Stanton' in black ink.

Philip D Stanton  
Partner