

Auditors Report		/Audited
		English
		01/01/2021-31/12/2021
DISCLOSURE AUDITOR'S REPORT		
DISCLOSURE OF AUDITOR'S REPORT		
AUDITOR'S OPINION		
Unmodified Opinion		Yes
AUDITOR'S OPINION BASIS		
Basis of Unmodified Opinion		Ref #1
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Opinion

We have audited the separate and consolidated financial statements of Galfar Engineering and Contracting SAOG (the “Parent Company”) and its subsidiaries (together, the “Group”), which comprise the separate and consolidated statement of financial position as at 31 December 2021, and the separate and consolidated statement of comprehensive income, separate and consolidated statement of changes in equity and separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2021, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), together with the ethical requirements that are relevant to our audit of the separate and consolidated financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current year. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report:

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on construction contracts <i>Refer to accounting policies for the separate and consolidated financial statements and Note 27.</i>	Our procedures included, among others: <ul style="list-style-type: none">• Obtaining an understanding of the project execution processes and relevant controls relating to the accounting for customer contracts;• For the revenue recognized throughout the year, we tested the key controls, including results reviews by management, for their operating effectiveness and performed procedures to gain sufficient appropriate audit evidence on the accuracy of the accounting for customer contracts and related separate and consolidated financial statement captions;• These procedures included reading significant new contracts to understand the terms and conditions and their impact on revenue recognition. We performed enquiries with management to understand their project risk assessments and inspected meeting minutes from project reviews performed by management to identify relevant changes in their assessments and estimates. We challenged these estimates and judgments made for over the time projects including comparing estimated project financials between reporting periods and assessed the historical accuracy of these estimates;• Analysing the end of job forecasts on contracts selected and challenging the estimates within the forecasts by considering the amounts already procured, the amounts still to be procured, the site and time related cost forecasts against programme and run rates, and any contingency held;• On a sample basis, we reconciled revenue to the supporting documentation, validated estimates of costs to complete, tested the mathematical accuracy of calculations and the adequacy of project accounting. We also examined costs included within contract assets on a sample basis by verifying the amounts back to source documentation and tested their recoverability through comparing the net realizable values as per the agreements with estimated costs to complete; and• Considered appropriateness of the disclosures in the separate and consolidated financial statements in accordance with the relevant requirements of IFRSs.
Key audit matter Impairment of contract receivables and work in progress <i>Refer to accounting policies for the separate and consolidated financial statements and Notes 9 and 10.</i>	How our audit addressed the key audit matter We evaluated management's assumptions and methods applied in the calculating the provision for impairment of contract receivables and work in progress by carrying out the following procedures, among others: <ul style="list-style-type: none">• We obtained contract receivables balance confirmations;

Contract receivables and work in progress balances are significant to the Group as of 31 December 2021. The certification of the contract work in progress and collectability of contract receivables is a key element of Group's working capital management. These balances include certain claims raised by the Group against

certain customers mainly relating to variations from the originally agreed scope, and changes in costs incurred due to extension of the project completion time. Given the judgment involved in the certification of variation orders and collectability assessment of contract receivables, and considering delayed payments due to the present market conditions, impairment of contract receivables and contract work in progress was a key audit matter. The application of judgment and the use of assumptions are described in critical accounting estimates and judgments in Note 2.2 of the separate and consolidated financial statements. Specific factors considered by management included:

- the age of the outstanding amounts;
- independent reports on the recoverability of claims;
- results of consultations with external lawyers;
- existence of disputes;
- recent historical payment patterns; and
- expectations of timing of collectability and any other available information concerning the creditworthiness of counterparties.

Management uses this information to determine whether a provision for impairment is required for a specific transaction for each customer's balance.

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Other Information

Management is responsible for other information. The other information comprises the Chairman’s Report, Management Discussion and Analysis Report and Corporate Governance Report but does not include the separate and consolidated financial statements and our auditor’s report thereon.

Our opinion on the separate and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with IFRSs, with the relevant disclosure requirements of the Capital Market Authority and with the applicable provisions of the Commercial Companies Law of the Sultanate of Oman, 2019, as amended and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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Auditor’s Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the separate and consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

In our opinion, the separate and consolidated financial statements of the Parent Company and the Group for the year ended 31 December 2021 comply, in all material respects, with relevant disclosure requirements of the Commercial Company Law of the Sultanate of Oman 2019, as amended and disclosure requirements issued by the Capital Market Authority.

/Audited	
Auditors Report	English 01/01/2021-31/12/2021
DISCLOSURE AUDITOR'S REPORT	
DISCLOSURE OF AUDITOR'S DETAILS	
Name of partner signing off auditor's report	Nasser Al Mugheiry
Registration number of partner signing off auditor's report	L1024587
Name of audit firm	ABU TIMAM GRANT THORNTON
Registration number of Audit firm	1098977
Date of certification from auditor	10/03/2022