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Partner in Progress

Galfar Engineering
& Contracting SAOG

Al Omran Street, Ghala Industrial
P.O. Box 533, Post Code 100
Muscat, Sultanate of Oman

“ We stand today with firm invincible will on the threshold of a vital stage of development and nation building. It is a stage in which you all have participated in drawing out its prospects in Oman 2040 Future Vision, and contributed to devising its economic, social and cultural goals, in a manner that embodies a clear-cut vision, great expectation towards a more prosperous future. ”

His Majesty Sultan Haitham Bin Tarik
23 February 2020

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Galfar Engineering & Contracting SAOG

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Galfar_om
Galfar_om
Galfar Engineering & Contracting SAOG

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01
About Galfar

Vision, Mission and Values

Our Vision

To be the preferred and trusted partner in development whilst creating a value - based sustainable growth for all our stakeholders.

Our Mission

Achieve world class performance in project delivery. Innovate in projects and services execution. Maximize client value and satisfactions.

Our Values

- Integrity
- Respect
- Quality
- Safety
- Simplicity
- Continuous improvement

Our Strategy

Galfar AT A GLANCE

With remarkable growth over the past five decades, Galfar has contributed significantly to the development of Oman as a pioneer engineering and contracting firm. By combining competence, competitiveness and timely delivery with the highest quality standards, Galfar has gained prominence in the field of construction and engineering. We have a longstanding tradition of serving our valued clients to their complete satisfaction through efficient management and excellent workmanship.

We are actively involved in three main business verticals, namely:

- Energy & Industrial
- Infrastructure
- Civil & Environmental

Across these three verticals, our Company strives to provide comprehensive and innovative solutions that address the challenges of today's rapidly evolving world. We combine technical expertise, cutting-edge technologies, and a commitment to sustainability to deliver successful projects and contribute to the betterment of society.

Galfar is a trusted one-stop solution provider for our esteemed customers throughout the Sultanate because of its operational versatility and extensive logistical network, which rivals that of competitors. Our company continuously strives to innovate and improve its efficiency in the era of advanced technologies and new techniques. Recently and in collaboration with our partners we are pleased to have positioned Galfar firmly in the future of 3D Printing Technology and its growing application.

Similarly, Galfar maintains a large base of employees working in various sectors in many geographical areas in Oman, where an average of 16,708 workers have been working on the company's projects over the past six years. Our company strives to provide them with appropriate care in accordance with the laws and regulations of Oman and the International Labor Organization (ILO).

GOAL ZERO APPROACH

HSSE (Health, Safety, Security, and Environment) is a top priority within Galfar. Safety and security of our employees and stakeholders are of the utmost importance to us, as well as the protection of our environment.

Our vision is to achieve Goal Zero which encompasses our unwavering commitment to achieving zero harm, zero incidents, and zero environmental impact in all our operations and activities. It reflects our steadfast dedication to the highest standards of health, safety, and environmental stewardship. Moreover, this vision has been reflected into an actionable activity supported by frequent follow up meetings with agreed corrective actions.

To maintain our commitment to HSSE, we have implemented strict guidelines, policies, and procedures for our employees and subcontractors to follow. We provide regular training and awareness programs to ensure that everyone is equipped with the knowledge and skills necessary to maintain their safety and wellbeing.

Our HSSE objectives include the prevention of accidents, incidents and occupational illness, and we strive to continuously improve our best practices and standards to achieve these goals. We believe that a strong focus on HSSE not only benefits our employees, but also our clients, the environment and the wider community at large. We remain committed to this priority and continue to make it an integral part of our company ethos.

HSSE Performance 2023

57	65	0.07
Total ManHours-Million	Total Kilometers-Million	Lost Time Incident Frequency (LTIF)

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+400
COMPLETED PROJECTS

7
ONGOING PROJECTS

OMR 2.78 Billion
VALUE

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Energy & Industrial

We Laid Over **10,000 Km** Pipelines / Flowlines

We manage operations within the Oil and Gas sector, with an expanded scope covering Oil and Gas Plants (upstream and downstream), Petrochemical Plants, Manufacturing Plants, Industrial Plants, and projects encompassing both conventional and green energy sectors

Galfar possesses the capability to deliver medium-sized EPC contracts within the Industrial sector, positioning us to fulfill both current and future industry demands. Our activities now encompass conventional and green energy projects as well. With a track record of several years demonstrating expertise in upstream service contracts—including Design, Civil, Mechanical, Electrical, and Instrumentation Services—we have successfully executed Oman's largest contract to date, valued at USD 2.19 billion. The unit boasts a formidable workforce of 5000 individuals, spanning a diverse range of expertise and skills.

Our team manages service contracts from wellhead hook-up to delivery, including gathering stations, tailored to the needs of large, medium, and small-sized exploration and production companies. Our clients list includes prominent names such as Petroleum Development Oman, OQ, British Petroleum, Occidental Oman, Daleel, and others.

We have constructed more than 10,000 kilometers of flowlines and pipelines of varying diameters and materials both below and above ground including associated services.

Partnering with multinational oil and gas companies, we carried out complex process requirements both in the upstream oil sector as well as upstream gas sector. Recent works include the construction contract for the Salalah Liquified Petroleum Gas plant, Duqm Refinery and Yibal -Khuff Oil and Gas separation, processing and Sulphur recovery plant.

Our projects portfolio includes several oil storages tanks (fixed and floating roof) gathering stations, compressor stations, and Enhanced Oil Recovery projects with complete controls and automation including DCS and SCADA control facilities, EPC of blast-proof buildings in the oil and gas sector.

We have also designed and constructed power transmission systems from 11 kV to 220 kV , we're fully equipped to deliver power generation facilities.

Our record in Health, Safety, Security and Environment (HSSE) is unbeatable by others in the sector. With a previous record of being honored with the British Safety Standards “Sword of Honour”, we continue to excel in superior HSSE standards.

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+ 270
COMPLETED PROJECTS

18
ONGOING PROJECTS

OMR 1.5 Billion
VALUE

Infrastructure

We Constructed Over
4,000 Km of Roads

With a strong track record of successfully executing both EPC and Construction projects, Galfar focuses on delivering high-quality projects in various sectors such as Roads and Bridges, Airports and Seaports, Flood protection and recharge Dams, Water transmission and distribution networks, Operation and Maintenance of Water transmission networks, Infrastructure works of industrial parks and refineries, and large- scale earthmoving projects.

Galfar's Infrastructure team has played a significant role in the development of Oman's road infrastructure. With many years of experience, expertise, and innovative approaches, the team has constructed world-class roads and bridges that have contributed to the planned development across multiple governorates of Oman. In fact, over the last three decades, Galfar's esteemed team has constructed nearly one third of Oman's roads.

We take pride in our in its ability to undertake challenging projects and build landmark roads in Oman. It is believed that, if you drive through any of the world-class roads and bridges in Oman, it is likely that Galfar's Infrastructure team has built it. Notable examples include the Muscat Expressway, Batinah expressway (Pkg 1 & 3), Jebel al Akhdar Road to Saiq, Bausher-Amerat Road, and Hasik Shuwaimiyah Road.

Galfar's Infrastructure team boasts significant achievements in constructing airports and ports, highlighting our versatility in infrastructure development. We've played a crucial role in building several airports across Oman, including leading all airside works at Salalah International Airport as a joint venture partner, and developing facilities for PDO ,OXY Ras Al Had Airport. In the marine sector, our projects span the construction of commercial and fishing harbors, reinforcing Oman's coastal infrastructure. Additionally, our contributions extend to dams, recharge structures, and large-scale water networks nationwide, underscoring our comprehensive expertise in enhancing Oman's infrastructure landscape.

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Civil & Environmental

50 years
Construction Excellence

Galfar has created benchmarks in the industry while delivering path breaking projects ,and has an excellent track record with regards to customer satisfaction.

Being Galfar's first operating team, over the years, the Civil & Environment team has built several landmark projects including palaces, commercial establishments, housing complexes, educational institutions, hospitals, monuments, religious structures, stadia, showrooms, telephone exchanges and residences.

Being a company focused on safety and quality with ability to develop world class infrastructure, our civil and environment team has taken up large civil works for industrial facilities such as iron ore palletization plant, reservoirs, fertilizer plant, amongst others. Our team has also constructed several hotels on turnkey basis across Oman.

We undertook several medical facility projects, including the Ibri, Nizwa, and Sur general hospitals. While the Ibri and Sur hospital projects were relatively modest in scope, the Nizwa Hospital project presented an opportunity for us to execute Mechanical, Electrical, Plumbing, and HVAC systems, thereby laying the foundation for larger projects such as the Salalah Extended Health Centre, National Heart Centre at Royal Hospital, Accident, Emergency & Burns unit, and Salalah Cardiac Centre.

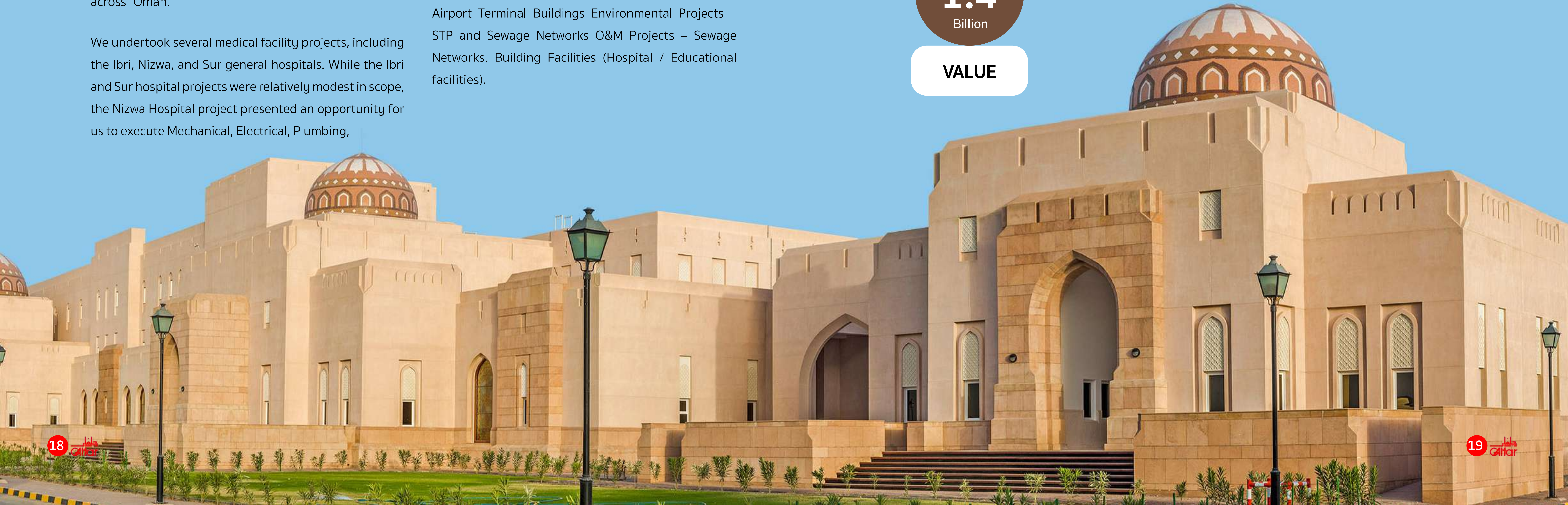
In addition, we have, executed several coveted projects for the Royal Court Affairs and other Statutory Authorities including guest complexes, office complexes, border posts, correctional facilities and other utility buildings.

We are also is involved in following sectors within overall Oman Complex Building such as Hotels, Hospitals and Airport Terminal Buildings Environmental Projects – STP and Sewage Networks O&M Projects – Sewage Networks, Building Facilities (Hospital / Educational facilities).

+ 450
COMPLETED PROJECTS

10
ONGOING PROJECTS

OMR 1.4 Billion
VALUE



Galfar Integrated Facilities

As part of our effort to serve our clients, we have a huge fleet of construction Equipment and vehicles, ensuring that we are equipped to handle projects of any scale and complexity. Our diverse range of machinery includes excavators, bulldozers, loaders, cranes, dump trucks, concrete mixers, pavers, and more. These cutting-edge machines are sourced from renowned manufacturers and undergo regular maintenance to ensure optimal performance and reliability. This equipment are managed and maintained by the Plant Department through a well-experienced team of equipment engineers and technicians.

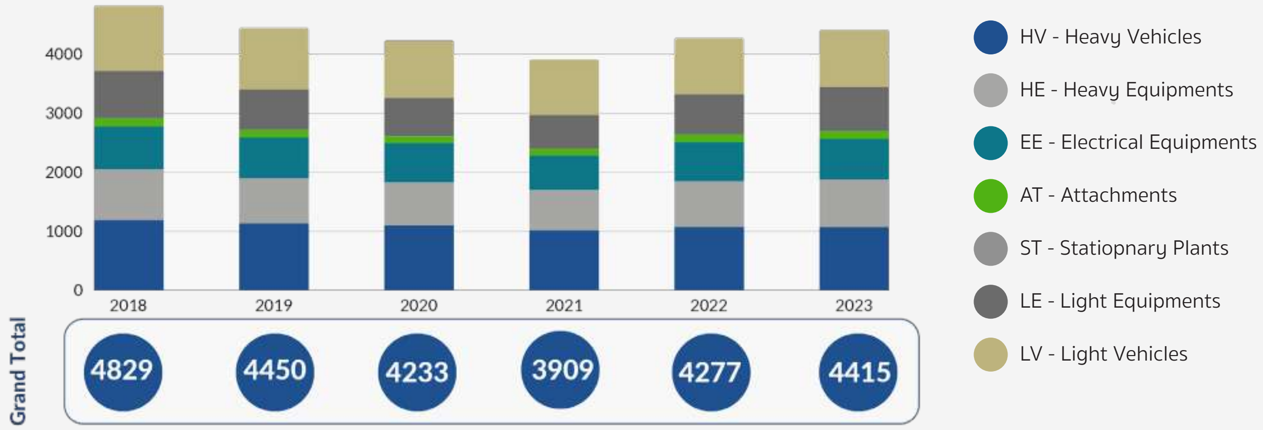
Galfar has maintained a fleet capacity averaging to 4,340 equipment and machinery over the last five years. More than 50% of Galfar fleet includes heavy vehicles, equipment and Stationary plants. To assure availability and productivity, Galfar has it own dedicated state of the art workshop at Khazaen Economic City to maintain the company-owned machinery. This is to support the satellite workshop at project sites.

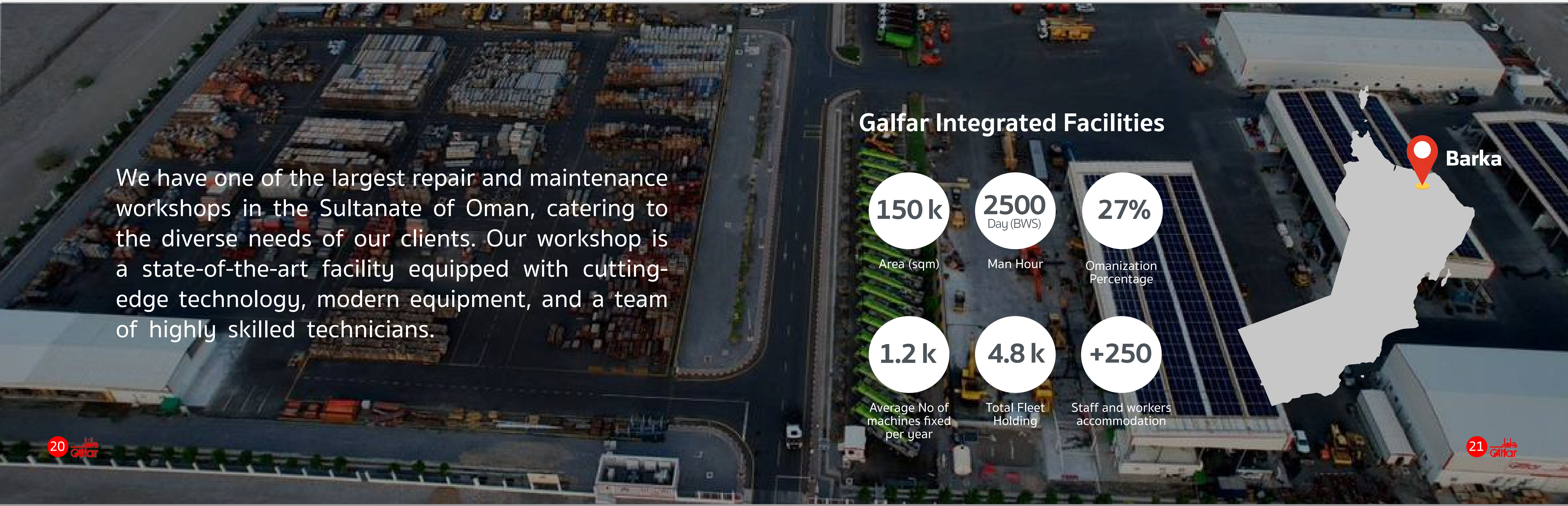
Industrial facility at Nizwa

Industrial facility was established in 2006 at Nizwa Industrial City of Madayn as a one stop shop to support the energy sector projects, process-oriented industries such as refineries, fertilizer plants, steel plants, power plants and general industrial sector with structural and piping (CSILTCS/SS/DSS/SDSS/Alloy) fabrication in compliance with contract requirements and specifications.

Galfar Fleet:

Vehicles, Equipment & Plant





In Country Value

We are proud that we are one of the largest publicly listed companies in Muscat Stock Exchange (MSX) since 2007 and have more than 3500 shareholders. The majority (>85%) of these shareholders, whether they are individuals or establishments like local companies and pension funds, are Omanis. This suggests that the company is likely deeply rooted in the local economy and culture of Oman.

Furthermore, Galfar is already an ICV rich organization by way of being among the top 3 biggest National employers in the private sector with ~ 3900 Omanis and evident utilization of the local supply chain by way of posting 97% of purchases in the local market. Additionally, we have strategies and policies in place to further sustain and enhance our ICV stance where practically possible.

ICV Pillars

Omanization & Nationals development

- Increase Omanization
- Enhance national's skills and competencies

Knowledge transfer & R&D

- Enhance local industries competitiveness
- Enhance Local Innovation and Research and Development
- Strengthening Collaboration with local and International Partners

Local Suppliers development

- Improve supplier's capabilities & competitiveness

Goods and Services

- Ensure Company contracts' goods sourced from the local market and the SMEs.
- Ensure Company contracts' services sourced by local suppliers and SMEs.
- Maximize the reliance on the made in Oman products.

Social Investment

- Improve Youth development, cultural preservation and heritage Programs
- Enhance Community development and Environmental sustainability programs
- Promote health and well-being across the society

We are committed to increasing In-Country-Value (ICV) in Oman through investing in people, goods, and services and closely followed the development & objective of the local content.

As this is an important for the company & the industry to fully understand the implications & compliances thereof Galfar has continuously improved its ICV stance.

Our ICV Achievements 2023

+3900 Nationals employed

97% Of local Order volume of the total annual purchase and subcontract value.

+1200 Employees recruited in 2023

40% Of the Purchase Orders value is spent on (Made in Oman Products)

+80 Trainees in 2023

10% Of total Subcontract order value is awarded to SME/LCC

Galfar SUBSIDIARIES

Furthermore, Galfar leverages its specialized expertise across its subsidiaries to deliver unparalleled services on large-scale projects. Galfar Aspire Readymix Concrete LLC excels in providing concrete solutions spanning the entirety of the Sultanate, ensuring comprehensive coverage and reliability. Meanwhile, Aspire Projects and Services LLC offers a diverse range of specialized services, including HVAC, MEP, carpentry, joinery, aluminum windows and facades, Extra Low Voltage (ELV) systems (both active and passive), as well as LED lighting solutions encompassing design, development, and implementation for projects of various scales.

- Founded in 2011
- Project Service
  - Civil
  - IOT Solutions
  - MEP
  - BMS, Security, SCADA, ELV
- Facilities management

- Founded in 2011
- Supply of specialized concrete for construction projects in oman.
- Supply of Micro-Concrete for 3D Printing.

Al Khalij Heavy Equipment & Engineering Co. LLC,

- Founded in 2011
- A leading provider of specialist Logistics & Cranage services including.

Rig Move & Support functions in Oman Cranage & Heavy Lifta Clearing & Forwarding Transportation & Logistics Service.

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02 Board of Directors

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Board of Directors

Eng. Majid Salim Al Fannah Al Araimi
Chairman

Eng. Majid holds a BSc in Engineering Management from the University of Missouri, USA. He is one of the Directors who has played an active role in developing the business of a group of private companies and several reputed educational institutions in the Sultanate of Oman. He is the Chairman of National Drilling and Services Co. SAOC, United Gulf Energy Resources SAOC and the Travel Point Group and holds office as the Vice Chairman of several private companies.

Eng. Mohiuddin Mohamad Ali
Vice Chairman

Eng. Mohiuddin holds a BSc Civil Engineering graduate from Carnegie Mellon University, Pittsburgh, USA. He is the Vice Chairman of PMA International LLC and MFAR Group of Companies . He is the Chairman & Managing Director of Alpha Fishco LLC. He is the member of Board of Directors and Board of Trustees of National University of Science & Technology.

Mr. Hamdan Ahmed Al Shaqsi
Member

Mr. Hamdan holds an MBA majoring in Financial Management, ACCA finalist 1989 and is a Certified SAP ERP Consultant on CO module. He served for 20 years in various senior roles, in PDO, Oman LNG. In 2007 he became a co-founder, promoter, developer, and CEO of Gulf International Pipe Industry LLC (GIPI).

Eng. Shihab Salem Al Barwani
Member

Eng. Shihab holds a BSc in Instrumentation and Control System Engineering. He has over 40 years of experience in the upstream oil & gas sector including refinery and petrochemical industry with specialisation in Project Management covering the entire scope of the project.

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Eng. Maqbool Hussein Al Zadjali
Member

Eng. Maqbool holds a BSc in Mechanical Engineering from University of Sunderland (UK). He has over 35 years of experience in the Oil and Gas sectors, with particular expertise in major pipeline projects, construction management as well as facilities projects.

Mr. Mohamed Taqi Al Jamalani
Member

Mr. Mohammed holds a Bachelors in Economics and Finance from the UK and has completed a postgraduate certificate in International Capital Markets Qualification from London Institute of Securities. He is an experienced and professional in regulatory, financial legal fields and capital markets industry with more than 29 years of practice. In addition, he has knowledge and experience in real estate development, construction and in trading businesses.

Eng. Said Salim Al Hajri
Member

Eng. Said graduated with honors from Imperial College with a dual degree in Mechanical Engineering and a Master's Degree in Petroleum Engineering. He is also a graduate of The National CEO Program from IMD. He is an entrepreneur who has founded a few companies including Vision Advanced Petroleum Solutions (VAPS) and Local Line LLC.

Mr. Fazlin Anam
Secretary of the Board

Mr. Fazlin has over 28 years of experience in the Legal profession. He worked for seventeen years as an attorney and legal advisor in the Supreme Court of India before joining Galfar in 2012. He was appointed by the Board in the post of Board Secretary in November 2017.

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03 Executive Management

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Executive Management

Dr. Hamoud Rashid Al Tobi
Chief Executive Officer

Dr. Hamoud holds a Ph.D. in Physical Sciences. He brings a wealth of experience from academia to the oil services sector, with notable leadership roles and substantial contributions at Petroleum Development Oman(PDO) , and as CEO of Al Shawamikh Oil Services Company. From 2020, as CEO of Galfar Engineering & Contracting, he continues to drive innovation and uphold quality standards, shaping the industry's trajectory.

Mr. Mohammed Humaid Al Yahyaei
Chief Financial Officer

Mr. Mohammed holds a Bachelor of Finance from Sultan Qaboos University and an MBA from The Executive Academy at Vienna University. He is an affiliate member of ACCA (UK) and ACPA certified. With over 20 years of experience. His leadership is instrumental in steering Galfar business transformation, growth strategies, and enhancing our financial and investment management frameworks.

Eng. Chandran Chinnakamu
Vice President – Project Services Unit

Eng. Chandran holds a BSc in Engineering from Alagappa Chettiar Government College of Engineering & Technology . He has over 34 years of experience in infrastructure projects, including more than 12 years in executive management roles.

Eng. Badar Hamed Al Abri
Vice President – Strategy & Business Development Unit

Eng. Badar has a BSc in Mechanical Engineering and an MBA from University of Strathclyde. He has over 21 years of experience in the oil & energy industry . His strategic approach includes financial forecasting, stakeholder management, and fostering community partnerships for sustainable growth. His focus on business development and innovation plays a key role in Galfar's ongoing success.

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Mr. Abdullah Khamis Al Araimi
Vice President – Human Capital Unit

Mr. Abdullah has an MSc in Management of Strategic Human Resources from the University of Glamorgan, UK He brings over 30 years of HR leadership to his role . Since joining Galfar in 1996, he has been pivotal in developing systems, policies, and procedures that enhance performance and culture, maintaining strong compliance with regulatory aspects, and fostering harmonious industrial relations.

Mr. Praveen Kumar V
Vice President – Supply Chain Management Unit

Mr. Praveen holds a an MBA in Operations Management from Madurai Kamaraj University, India. With 23 years in Supply Chain Management, he's a PMP-certified professional known for his strategic leadership in procurement, subcontracts, and inventory.

Mr. Alizamin Syed
General Manager – QHSSE Unit

Mr. Ali Zamin has a Bachelor's degree in Science and holds over 23 years of professional experience, establishing himself as a seasoned expert in Quality, Health, Safety, Environment, and Security (QHSSE). His extensive expertise has been cultivated through hands-on roles in renowned construction, Oil & Gas, and Petrochemical projects across Oman, Kuwait, and India.

Eng. Mohammed Khalfan Al Ruzaiqi
Vice President – Energy and Industrial Unit

Eng. Mohammed holds an MSc in Shell Master of Technology from Curtain University, Australia, and an MSc in Automation and Control Engineering from the University of Newcastle, UK. He has over 25 years of experience in the Oil & Gas sector. His extensive experience encompasses operations, engineering, project management, and contracts management.

Eng. Balaraaman Radhakrishnan
Vice President – Infrastructure Unit

Eng. Balaraaman holds a Post-graduate Diploma in Construction Management. He has over 35 years experience encompasses pivotal projects across India, Malaysia, and Oman. He joined Galfar in 2011 as Project Director and later advancing to Unit Head in 2016.

Eng. Ahmed Saleh Al Shibani
Vice President – Civil and Environmental Unit

Eng. Ahmed holds a BSc in Mechanical Engineering from the University of Leeds, UK (1998), and is a graduate of the National CEO Program at IMD, Switzerland (2016). With over 25 years in the oil and gas sector, he has extensive experience in construction supervision, project management, and multi-discipline engineering coordination.

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04 Director's Report

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Director's Report

For the period ended31 December 2023

Eng. Majid Salim Al Fannah Al Araimi
Chairman

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Directors report on the financial performance of Galfar Engineering & Contracting SAOG ('the Parent Company') and its subsidiary and associated companies (collectively 'the Consolidated Group') for the year ended 31 December 2023:

Overview:

	Parent Company (RO 000)		Consolidated (RO 000)	
	2023	2022	2023	2022
Revenue	238,811	166,120	249,854	177,621
EBITDA	10,039	14,031	11,171	12,380
Operating profit	3,725	6,020	3,866	3,314
Profit before tax	574	3,436	(49)	156
Net profit after tax	574	4,628	128	1,283

Financial Performance

Against the backdrop of the global market slowdown and market condition of material price escalations due to geo-political issues Galfar generated significantly higher sales revenue and continued positive operating results in the reporting year.

In the period January to December 2023, the company generated sales revenue of OMR 239 million, up 43.7% on the prior-year figure, supported by a robust order book with positive operating profit. The parent Company achieved a net profit of RO 0.57 million compared to RO 4.63 million for the same period last year. The main factors for the decline in the net profit are related to non-operational reasons related to the implementation of the new labor law, especially concerning the end-of-service benefits for foreign employees.

At the yearend Galfar (the parent company) has an improved order book of RO 579 million compared to last year of RO 517 million.

The order book improvement came as a result of new project awards during the year of RO 397 million.

Our subsidiary companies in Oman which include Aspire Readymix, Aspire Projects, and Al Khalij Heavy Equipment have substantially improved their performance in 2023, the bottom line has improved from a loss of OMR 2.94 million in the year 2022 to OMR 0.02 million in the year ended December 2023. Our associate company in Kuwait reported a loss of RO 0.43 million for the year ended December 2023. The Parent Company continues to make 96% of the entire consolidated business.

Your company is determined to improve its subsidiaries and associates' performance and put in place the strategic plans and measures to overcome the associated challenges to further improve the business with full support from the parent company.

Prospect for 2024

Our planning is based on the assumption that the local economy will grow overall with a noticeable upward in government and private projects to cater for development and infrastructure projects across various sectors in Oman to achieve, among other objectives, fiscal sustainability & and economic diversification.

We anticipate that challenges will arise in particular from the economic situation, the increasing intensity of competition, volatile commodities and more stringent emission-related requirements.

In line with Oman Vision 2040, the government seeks to collaborate with the private sector to undertake investment and Public Private Partnership (PPP) projects to entice it to invest in public services and infrastructure projects. In areas including education, health, transportation and logistics, communication and information technology, agriculture, fisheries, and others, numerous projects are already in progress as well as those that are scheduled to be completed in 2024.

Your Company is committed to turnaround and improving financial performance with a continued focus on implementing the Company's turnaround strategy's six priorities including Restructuring and reorganization, Efficiency and cost Savings, Financials and liquidity, Diversification and capability, Technology and innovation, and Public Relations & Stakeholder Management.

As the flagship for Oman's contracting and engineering business, Galfar is looking forward firmly to building on its strength and to continue supporting the Government and the local market endeavors for economic growth.

Your Company continued to explore avenues to. strengthen the company's financial position in a challenging and highly competitive economic environment. As part of the company's turnaround strategy, measures to control expenses and improve efficiencies in project execution are pursued. The company expects to maintain a solid orderbook over RO 500 million in the future 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 the stability and sustainability of our strong market position.

In addition, your company continues to progress in the various diversification opportunities in Construction Technology, Energy, PPP Projects and other sectors that will provide long-term sustainability and growth opportunities for the Company in the future.

The Sultanate of Oman has committed to achieving net-zero emissions by 2050. Galfar leverages innovation and collaboration to align with Net Zero goals while ensuring operational efficiency and recognizes its environmental responsibility and strives to minimize its carbon footprint, contributing positively to a global environmental health.

Galfar is proud to be one of the top employers in Oman, with more than 3,900 Omani staff. This unique achievement requires specific strengths to serve a wide range of clients and networks. The company will continue developing its staff capabilities and knowledge across different business segments by providing the right opportunities and training programs.

Gratitude & Appreciation

Galfar shall continue its crucial role as a true partner in development and as a company of national interest through its well-established local capabilities, its vast efforts to develop and employ Omanis in one of the most challenging sectors, through its collaboration with the wide local supply chain and various SME(s), and its corporate social responsibility programs.

We express our sincere appreciation and gratitude to the Government under the wise leadership of His Majesty Sultan Haitham bin Tarik and for all the efforts taken by the Government to affirm the Country's fiscal position. Galfar has been instrumental in the development of Oman's infrastructure and various national objectives over the past four to five decades and is determined to continue so in the future.

As closing remarks, we would like to take the opportunity to thank all our esteemed stakeholders for their continued support and trust on Galfar. Our sincere appreciation and recognition also to the entire Galfar workforce who are driving the results achieved and the transformation being at the forefront of Galfar operations all across the Country.

Majid Salim Said Al Fannah Al Araimi
| Chairman

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05 Corporate Governance Report

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Corporate Governance Report

FOR THE PERIOD ENDED 31 DECEMBER 2023

Board of Directors of Galfar and Management presents the Corporate Governance Report for the year ended 31 December 2023.

Company's Philosophy

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

The Company follows principles of the Code of Corporate Governance for publicly listed companies, promulgated by the Capital Market Authority, wherein Transparency, Accountability, Fairness and Responsibility are the pillars of good Corporate Governance.

Board of Directors

The Board of Galfar comprises of 7 members, all of whom are non-executives and three of them are independent. Two Directors are deemed to be non-independent due to their membership in Subsidiary & Associate Companies.

The Directors are well experienced in their diversified professional fields and have given great support to practice good governance, to supervise the performance of the Company's business with the view to ensuring its effectiveness and enhancement of shareholders value.

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

Mission of Galfar Board is to lead the Company and achieve its objectives, short and long terms strategic plans, besides monitoring the Company's businesses and its operations. In this context the Board gives support to Executive Management, without interfering in their day-to-day works, to perform their duties successfully and properly towards achieving the company's objectives. The Board exercises its primary functions and duties in line with the principles provided for in the Code of Corporate Governance and other relevant laws of Sultanate of Oman and is assisted by various sub committees and the higher executive management of the Company.

Board of Directors

Sr. No	Name of Director	Designation	Category	Directorship in Other Joint Stock Companies
1.	Eng. Majid Salim Al Fannah Al Araimi	Chairman	Non-Independent Non - Executive	National Drilling Services & Co. SAOC National University of Science & Technology SAOC
2.	Eng. Mohiuddin Mohamad Ali	Deputy-Chairman	Non-Independent Non - Executive	National Drilling Services & Co. SAOC National University of Science & Technology SAOC United Gulf Energy Resource SAOC
3.	Mr. Hamdan Ahmed Al-Shaqsi	Director	Independent Non-Executive	Raysut Cements SAOG
4.	Mr. Mohamed Taqi Al Jamalani	Director	Independent Non-Executive	National Life & General Insurance Co. SAOG Public Authority for Special Economic Zones and Free Zones. Oman Center for Governance and Sustainability
5.	Eng. Said Salim Al Hajri	Director	Independent Non-Executive	Oman Shipping Company Minerals Development Oman SAOC Dhofar Tourism SAOG
6.	Eng. Maqbool Hussein Al Zadjali	Director	Non-Independent Non - Executive	None Membership in Associate & Subsidiary
7.	Eng. Shihab Salem Al Barwani	Director	Non-Independent Non - Executive	Al Jazeera Steel Products Co. SAOG Membership in Associate & Subsidiary

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Board Meetings:

During the year 2023, the Board held 5 meetings and passed 37 resolutions by circulation. The dates of the meetings and the attendance details are given below:

Board Members	8 Mar	29 Mar	11 May	11 Aug	13 Nov
Eng. Majid Salim Al Fannah Al Araimi	✓	✓	✓	✓	X
Eng. Mohiuddin Mohamad Ali	✓	✓	✓	✓	✓
Mr. Mohamed Taqi Al Jamalani	✓	✓	✓	✓	✓
Eng. Said Salim Al Hajri	✓	✓	✓	✓	X
Eng. Maqbool Hussein Al Zadjali	X	✓	✓	✓	✓
Mr. Hamdan Ahmed Al-Shaqsi	✓	✓	X	✓	✓
Eng. Shihab Salem Al Barwani	✓	✓	✓	✓	✓

√ (Attended) X (Regret)

Sub- Committees of the Board:

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

Executive Committee (EC).

The EC is a sub-committee of the Board which oversees operational matters. It is constituted to enable the Board to conduct and monitor the company's business and provides a mechanism for the Board to engage, within the limits granted to this sub-committee, in decision making, oversight, and communication on important organizational matters. It reviews the annual budget and business plan and monitors the performance of all Company's units.

Executive Committee Members	Designation	8 Mar	10 Aug	10 Oct	12 Nov
Eng. Majid Salim Al Fannah Al Araimi	Chairman	✓	✓	✓	✓
Eng. Mohiuddin Mohamad Ali	Member	✓	✓	✓	✓
Eng. Shihab Salem Al Barwani	Member	✓	✓	✓	✓
Eng. Maqbool Hussein Al Zadjali	Member	✓	✓	✓	✓

Audit Committee (AC)

The AC comprises of 3 independent members. The primary function of AC is to assist the Board in fulfilling its responsibilities of monitoring and overseeing the adequacy and effectiveness of the internal control systems, procedures, financial reporting process, the effectiveness of the internal audit function and recommends the appointment of the external auditor. In performing its duties, the committee maintains effective working relationships with the board of directors, management, and the external and internal auditors. The Audit Committee held 5 meetings in the year 2023. The dates of the meetings and the attendance details are given below.

Audit Committee Members	Designation	31 Jan	6 Mar	9 Aug	9 Nov
Mr. Hamdan Ahmed Al-Shaqsi	Chairman	✓	✓	✓	✓
Mr. Mohamed Taqi Al Jamalani	Member	✓	✓	✓	✓
Eng. Said Salim Al Hajri	Member	✓	✓	✓	✓

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

The Human Resource Nomination and Remuneration Committee (HRN&RC) comprises of 3 members. Other and was formed by the Board in accordance with the requirements of the Code of Corporate Governance for Public Listed Companies. The Committee scrutinizes Board candidate applications and assist the annual general meeting of the company in the nomination of proficient directors for election. It also assists the board in selecting the suitable executives to the executive management and oversee the succession planning for such key executives. The HRN&RC Committee held 2 meetings in the year 2023. The date of the meeting and the attendance details are given below:

Members of the Committee	Designation	23 Mar	4 Apr
Eng. Said Salim Al Hajri	Chairman	✓	✓
Eng. Mohiuddin Mohamad Ali	Member	✓	✓
Eng. Shihab Salem Al Barwani	Member	✓	✓

Sitting Fees & Remuneration to the Board of Directors:

The total sitting fees for board and sub-committee meetings held in 2023 is OMR 36,500 & the Remuneration paid is OMR 127,187.

Sr. No	Name of Director	Sitting Fees	Remunerations	Total
1.	Eng. Majid Salim Al Fannah Al Araimi	4,400		4,400
2.	Eng. Mohiuddin Mohamad Ali	5,900		5,900
3.	Eng. Shihab Salem Al Barwani	5,900		5,900
4.	Mr. Mohamed Taqi Al Jamalani	5,500	32,834	38,334
5.	Eng. Said Salim Al Hajri	5,600	32,834	38,434
6.	Eng. Maqbool Hussein Al Zadjali	4,400	32,834	37,234
7.	Mr. Hamdan Ahmed Al-Shaqsi	4,800	28,685	33,485
Total		36,500	127,187	163,687

Note: During 2023 the sitting fees dues of OMR.19,000 from the earlier years has been paid.

The Annual General Meeting for the year 2022 was held on 28th March 2023. The attendance details are given below.

Sr. No	Name of Director	Designation	Attendance
1.	Eng. Majid Salim Al Fannah Al Araimi	Chairman	✓
2.	Eng. Mohiuddin Mohamad Ali	Deputy Chairman	✓
3.	Eng. Shihab Salem Al Barwani	Director	✓
4.	Mr. Mohamed Taqi Al Jamalani	Director	✓
5.	Eng. Said Salim Al Hajri	Director	✓
6.	Eng. Maqbool Hussein Al Zadjali	Director	✓
7.	Mr. Hamdan Ahmed Al-Shaqsi	Director	✓

Corporate Social Responsibility (CSR):

In line with Principal 13 of the code of Corporate Governance, Galfar integrates its business values and operations to support and enhance the national socio-economic objective of Oman and to support community needs. Galfar is able to make a difference within its capabilities both monetarily and technically, by contributing to local communities wherever we deliver our projects. The Company is also active in supporting innovation and safety campaigns throughout the country and are always striving to improve stakeholder relationship and enhance reputation & standing.

Procedure for Standing as a Candidate for the Board:

The Company's Board of Directors comes up for election once in three years. The present board was elected in the Annual General Meeting held in 2023. The right to stand as a candidate for membership of the Board of Directors of the Company is open to shareholders and non-shareholders who satisfy the legal requirements provided for in the Commercial Company Law, the Articles of Associations of the Company and principles of the Code of Corporate Governance.

Any person who wishes to stand as a candidate for the Board and is eligible for the same as per the regulations as well as the Articles of association, is required to submit the candidacy form as prescribed by CMA. A candidate who stands for election to the Board is elected at the General Meeting by following the procedures laid down in the Commercial Companies Law, and rules and regulations issued by the CMA. The Company's Legal Advisor reviews the candidacy forms to ensure that all the required information is recorded and the candidates satisfy all the terms and conditions of the election process.

Key Management Remuneration:

Total remuneration during the financial year 2023 to key management staff was **OMR 801,507/-.**

Non-Compliance:

The Company complies with the principles of Code of Corporate Governance and there were no penalties imposed on the Company in the year 2023.

Compliance with Rules and Regulations:

The Company has been following the applicable rules and regulations issued by MSX, CMA and those stipulated in the Commercial Companies Law and the Articles of Association of the Company. The Compliance with Rules and Regulations are monitored and ensured jointly by the Legal Department and Internal Audit in coordination with the other units.
The Company has in place internal regulations and control systems duly approved by the Board which includes Manual of Authority, policies for Whistle blowing, Code of conduct, Related Party Transactions, Revenue Recognition in addition to a Corporate Social Responsibility Policy. The Company follows the disclosure guidelines for Public Listed Companies issued by the Muscat Stock Exchange.

Communication with Shareholders and Investors:

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

The Company publishes its un-audited financial results in MSX on a quarterly basis and the audited financial statements annually. Detailed financial statements are sent to shareholders on request. The Management discussion and analysis report forms an integral part of the Annual Report.

Statement on Market Price and distribution of Holdings:

Market High/Low price during each month of 2023:

Month	High	Low	Close	Month	High	Low	Close
Jan-23	0.190	0.165	0.178	Jul-23	0.185	0.162	0.162
Feb-23	0.210	0.190	0.200	Aug-23	0.169	0.155	0.163
Mar-23	0.208	0.177	0.200	Sep-23	0.161	0.146	0.160
Apr-23	0.206	0.183	0.185	Oct-23	0.164	0.140	0.156
May-23	0.199	0.173	0.180	Nov-23	0.163	0.144	0.148
Jun-23	0.200	0.180	0.184	Dec-23	0.169	0.142	0.169

Distribution of Ownership of Shares shareholders at 2023 (Including Shares preferential voting rights)

Sr. No	Category	No. of Shareholders	No. of Shares	% of Shareholding
1.	Less than 5%	3,513	98,744,134	35.14%
2.	5% to 10%	2	32,617,201	11.22%
3.	Above 10%	4	155,897,111	53.64%
	Total	**3,519**	**290,650,946**	**100.00%**

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

Profile of the Statutory Auditor

Abu Timam Grant Thornton is a leading accountant and consulting firm providing assurance, tax and advisory services. The organization has more than 2,500 partners spread across the globe who helps clients with their knowledge and experience. The Omani arm of Grant Thornton International, is headquartered in Muscat with a branch in Salalah. The Muscat office was established in 1995 and is one of the leading auditing and consulting firms in Oman, evidenced by the portfolio of clients that includes well-established companies across a broad spectrum of industries. Abu Timam Grant Thornton is approved by the Capital Market Authority as one of the audit firms allowed to audit joint stock companies.

Audit fees of the Company and Subsidiaries:

Audit Fees of Company and Subsidiaries and fees for other services paid to the Auditors for 2023

Amount (In RO)

Sr. No	Particulars	Audit	Others
1.	Galfar Engineering and Contracting SOAG	59,500	1250
2.	Al Khalij Heavy Equipment & Engineering LLC (Subsidiary)	2,000	200
3.	Aspire Projects & Services LLC (Subsidiary)	2,500	
4.	Galfar Aspire Ready-mix LLC (Subsidiary)	2,500	

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

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Management Deliberation & Analysis Report

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Management Deliberation and Analysis Report

Dr. Hamoud Rashid Al Tobi
Chief Executive Officer

General Overview

In 2023, the construction industry in Oman exhibited robust performance despite facing various challenges. The sector experienced steady growth driven by government initiatives aimed at infrastructure development and economic diversification. Major projects such as transportation infrastructure, water infrastructure, residential developments, and tourism-related ventures continued to propel the industry forward. Additionally, the adoption of advanced technologies and sustainable practices contributed to enhancing efficiency and reducing environmental impact. Despite global economic uncertainties and fluctuating oil prices, Oman's construction sector demonstrated resilience, supported by strategic investments and a growing demand for modernization and urbanization.

Aligned with the ambitious Oman Vision 2040, an intensifies collaboration with the private sector, fostering investment and driving forward Public-Private Partnership (PPP) projects is well demonstrated. These initiatives not only stimulate private investment but also enhance public services and infrastructure across vital sectors such as education, healthcare, transportation, logistics, communication, information technology, agriculture, and fisheries. In 2023, Oman's dedication to economic diversification remains unwavering, positioning the nation and subsequently the construction sector for sustained growth and prosperity in the years ahead.

Performance overview in 2023

Under the guidance of its new management team, the Company is undergoing significant enhancements, positioning Galfar to uphold its prominent status among Oman's leading construction contractors. Since 2021, Galfar has consistently charted a path to success. The unveiling of its Transformation Strategy in 2020 has generated significant interest across various industries and units, underscoring its strategic importance.

In the face of prevailing market challenges, Galfar has successfully secured a substantial new order book totaling RO 397 million for 2023, a testament to its resilience and the confidence it commands in the market. Committed to continuous improvement, Galfar remains firm in its pursuit of strategic objectives aimed at delivering mutual benefits to stakeholders. Key priorities include enhancing project delivery excellence, fostering strategic partnerships, undertaking diversification initiatives, amplifying in-country value, and investing in talent. Additionally, Galfar is dedicated to green initiatives to reduce CO2 emissions and implementing innovative solutions.

Furthermore, Galfar recognizes that meeting future challenges hinges on continual capability upgrades to uphold the highest standards of quality, health, safety, and environmental responsibility.

The Company was successful in collecting certain long pending receivables from its clients. This has facilitated to reduce its bank borrowing to record lows. Asset turnover ratio for the year is also very much improved in comparison to previous periods.

The Group Financial Statements for the year ended 31 December 2023 recorded a Turnover of RO 249.5 million (2022: RO 177.6 million) with a profit after tax of RO 0.1 million (2022: RO 1.3 million). The Parent Company's Turnover for the year ended 2023 was RO 238.8 million (2022: RO 166.1 million) with a profit after tax of RO 0.6 million (2022: RO. 4.6 million).

The performance of the subsidiaries as at the year ended 2023 are as follows:

Galfar Aspire Ready-mix SPC, which produces ready mix concrete, recorded a turnover of RO 14.3 million (2022: RO 12.6 million) with a profit after tax RO 0.9 million (2022: loss RO1.2 million).

Aspire Projects and Services SPC which is a specialized engineering and services company had a turnover of RO 1.6 million (2022: RO 1.5 million) with a loss of RO 0.8 million (2022: loss of RO 1.6 million).

Al Khalij Heavy Equipment & Engineering LLC which specializes in hiring out of equipment had a turnover of RO 2.4 million (2022: RO 1.9 million) and made a loss of RO 0.08 million (2022: loss of RO 0.04 million).

During the year under review the Company has received new orders worth RO 397 Million which includes additional work within the available contracts worth RO 25 million. This has contributed to increase the value of orders on hand as on 31 December 2023 above RO 579 million.

Business Scenario

Our commitment to achieving the objectives outlined in our transformation strategy remains steadfast. We have attained outstanding results that bolster our competitive advantage. In the strategic pillar of Diversification and Sustainability, there have been multiple sustainability actions implemented in Galfar over the last couple of years. This includes adopting energy saving measures within Galfar premises, embarking on 3D printing research and implementation, drafting decarbonization strategy and plans to name a few. The journey also included the execution of an in-house renewable energy project. Additionally, we have been adopting environmentally friendly projects in the road construction. This includes the Green Mantra, which is an enhancement of asphalt performance using recycled plastics.

As for diversification, we have been successful in securing a contracts in new sectors and progressing a couple of other prospects. Also, we have successfully qualified and submitted joint proposals for rail infrastructure and PPP projects tenders.

As a company specializing in project delivery, our strategic priority of Project Delivery Excellence is continually evolving. In the Brand Reputation pillar, we've successfully increased our positive societal impact through CSR programs and ICV initiatives. Moreover, our brand presence has extended beyond borders, evident in our active engagement on social media platforms and participation in local and international events.

Galfar strategic partnerships are crucial to our success, as we prioritize both clients and partners. Despite market challenges, our financial and liquidity performance has demonstrated improvement over the years. The strategic pillar of Technology and Innovation focuses on enhancing excellence, innovation, and creativity in our projects, achieved through the adoption of new technologies and driving digitization across the company.

These remarkable achievements are underpinned by our efforts in the strategic pillar of Restructuring and Capabilities, where we've enhanced our in-house capabilities and streamlined our processes.

In recent years, the energy sector has experienced an unprecedented surge in investment and activity, underscored by the escalating significance of hydro, wind, solar, and geothermal energy sources in the global electricity production landscape.

Adhering to Oman's Vision 2040, Galfar ensures its contributions enhance sustainability, promote nationalization, and pioneer innovation in its chosen disciplines. The company anticipates leveraging its vast resource base and infrastructure to capitalize on the opportunities arising from this alignment with national objectives.

Galfar's Pioneering Path to Net Zero

As the global impact of climate change escalates, the imperative to decarbonize and transition to cleaner energy has reached unprecedented levels. Sultanate of Oman, under the leadership of His Majesty Sultan Haitham bin Tarik, has committed to achieving net-zero emissions by 2050. In alignment with this directive, Galfar has embarked on a transformative journey to strategically address and reduce CO2 emissions.

Galfar's commitment is driven by a multifaceted approach rooted in regulatory compliance, environmental responsibility, and market competitiveness. The imperative to reduce CO2 emissions arises from heightened awareness of regulatory requirements, positioning Galfar as a responsible corporate citizen. The company recognizes its environmental responsibility and strives to minimize its carbon footprint, contributing positively to global environmental health.

Beyond compliance and responsibility, Galfar places strategic emphasis on market competitiveness, viewing sustainability as a key differentiator in the business landscape. The company aims not only to meet but exceed industry standards, appealing to environmentally conscious consumers and demonstrating leadership in sustainable practices.

Galfar's comprehensive Net Zero strategy involves setting emission baselines, identifying reduction initiatives, and implementing sustainable practices. The company leverages innovation and collaboration to align with Net Zero goals while ensuring operational efficiency. Continuous monitoring and reporting ensure transparency, accountability, and communication of progress to stakeholders.

Through systematic processes and a commitment to sustainability, Galfar is not only reducing CO2 emissions but also setting a benchmark for sustainable business practices in its industry.

In-Country Value

We proudly stand as one of the best contractors in championing a holistic approach to support the development and prosperity of our nation through our In-Country Value (ICV) program. Our commitment extends far beyond the realm of construction; it encapsulates a comprehensive strategy to fortify our country's economic and social fabric.

These efforts have yielded impressive results, including a remarkable Return on Investment (ROI) exceeding 20%. We are determined to build upon this success, with plans to incrementally increase our ROI year after year.

At the core of our mission lies a fervent dedication to supporting the recruitment and development of national talent. We recognize the invaluable contribution of our citizens and prioritize their growth, enabling them to thrive within our organization and the industry as a whole.

Furthermore, we ardently promote local purchases and the utilization of "Made in Oman" goods, strengthening our nation's industries and fostering economic self-reliance. We believe in the power of Small and Medium-sized Enterprises (SMEs) and work diligently to empower them, providing opportunities for growth and collaboration.

Research and development initiatives are ingrained in our ethos, driving innovation and progress within the sector. We actively invest in the future, constantly seeking new ways to advance our capabilities and contribute to Oman's development.

As responsible corporate citizens, we wholeheartedly embrace our Corporate Social Responsibility (CSR) obligations, actively participating in initiatives that uplift communities and improve lives.

In every facet of our operations, we exemplify excellence and unwavering dedication to the principles of ICV. We are not only building structures but also building a brighter, more prosperous future for Oman and its people.

Corporate Social Responsibility (CSR)

In 2023, our Corporate Social Responsibility (CSR) initiatives reflected our commitment to community development and well-being. We commenced the year by contributing to the construction of a water tank for olive trees in Jabal Al Akhdar, fostering sustainable agriculture and environmental conservation.

As part of our commitment to societal welfare, we proudly sponsored the Indian Social Club Oman and supported the Gulf Traffic Week 2023 activities, emphasizing road safety awareness. Additionally, we sponsored the "Our School Intellectual Property" gathering, focusing on educating teachers about the significance of intellectual property and fostering creativity in education.

Furthering our environmental stewardship, we financed the construction of a groundwater recharge dam on Wadi Al Safri in Wilayat Yankul, Al Dhahirah Governorate, promoting water resource management.

Strengthening community ties, we sponsored the Ramadan Iftar gathering with the Construction Sector Labor Union, fostering unity and camaraderie. Additionally, our sponsorship of the Musandam Carnival aimed at enhancing the tourist experience in Musandam Governorate through cultural immersion and diverse culinary experiences.

During Ramadan, we conducted an Iftar Campaign along Rusyl Bid Bid Road, demonstrating our commitment to supporting local communities. An internal donation campaign resulted in collecting around OMR 800, doubling the amount from the CSR budget to distribute food packs to needy families in areas where Galfar is executing projects.

Our commitment to cybersecurity education was evident through our sponsorship of the "Cython" Cyber Marathon Event, focusing on Capture the Flag (CTF) competitions.

Contributing to healthcare, we financed the purchase of a Polysomnography System for the Sleep Disorders Treatment Clinic at Al Masarra Hospital, specializing in treating patients with sleep disorders.

Promoting sports and talent development, we encouraged golf in the community by offering free memberships and rewarding exceptionally talented junior golfers.

Furthering our commitment to community infrastructure, we contributed to the construction of Al-Samee Mosque in Barka - Shakhakhit and the construction of tourist and toilet shades in Jabal Hatt, Al Hamra. We also supported the construction of a Multipurpose Hall.

Lastly, we extended our support to the "Al-Masarra Mental Health Awareness Caravan," aiming to enhance awareness of mental health and introduce the community to the services provided by Al Masarra Hospital. Through these diverse initiatives, we remain dedicated to making a positive impact on the communities we serve.

Quality, Health, Safety and Environment

Galfar consistently maintains a competitive edge through its Management System certifications in compliance with International Standards ISO 9001: 2015 & ISO/TS 29001:2010 for Quality Management System, ISO 45001 for Occupational Health & Safety Management System and ISO 14001:2015 for Environment Management System, which has given Galfar a distinctive recognition in the industry.

Galfar's HSE performance for the year 2023 has been impressive with a Lost Time Injury Frequency (LTIF) of 0.07 against the set limit of 0.18 and a Motor vehicle incident Frequency (MVIF) of 0.18 against the set limit of 2.20, despite several critical activities carried out in this year. High exposure of 57 million-man hours worked and 65 million kilometers driven.

Though the year 2023 remained challenging due to the gradual increase of works at sites and the frequency of adding new employees (National & Expat), subcontractors & vendors to the work locations. However, with a vigilant proactive strategy and continued concerted efforts taken by the organization through Goal Zero initiatives Hazard awareness videos, Graphical posters, Targeted HSE campaigns, and vigilant monitoring through L3 audits of our day-to-day business activities, we successfully ensured that workers resumed their work safely every day and with the required controls in place.

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Sustainable and smart QHSE Performance Indicators are set for 2024 to enable continued improvement of our Business Processes. Sustainable HSE performance and Compliance with the new Occupational Health & Safety Management International Standard ISO 45001:2018 during this year will help us improve further and also imbibe new confidence in our Business Stakeholders.

Human Capital

Galfar is committed to developing its resources and maintaining its Omanization targets. Galfar aims to accomplish employee development through transparent and harmonious human capital policies, maintain a motivating work environment, and retain talent. The goal is to be seen as one of the leading employers offering satisfying career opportunities and an environment that thrives with dedication, creativity, and innovation.

Galfar continued its uncompromised commitment to the employment of nationals. In 2023, Galfar recruited 670 plus Omanis. With more than 3900 nationals, Galfar prides itself on being one of the largest employers of the national workforce in the private sector.

Galfar outlook for 2024

With the announcement of numerous infrastructure projects, Galfar is looking ahead to 2024 with optimism, buoyed by the substantial volume of work available in Oman. The company views the abundance of projects as a significant opportunity for growth and expansion. Particularly crucial to Galfar's strategy is its continued emphasis on the energy sector, where it maintains a robust order book. As of the outset of 2024, Galfar's order book stands at an impressive value of over RO 579 million, underlining its strong position in the market and its readiness to capitalize on emerging opportunities. This substantial backlog not only provides a solid foundation for the company's operations but also signifies its proactive approach to securing future growth and success in Oman's thriving construction landscape.

Galfar is intensely engaged across various sectors, spanning Energy & Industrial, Infrastructure, Civil & Environmental, and Operation and Maintenance.

Our versatility and extensive logistical network empower us to tackle diverse and challenging projects throughout the Sultanate of Oman. As a trusted one-stop solution provider, we offer our esteemed customers comprehensive services that meet their needs efficiently and effectively. Our unmatched operational flexibility and logistical prowess set us apart from competitors, enabling us to deliver superior results and exceed client expectations consistently. Galfar stands ready to provide innovative solutions and exceptional service every step of the way in all the sectors.

As a responsible Public Joint Stock Company, Galfar remains committed to maximizing returns from its substantial order book. Through the diligent execution of various strategic objectives outlined in our transformation strategy, we aim to elevate our business by securing new contracts across each of our specialized business units. By continuously enhancing our financial standing, we ensure sustained growth and stability for the company. Our proactive approach to securing new contracts not only strengthens our position in the market but also allows us to diversify our portfolio and seize emerging opportunities. With a focus on innovation, efficiency, and client satisfaction, Galfar is poised to further solidify its reputation as a leading provider of construction and infrastructure solutions in Oman.

Risks

Risks are still an essential aspect of our operation as we are in the construction industry. To effectively manage these risks, our company has implemented a comprehensive risk management system, which is currently being deployed across all business units. This systematic approach enables us to align risk management with our operational and strategic objectives, facilitating the proactive management of uncertainties, minimizing potential threats, and capitalizing on opportunities.

Regular engagement of the management leadership team ensures ongoing discussions on risks and mitigation strategies, ensuring a dynamic response to evolving challenges. Despite these inherent risks, Galfar maintains a healthy confirmed order book and a promising project pipeline, vital for our business sustainability.

Our strengths continue to evolve, leveraging our extensive resource base, including skilled personnel and modern equipment, as well as our impressive 50-year track record in the industry. Our exceptional technical capabilities and diversified portfolio across various sectors further bolster our resilience in the face of uncertainties. As we navigate the construction landscape, Galfar remains steadfast in our commitment to delivering excellence and driving value for our stakeholders.

Our gratitude and commitment

We would like to express our thanks and particular appreciation to the members of the Board of Directors, the management and all the employees of Galfar and its affiliated companies for their work in 2023. With your immense personal commitment, great loyalty and unwavering readiness to support the changes implemented, you made a decisive contribution in helping the Galfar group to conclude fiscal year 2023 successfully in spite of the many challenges presented.

Our expression and thanks are extended to the Government of sultanate of Oman, shareholders, customers, financial institutions and all business partners for their consistent support and encouragement to the Company.

We pledge our support to the various Government initiatives and the Oman 2040 vision under the wise leadership of His Majesty Sultan Haitham bin Tarik.

Dr. Hamoud Rashid Al Tobi
| Chief Executive Officer

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07
Auditor's Report

Abu Timam
Grant Thornton

أبـــو تمـــام
محاسبون قانونيون

Abu Timam
Chartered Certified Accountants

بيت أتين
الدور الخامس والسادس
بالمبنى رقم٣٢٨٣، مربع المرحلة الثانية
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Tax Card No. : 13398138

Agreed-Upon Procedures Report on the Code of Corporate Governance

To the Board of Directors of Galfar Engineering and Contracting SAOG

Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting Galfar Engineering and Contracting SAOG (the "Company"), in determining whether the Board of Directors' Corporate Governance Report is compliant with the Code of Corporate Governance issued by the Capital Market Authority (the "CMA") vide circular no. E/10/2016 dated 1 December 2016 (the "Code") and may not to be suitable for any other purpose. This report is intended solely for the Company, and should not be used by, or distributed to, any other parties.

Responsibilities of the Board of Directors

The Board of Directors has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Board of Directors is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Board of Directors, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Licence No. 1098977
Oman Member Firm of Grant Thornton International

رقم الترخيص ١٠٩٨٩٧٧
العضو بعُمان لجرانت ثورنتون إنترناشونال

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Professional Ethics and Quality Management

We have complied with the relevant ethical and the independence requirements of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standard)* (IESBA Code).

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

This report relates only to the Board of Directors' Corporate Governance Report attached in Annexure 1 (the "report") and its application of the corporate governance practices in accordance with the Code.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Board of Directors in the terms of engagement dated on 14 November 2023, on the Board of Directors' Corporate Governance Report.

	Procedures	Findings
1	We obtained the report issued by the Board of Directors and checked that it includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3.	We found that the report includes all items detailed in Annexure 3 of the Code and no exception noted.
2	We obtained the details regarding areas of non-compliance with the Code identified by the Board of Directors for the year ended 31 December 2023.	The Board of Directors has not identified any areas of non-compliance with the Code.

Nasser Al Mugheiry
License No. L2054901
ABU TIMAM
(Chartered Certified Accountants)
6 March 2024

ابو تمام محاسبون قانونيون
س.ت رقم: ١٠٩٨٩٧٧
Abu Timam
Grant Thornton
C.R. No. 1098977

Abu Timam
Grant Thornton

أبـــو تمـــام
محاسبون قانونيون

Abu Timam
Chartered Certified Accountants

بيت أتين
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رقم البطاقة الضريبية : ١٣٣٩٨١٣٨

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Independent Auditor's Report

To the Shareholders of
Galfar Engineering and Contracting SAOG
P.O. Box 533
Postal Code 113
Sultanate of Oman

Report on the Audit of the Financial Statements

Opinion

We have audited the separate and consolidated financial statements (the "financial statements") of Galfar Engineering and Contracting SAOG (the "Parent Company") and its subsidiaries (together, the "Group"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2023, 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 Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditor's Report (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the 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	
Refer to accounting policies and Notes 27 and 40 to the financial statements. Revenue of the Group from construction contracts for the year ended 31 December 2023 amounts to RO 234,213 thousand. For construction contracts, the Group recognises revenue over time (OT) and measures the progress based on the input method by considering proportion of contract costs incurred for the work performed to the balance sheet date, relative to the estimated total forecasted costs of the contracts upto the completion. The recognition of revenue and profit or loss therefore depends upon estimates in relation to the forecasts of total costs of each contract. Cost contingencies may also be included in these estimates to take account of specific provisions arising within each contract. These contingencies are reviewed by the Group on a regular basis throughout the contract life and amounts are re-estimated, until the outcome of the contract is known. The revenue on contracts may also include variations, which fall under either the variable consideration or contract modification requirements of IFRS 15 *'Revenue from Contracts with Customers'*. These are recognised on a contract-by-contract basis when evidence supports that the contract modification is enforceable or when variable consideration is highly probable that a significant reversal in the amount of revenue recognised will not occur. The effect of these matters is that, as part of our risk assessment, we determined that contract revenue and other related contract balances have an estimation uncertainty.	Our procedures included, among others: • Obtained 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 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; • Analysed the end of job forecasts on contracts selected and challenged 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 financial statements in accordance with the relevant requirements of IFRSs.

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Independent Auditor's Report (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of contract receivables and work in progress	
Refer to accounting policies and Notes 9,10 and 40 to the financial statements. Contract receivables and work-in-progress of the Group are RO 77,836 thousand and RO 81,762 thousand, respectively, excluding the allowance for the expected credit losses of RO 5,006 thousand and RO 9,619 thousand, respectively, which are significant to the Group as of 31 December 2023. The certification of the contract work in progress and collectability of contract receivables is a key element of the 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, 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 40 of the 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.	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: • We obtained contract receivables balance confirmations; • We tested and analysed the aging of contract receivables and work in progress; • We obtained a list of long outstanding receivables and assessed the recoverability of these through inquiry with management and by obtaining sufficient corroborative evidence to support the conclusions; • Reviewed the appropriateness of the assumptions used (future and historical), the methodology and policies applied to assess the expected credit losses in respect of financial assets of the Group in accordance with the requirements of IFRS 9. Reviewed the working of management for expected credit losses; and • Considered appropriateness of the disclosures in the financial statements in accordance with the relevant requirements of IFRSs.

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Independent Auditor's Report (continued)

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 financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

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

Management is responsible for the preparation and fair presentation of the 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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.

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Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 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 financial statements, including the disclosures, and whether the 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 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements of the Parent Company and the Group for the year ended 31 December 2023 comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of the Sultanate of Oman, 2019 and disclosure requirements issued by the Capital Market Authority.

Nasser Al Mugheiry
Licence No. L2054901
ABU TIMAM
(Chartered Certified Accountants)

6 March 2024

أبو تمام محاسبون قانونيون
Abu Timam Grant Thornton
C.R. No. 1099777

2023 ANNUAL REPORT

08 Financial Statements

Statement of Financial Position

As at 31 December 2023

Amount in RO '000s

	Notes	Parent Company		Consolidated	
		2023	2022	2023	2022
ASSETS					
Non-current assets					
Property, plant and equipment	3	**34,287**	22,250	**36,453**	24,933
Intangible assets	4	**120**	198	**131**	215
Right-of-use assets	5	**3,449**	3,270	**9,640**	6,197
Investment in subsidiaries	6	**3,763**	3,775	**-**	-
Investment in associates	7	**5,530**	5,530	**4,052**	4,496
Investments at fair value through other comprehensive income		**125**	125	**145**	145
Retentions receivables	10	**13,365**	11,551	**13,365**	11,551
		60,639	46,699	**63,786**	47,537
Current assets					
Inventories	8	**19,704**	12,601	**21,094**	13,785
Contract work in progress	9	**70,571**	56,114	**72,143**	57,686
Contract and trade receivables	10	**92,074**	68,872	**97,733**	73,793
Advances, prepayments and other receivables	11	**17,623**	18,534	**11,417**	13,230
Deposits with banks	12	**3,456**	3,842	**3,939**	4,240
Cash and cash equivalents	13	**1,575**	6,058	**2,397**	6,895
		205,003	166,021	**208,723**	169,629
Total assets		**265,642**	212,720	**272,509**	217,166
EQUITY AND LIABILITIES					
Equity					
Share capital	14	**29,065**	29,065	**29,065**	29,065
Statutory reserve	16	**984**	927	**1,658**	1,514
Foreign currency translation reserve	17	**-**	-	**(448)**	(440)
Accumulated losses		**(1,577)**	(2,094)	**(7,651)**	(7,675)
Equity attributable to owners of the Parent Company		**28,472**	27,898	**22,624**	22,464
Non-controlling interest		**-**	-	**822**	862
Total equity		**28,472**	27,898	**23,446**	23,326
Non-current liabilities					
Term loans	19	**13,458**	5,932	**13,547**	5,968
Lease liabilities	20	**939**	979	**4,753**	2,449
Employees' end of service benefits	24	**14,745**	11,917	**15,247**	12,300
Advance from customers	25	**3,956**	7,542	**3,956**	7,542
Deferred tax liability	26	**-**	-	**169**	347
		33,098	26,370	**37,672**	28,606
Current liabilities					
Term loans	19	**7,065**	8,052	**7,134**	8,160
Lease liabilities	20	**677**	498	**1,753**	1,149
Short term loans	21	**9,054**	8,000	**9,054**	8,000
Bank borrowings	22	**34,378**	8,682	**34,528**	8,949
Trade and other payables	23	**99,882**	74,872	**106,497**	81,266
Accruals and other liabilities	25	**52,916**	58,248	**52,300**	57,585
Provision for taxation	26	**100**	100	**125**	125
		204,072	158,452	**211,391**	165,234
Total liabilities		**237,170**	184,822	**249,063**	193,840
Total equity and liabilities		**265,642**	212,720	**272,509**	217,166
Net assets per share (RO)	35	**0.098**	0.096	**0.078**	0.077

The accompanying notes 1 to 41 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 6 March 2024 and were signed on its behalf by:

Chairman **Chief Financial Officer**

Statement of comprehensive income

For the year ended 31 December 2023

Amount in RO '000s

	Notes	Parent Company		Consolidated	
		2023	2022	2023	2022
Contract revenue	27	**233,808**	163,412	**234,213**	163,949
Sales and services income	28	**5,003**	2,708	**15,641**	13,672
Total revenue		**238,811**	166,120	**249,854**	177,621
Cost of contracts and services	30	**(232,546)**	(157,403)	**(241,800)**	(170,583)
Gross profit		**6,265**	8,717	**8,054**	7,038
Other income	29	**2,179**	1,932	**2,705**	2,284
General and administrative expenses	31	**(7,487)**	(6,369)	**(9,399)**	(7,659)
Reversal of allowance for expected credit losses on receivables and other current assets, net	9, 10, 11, 12 & 13	**2,768**	1,740	**2,506**	1,651
Impairment loss on investment in subsidiaries	6	**(12)**	-	**-**	-
Finance costs	33	**(3,139)**	(2,584)	**(3,481)**	(2,756)
Share of loss from associates	7	**-**	-	**(434)**	(402)
Net profit/(loss) before tax		**574**	3,436	**(49)**	156
Tax credit	26	**-**	1,192	**177**	1,127
Net Profit for the year		**574**	4,628	**128**	1,283
Attributable to:					
Owners of the Parent Company		**574**	4,628	**168**	1,304
Non-controlling interest		**-**	-	**(40)**	(21)
		574	4,628	**128**	1,283
Other comprehensive loss:					
Items that will be reclassified subsequently to profit or loss:					
Foreign currency translation reserve on remeasurement of foreign operations		**-**	-	**(8)**	(134)
Total comprehensive income for the year		**574**	4,628	**120**	1,149
Earning per share (RO)	**34**	**0.002**	0.016	**0.001**	0.004

The accompanying notes 1 to 41 form an integral part of these financial statements.

The report of the Auditor is set forth in Page 68

Statement of changes in equity - Parent Company

For the year ended 31 December 2023

Amount in RO '000s

	Share capital	Statutory reserve	Accumulated losses	Total
Balance as at 1 January 2022	29,065	464	(6,259)	23,270
Total comprehensive income for the year	-	-	4,628	4,628
Transfer to statutory reserve	-	463	(463)	-
Balance as at 31 December 2022	**29,065**	**927**	**(2,094)**	**27,898**
Balance as at 1 January 2023	29,065	927	(2,094)	27,898
Total comprehensive income for the year	-	-	574	574
Transfer to statutory reserve	-	57	(57)	-
Balance as at 31 December 2023	**29,065**	**984**	**(1,577)**	**28,472**

Statement of changes in equity - Consolidated

For the year ended 31 December 2023

Amount in RO '000s

	Attributable to owners of the Parent Company						
	Share capital	Statutory reserve	Foreign currency translation reserve	Accum-ulated losses	Total	Non-controlling interest	Grand total
Balance as at 1 January 2022	29,065	1,051	(306)	(8,516)	21,294	883	22,177
Profit/(loss) for the year	-	-	-	1,304	1,304	(21)	1,283
Transfer to statutory reserve	-	463	-	(463)	-	-	-
Foreign currency translation reserve	-	-	(134)	-	(134)	-	(134)
Balance as at 31 December 2022	**29,065**	**1,514**	**(440)**	**(7,675)**	**22,464**	**862**	**23,326**
Balance as at 1 January 2023	29,065	1,514	(440)	(7,675)	22,464	862	23,326
Profit/(loss) for the year	-	-	-	168	168	(40)	128
Transfer to statutory reserve	-	144	-	(144)	-	-	-
Total comprehensive income/(loss) for the year	-	144	-	24	168	(40)	128
Foreign currency translation reserve	-	-	(8)	-	(8)	-	(8)
Balance as at 31 December 2023	**29,065**	**1,658**	**(448)**	**(7,651)**	**22,624**	**822**	**23,446**

The accompanying notes 1 to 41 form an integral part of these financial statements.

The report of the Auditor is set forth in Page 68

Statement of cash flows

For the year ended 31 December 2023

Amount in RO '000s

	Notes	Parent Company 2023	Parent Company 2022	Consolidated 2023	Consolidated 2022
Operating activities					
Profit/(loss) before tax		**574**	3,436	**(49)**	156
Adjustments for:					
Depreciation of property, plant and equiment	3	**5,556**	7,326	**6,396**	8,360
Amortisation of intangible assets	4	**111**	107	**120**	115
Depreciation of right-of-use assets	5	**659**	578	**1,223**	993
Provision for expected credit losses		**1,137**	1,465	**1,400**	1,555
Reversal of provision for expected credit losses		**(3,905)**	(3,205)	**(3,906)**	(3,206)
Finance costs, net	33	**3,139**	2,584	**3,481**	2,756
Share of loss from associates	7	**-**	-	**434**	402
Gain on disposal of property, plant and equipment		**(1,089)**	(714)	**(1,257)**	(907)
Impairment loss for investment in subsidiaries	6	**12**	-	**-**	-
Provision for employees' end of service benefits	24	**3,963**	1,378	**4,146**	1,455
Working capital movements:					
Inventories		**(7,103)**	(2,592)	**(7,309)**	(2,264)
Contract, trade and other receivables		**(34,069)**	2,530	**(34,167)**	5,010
Trade and other payables, accruals and other liabilities		**19,778**	7,131	**20,318**	6,795
Non-current operating assets/liabilities changes:					
Retentions receivables		**(1,739)**	870	**(1,739)**	870
Advance from customers		**(3,586)**	799	**(3,586)**	799
Employees' end of service benefits paid	24	**(1,135)**	(1,426)	**(1,199)**	(1,520)
Income tax paid		**-**	(48)	**(1)**	(168)
Net cash (used in)/generated from operating activities		**(17,697)**	20,219	**(15,695)**	21,201
Investing activities					
Additions to property, plant and equipment	3	**(17,616)**	(7,483)	**(17,969)**	(7,806)
Proceeds from disposal of property, plant & equipment		**1,112**	751	**1,310**	964
Additions to intangible assets	4	**(33)**	(13)	**(36)**	(13)
Investment in associates and subsidiaries		**-**	(64)	**(8)**	(134)
Deposits encashed/(placed) with banks		**19**	976	**(66)**	1,066
Net cash used in investing activities		**(16,518)**	(5,833)	**(16,769)**	(5,923)
Financing activities					
Repayment of term loans		**(3,184)**	(11,880)	**(3,170)**	(11,823)
Proceeds from term loans		**9,723**	2,000	**9,723**	2,000
Repayment of short term loans		**(11,446)**	(42,700)	**(11,446)**	(42,700
Proceeds from short term loans		**12,500**	34,500	**12,500**	34,500
Net movement in bank borrowings		**22,113**	2,356	**22,113**	2,356
Proceeds from Bank borrowings		**-**	-	**-**	-
Lease payments		**(801)**	(857)	**(2,122)**	(1,650)
Interest paid		**(3,139)**	(2,584)	**(3,481)**	(2,756)
Dividend paid		**-**	-	**-**	-
Net cash generated from/(used in) financing activities		**25,766**	(19,165)	**24,117**	(20,073)
Net decrease in cash and cash equivalents		**(8,449)**	(4,779)	**(8,347)**	(4,795)
Cash and cash equivalents at the beginning of the year		**6,357**	11,136	**6,927**	11,722
Cash and cash equivalents at the end of the year		**(2,092)**	6,357	**(1,420)**	6,927

The accompanying notes 1 to 41 form an integral part of these financial statements.

The report of the Auditor is set forth in Page 68

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, 2019 and listed on Muscat Securities Market.

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. Material accounting policies

(2.1) Basis of preparation and presentation

The financial statements have been presented separately for the Parent Company on a standalone basis and consolidated which comprise the results and balances of 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 Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and the requirements of the Commercial Companies Law of the Sultanate of Oman, 2019 as amended and the Capital Market Authority (CMA).

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.

(2.3) 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;

2. Material accounting policies (Continued)

(2.3) Current versus non-current classification (Continued)

(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 the continuity of normal activities and realisation of assets and settlement of liabilities in the normal course of business.

The Parent Company and the Group have earned a gross profit of RO 6,265 thousand and RO 8,054 thousand, respectively, and net profit of RO 574 thousand and RO 128 thousand respectively for the year ended 31 December 2023 and as of that date, the Parent Company and the Group has accumulated losses position of RO 1,577 thousand and RO 7,651 thousand respectively. These financial statements have been prepared on a going concern basis as a result of the following:

– During the year 2024, 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 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;

– The Parent Company continues to build on its market position as one of the Oman's largest construction entities and having a strong order book at RO 579 million (2022: RO 517 million);

– The Board of Directors have taken necessary measures to strengthen the financial position of the Group and also to improve the Group's profitability in coming years. In addition to the initiatives set out 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;

2. Material accounting policies (Continued)

(2.4) Going concern (Continued)

– The Parent Company has prepared a detailed cash flow demonstrating how it will manage the cash requirements in 2024. 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 cash flows are highly dependent on timely execution of ongoing projects, timely certification of billed receivables and timely settlement of receivables from the clients, the majority of which are from Government or Government related entities amounting to RO 56,033 thousand; and the Parent Company has created adequate provisions against certain long outstanding receivables and is confident that the majority of the receivables will get realised in the year 2024 resulting in improving the bottom line and cash flow scenario.

The above coupled with the investors and market confidence restored by way of additional projects being awarded to the Parent Company as of 31 December 2023 has allowed the management to view the Parent Company / the Group as a going concern and is satisfied that the Parent Company / the Group has the resources to continue in business for the foreseeable future. Therefore, these financial statements are continued to be prepared on a going concern basis.

(2.5)New & revised standards or Interpretations

New Standards adopted as at 1 January 2023

Some accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not have a material impact on the Group's financial results or position.

(2.6) Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

During the year, International Sustainability Standards Board (ISSB) has published IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, effective for annual period beginning on or after 1 January 2024 with earlier application permitted. Capital Market Authority of Oman has announced the application of above standards as voluntary for all listed companies for the year 2023. Accordingly, the Company has opted not to adopt the above standards in the current year.

At the date of authorisation of these financial statements, several other new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Group and no Interpretations have been issued that are applicable and need to be taken into consideration by the Group at either reporting date.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

(2.7) Basis of consolidation

The financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2023. 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:

2. Material accounting policies (Continued)

(2.7) Basis of consolidation (Continued)

– 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 off during the year are included in the 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 Parent Company and to the non-controlling interests.

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

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

The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of acquisition, 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. Whereas, the excess of the FV of the Group's share of the identifiable net assets over the cost of acquisition is recorded as income in statement of comprehensive income as bargain purchase gain.

In the Parent Company's standalone financial statements, the investments in subsidiaries are carried at cost less impairment, if any.

List of subsidiaries are included in Note 6 to these financial statements.

(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 statement of 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.

2. Material accounting policies (Continued)

(2.8) Transactions with non-controlling interests (Continued)

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 i.e., 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 standalone financial statements, the investment in an associate is carried at cost less impairment. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

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

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

(2.10) Property, plant and equipment

All items of property, plant and equipment held for the use of Group's activities are recorded at cost less accumulated depreciation and any identified impairment. 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 of qualifying assets of IAS 23 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. 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 and camps 4 - 30 years
- Plant and machinery 7 - 10 years
- Motor vehicles and equipment 7 - 10 years
- Furniture and equipment 6 years
- Project equipment and tools 6 years

Items costing less than RO 300 are expensed out in the year of purchase.

The lands are not depreciated as they have an indefinite useful life.

2. Material accounting policies (Continued)

(2.10) Property, plant and equipment(Continued)

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 profit or loss 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 intangible asset are amortised using the straight-line method over the estimated useful life of five years.

The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income 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. Recoverable amount is the higher of an asset's or cash-generating unit's (CGU) 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.

2. Material accounting policies (Continued)

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

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 comprehensive income.

At the time of assessing the impairment on its investments in associates, the Group determines, after application of the equity method, whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associates are 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 standalone 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

(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.

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2. Material accounting policies (Continued)

(2.15) Financial instruments (Continued)

(a) Financial assets (Continued)

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified into 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 retentions receivables, contract and trade receivables, bank balances, other receivables 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. Material accounting policies (Continued)

(2.15) Financial instruments (Continued)

(a) Financial assets (Continued)

Financial assets designated at fair value through OCI (equity instruments) (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. The group has an investment in equity security classified at FVOCI.

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 designated at FVTPL and FVOCI (equity instruments). To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics. The contract assets related 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.

2.Material accounting policies (Continued)

(2.15) Financial instruments (Continued)

(a) Financial assets (Continued)

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.

(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, due to related parties, loans and borrowings including bank overdrafts and short-term borrowings.

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 effective interest rate 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.

2.Material accounting policies (Continued)

(2.15) Financial instruments (Continued)

(b) Financial liabilities (Continued)

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 and due to related parties

Trade and other payables and due to related parties are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables and due to related parties 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 statement of comprehensive income.

(2.16) Offsetting of financial instruments

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

(2.17) Term deposits

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

(2.18) Cash and cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the cash flows statement, the Group considers cash in hand, bank balances, bank overdraft and short term deposits with a maturity of less than three months from the financial reporting date 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) Leases

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 the 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 accumulated depreciation and impairment losses, if any, 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.

2.Material accounting policies (Continued)

(2.19) Leases (Continued) Group as a Lease (Continued)

(a) Right-of-use assets (Continued)

[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 are 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 in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities are 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 change 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.

(2.20) 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.

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2.Material accounting policies (Continued)

(2.20) Provisions (Continued)

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.

(2.21) 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.

(2.22) Provision for Employees' end of service benefits

The provision for employees' terminal benefits is based upon the liability accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law, 2023 and the Social Security Law, 1991.

Government of Oman Social Insurance Scheme (the Scheme)

The Company contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The Group Company and Omani employees are required to make monthly contributions to the Scheme at 12.5% and 9% respectively, of gross salaries.

Non-Omani employees' end of service benefits

The provision for end of service benefits for non-Omani employees is made in accordance with the requirements of the Oman Labour Law of 2023. Employees are entitled to end of service benefits calculated at a rate of 30 days basic salary for each year of continuous service. This is an unfunded defined benefits retirement plan. Accrued non-Omani staff end of service benefits are payable on termination of employment.

foreign operation does not constitute a disposal.

(2.23) Dividends 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.

Material accounting policies (Continued)

(2.24) Taxation

Taxation is provided 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

(2.25) 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.Material accounting policies (Continued)

(2.25) Revenue (Continued)

The Group satisfies a performance obligation and recognises revenue over time, if any 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.

For the operation and maintenance contracts, where the predefined service rendered to the clients results in a steady flow of consistent fixed revenue periodically, the revenue is recognized based on the measured Value of Work Done (Output Method) and for the service contracts where the predefined service with fixed agreed rates exists and where variable service rendered to the clients are based on individual orders with agreed rates, revenue is measured based on the measured Value of Work Done (Output Method).

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 an 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.

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2.Material accounting policies (Continued)

(2.25) Revenue (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.

(2.26) 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 exceeds total contract revenue the expected loss is recognised as expense immediately.

(2.27) 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.

2. Material accounting policies (Continued)

(2.27) Contract work in progress (Continued)

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 2.15(a).

(2.28) 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.

(2.29) 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 its 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.

(2.30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the management. The management is responsible for allocating resources and assessing the performance of the operating segments.

(2.31) 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 year 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.

(2.32) 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.

2. Material accounting policies (Continued)

(2.32) Fair value measurement (Continued)

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.

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	Lands	Buildings & camps	Plant & machinery	Motor vehicles & equipment	Furnituer & equipment	Project equip-ment & tools	Capital work in - progress	Total
Cost								
1 January	1,278	36,178	95,238	46,090	10,053	15,263	115	204,215
Additions during the year	-	30	3,573	1,484	260	405	1,731	7,483
Disposala during the year	-	(132)	(4,331)	(2,768)	(73)	(24)	-	(7,328)
1 January 2023	1,278	36,076	94,480	44,806	10,240	15,644	1,846	204,370
Additions during the year	-	907	8,037	4,607	228	1,906	1,931	17,616
Disposala during the year	-	(1,129)	(5,552)	(3,482)	(216)	(3)	-	(10,382)
As at 31 December 2023	**1,278**	**35,854**	**96,965**	**45,931**	**10,252**	**17,547**	**3,777**	**211,604**
Depreciation								
1 January 2022	-	31,030	86,966	40,657	9,488	13,944	-	182,085
Charge for the year	-	391	3,767	2,094	280	794	-	7,326
Related to disposala	-	(132)	(4,322)	(2,754)	(65)	(18)	-	(7,291)
1 January 2023	-	31,289	86,411	39,997	9,703	14,720	-	182,120
Charge for the year	-	559	2,481	1,641	220	655	-	5,556
Related to disposala	-	(1,126)	(5,537)	(3,481)	(211)	(4)	-	(10,359)
As at 31 December 2023	**-**	**30,722**	**83,355**	**38.157**	**9,712**	**15,371**	**-**	**177,317**
Net book value								
As at 31 December 2023	**1,278**	**5,132**	**13,610**	**7,774**	**540**	**2,176**	**3,777**	**34,287**
As at 31 December 2023	**1,278**	**4,787**	**8,069**	**4,809**	**537**	**924**	**1,846**	**22,250**

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3. Property, plant and equipment - Consolidated

Amount in RO 000s

Descriptiopn	Lands	Buildings & camps	Plant & machinery	Motor vehicles & equipment	Furnituer & equipment	Project equip-ment & tools	Capital work in - progress	Total
Cost								
1 January 2022	1,278	36,353	108,588	50,113	10,472	15,301	115	222,220
Additions during the year	-	30	3,864	1,505	271	405	1,731	7,806
Disposala during the year	-	(132)	(5,558)	(2,987)	(74)	(24)	-	(8,775)
1 January 2023	1,278	36,251	106,894	48,631	10,669	15,682	1,846	221,251
Additions during the year	-	918	8,246	4,724	244	1,906	1,931	17,969
Disposala during the year	-	(1,129)	(6,713)	(4,295)	(224)	(3)	-	(12,364)
As at 31 December 2023	**1,278**	**36,040**	**108,427**	**49,060**	**10,689**	**17,585**	**3,777**	**226,856**
Depreciation								
1 January 2022	-	31,152	97,830	43,882	9,832	13,980	-	196,676
Charge for the year	-	394	4,505	2,360	307	794	-	8,360
Related to disposala	-	(132)	(5,533)	(2,970)	(66)	(17)	-	(8,718)
1 January 2023	-	31,414	96,802	43,272	10,073	14,757	-	196,318
Charge for the year	-	561	3,059	1,880	241	655	-	6,396
Related to disposala	-	(1,126)	(6,685)	(4,279)	(217)	(4)	-	(12,311)
As at 31 December 2023	**-**	**30,849**	**93,176**	**40.873**	**10,097**	**15,408**	**-**	**190,403**
Net book value								
As at 31 December 2023	**1,278**	**5,191**	**15,251**	**8,187**	**592**	**2,177**	**3,777**	**36,453**
As at 31 December 2022	**1,278**	**4,837**	**10,092**	**5,359**	**596**	**925**	**1,846**	**24,933**

3. Property, plant and equipment (Continued)

The Parent Company has availed term loan from a local commercial bank against mortgage of its land and buildings. Outstanding term loan amount is RO 3,083 (2022: RO 4,083) thousand. Vehicles and equipment with an insurance value of RO 59,981 (2022: RO 49,706) thousand have been jointly registered with banks / finance companies to obtain term loans.

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

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Cost of contract and services (Note 30)	**5,328**	7,089	**6,112**	8,071
General and administrative expenses (Note 31)	**228**	237	**284**	289
	5,556	7,326	**6,396**	8,360

4. Intangible assets

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Costs				
Balance at beginning of the year	**3,279**	3,266	**3,393**	3,380
Additions during the year	**33**	13	**36**	13
Written off during the year	**-**	-	**(1)**	-
Balance at end of the year	**3,312**	3,279	**3,428**	3,393
Amortisation				
Balance at beginning of the year	**3,081**	2,974	**3,178**	3,063
Charge for the year (Note 31)	**111**	107	**120**	115
Written off during the year	**-**	-	**(1)**	-
Balance at end of the year	**3,192**	3,081	**3,297**	3,178
Net book value	**120**	**198**	**131**	**215**

Intangible assets comprise of computer software RO 120 (2022: RO 198) thousand in Parent Company and computer software RO 131 (2022: RO 215) thousand in consolidated.

5.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 to 25 years, while vehicles and other equipment generally have lease terms between 1 to 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' and 'low value lease' recognition exemptions for these leases.

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Costs				
Balance at beginning of the year	**5,805**	4,476	**9,686**	6,784
Additions during the year	**838**	1,329	**4,655**	2,902
Balance at end of the year	**6,643**	5,805	**14,341**	9,686
Depreciation				
Balance at beginning of the year	**2,535**	1,957	**3,488**	2,496
Charge for the year (Note 30)	**659**	578	**1,223**	993
De-recognition of right of use Assets	**-**	-	**(10)**	-
Balance at end of the year	**3,194**	2,535	**4,701**	3,489
	3,449	**3,270**	**9,640**	**6,197**

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the statement of financial position as a right-of-use asset and a lease liability.

Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group's sales) are excluded from the initial measurement of the lease liability and right-of-use assets.

6. Investment in subsidiaries

Amount in RO '000s

Particulars	Parent Company 2023	Parent Company 2022	Consolidated 2023	Consolidated 2022
Galfar Aspire Readymix SPC	**3,000**	3,000	-	-
Al Khalij Heavy Equipment & Engineering LLC	**600**	600	-	-
Aspire Projects & Services SPC	**250**	250	-	-
Galfar Mott MacDonald LLC	**163**	163	-	-
Galfar Training Institute LLC	**149**	149	-	-
Galfar Oman Engg. & Contg. S.P.C., Kuwait	**12**	12	-	-
	4,174	4,174	-	-
	(411)	(399)	-	-
Provision for impaired investments	**3,763**	**3,775**	-	-

During the year 2023, the Parent Company has created RO12 (2022: Nil) thousand provision related to Galfar Oman General Contracting for Buildings, Kuwait.

As at 31December 2023, Galfar Mott MacDonald LLC and Galfar Training Institute LLC are under liquidation process .

Information about activities and incorporation of subsidiaries are summarised below:

Name of the subsidiaries	Principal activity	Place	Year of incorporation
Galfar Aspire Readymix SPC	Manufacturing	Oman	2012
Aspire Projects and Services SPC	Construction	Oman	2011
Galfar Training Institute LLC	Training	Oman	2009
Al Khalij Heavy Equipment and Engineering LLC	Hiring Equipment	Oman	2006
Galfar Mott MacDonald LLC	EPC consultancy	Oman	2013
Galfar Oman General Contracting for Building Kuwait	Construction	Kuwait	2018

Information on shareholding in subsidiaries are summarised below:

Name of the subsidiaries	Shares acquired by Parent Company 2023	Shares acquired by Parent Company 2022	Shares acquired by the Group 2023	Shares acquired by the Group 2022
Galfar Aspire Readymix SPC	100%	100%	100%	100%
Aspire Projects and Services SPC	100%	100%	100%	100%
Galfar Training Institute LLC	99%	99%	100%	100%
Al Khalij Heavy Equipment and Engineering LLC	52%	52%	52%	52%
Galfar Mott MacDonald LLC	65%	65%	65%	65%
Galfar Oman General Contracting for Building Kuwait	100%	100%	100%	100%

7. Investment in associates

Amount in RO '000s

Particulars	Parent Company 2023	Parent Company 2022	Consolidated 2023	Consolidated 2022
Galfar Engineering & Contracting Kuwait KSC (GEC)	**7,030**	7,030	**4,052**	4,496
International Water Treatment LLC (IWT)	**-**	-	**-**	-
	7,030	7,030	**4,052**	4,496
Provision for impairment in associates	**(1,500)**	(1,500)	**-**	-
	5,530	**5,530**	**4,052**	**4,496**

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

Amount in RO '000s

Particulars	Parent Company 2023	Parent Company 2022
At the beginning of the year	**1,500**	5,644
Written off during the year	**-**	(4,144)
At the end of the year	**1,500**	**1,500**

Information on shareholding in associates is summarised below:

Name of the associates	Principal activity	Place	Year of incorporation
Galfar Engineering & Contracting Kuwait KSC (i)	Construction	Kuwait	2010
International Water Treatment LLC	Construction	Oman	2013

Particulars	Shares acquired by Parent Company 2023	Shares acquired by Parent Company 2022	Shares acquired by the Group 2023	Shares acquired by the Group 2022
Galfar Engineering & Contracting Kuwait KSC (i)	26%	26%	26%	26%

(i) The Parent Company holds 26% shareholding in this company (earlier known as 'Shaheen Al Ghanim Contracting Co. KSC'). The company is engaged in construction activities.
(ii) The company was liquidated in 2022 and the outstanding investments have been fully written off against the brought forward provision of RO 4,144 thousand.

7. Investment in associates (Continued)

Share of loss of the Group for the year comprises of loss from GEC Kuwait RO 434 (2022: loss RO 401) thousand.
The summarised financial information of major associate company is as stated below:

Amount in RO '000s

Particulars	GEC, Kuwait	
	2023	2022
Statement of financial position:		
Current assets	13,908	15,131
Non-current assets	11,905	12,246
Current liabilities	(5,095)	(5,212)
Non-current liabilities	(5,135)	(4,873)
Net assets	15,583	17,292
Reconciliation of carrying amount:		
Net assets at the beginning of the year	17,292	19,093
Loss for the year	(1,668)	(1,544)
Currency translation impact	(41)	(257)
Net assets at the end of the year	15,583	17,292
Group's share in %	26%	26%
Carrying amount	4,052	4,496
Statement of comprehensive income:		
Revenue	2,915	3,411
Costs of revenue	(4,583)	(4,955)
Loss before tax	(1,668)	(1,544)
Tax	-	-
Loss after tax	(1,668)	(1,544)

8. Inventories

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Materials and consumables	20,177	12,856	21,776	14,474
Allowance for slow-moving inventories	(473)	(255)	(682)	(689)
	19,704	12,601	21,094	13,785

Movement in allowance for slow-moving inventories is as follows:

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
At the beginning of the year	255	423	689	862
Charge for the year	218	83	229	78
Written back during the year	-	(251)	(236)	(251)
Written off during the year				
At the end of the year	473	255	682	689

9. Contract work in progress

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Work-in-progress on long term contracts at cost plus attributable profit considered as receivables	79,150	66,197	81,762	68,809
Allowance for expected credit losses	(8,579)	(10,083)	(9,619)	(11,123)
	70,571	56,114	72,143	57,686

Movement on the allowance for expected credit losses against contract work in progress is as follows:

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
At the beginning of the year	10,083	20,272	11,123	21,312
Charge for the year	376	290	376	290
Written back during the year	(1,803)	(1,497)	(1,804)	(1,497)
Written off during the year	(77)	(8,982)	(76)	(8,982)
At the end of the year	8,579	10,083	9,619	11,123

Due from customers for construction contracts:

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Revenue recognised at cost plus attributable profit	1,304,097	1,057,308	1,304.097	1,057,308
Less: Progress billings	(1,224,947)	(991,111)	(1,222,335)	(988,499)
	79,150	66,197	81,762	68,809

Due to customers for construction contracts:

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Amounts due to customers under construction contracts recorded as billings in excess of work done (Note 25)	5,111	6,690	5,111	6,690

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Progress claims received and receivable	184,149	168,331	184,149	168,331
Less: Revenue recognised at cost plus attributable profit	(179,038)	(161,641)	(179,038)	(161,641)
	5,111	6,690	5,111	6,690

10. Contract and trade receivables

Amount in RO '000s

Particulars	Parent Company 2023	Parent Company 2022	Consolidated 2023	Consolidated 2022
Contract billed receivables	**77,088**	57,662	**77,836**	58,430
Trade receivables	**1,029**	1,762	**6,260**	6,921
Retentions receivables - current	**17,605**	14,548	**18,643**	14,670
	95,722	73,972	**102,739**	80,021
Allowance for expected credit losses	**(3,648)**	(5,100)	**(5,006)**	(6,228)
	92,074	68,872	**97,733**	73,793
Retentions receivables				
Non-current retention receivables (gross amount)	**13,445**	11,706	**13,445**	11,706
Allowance for expected credit losses	**(80)**	(155)	**(80)**	(155)
Non-current portion (net of provisions)	**13,365**	11,551	**13,365**	11,551

The net carrying value of contract and trade receivables is considered a reasonable approximation of fair value. All of the Group's contract and trade receivables have been reviewed for indicators of impairment. Certain contact receivables are assigned against the bank borrowings facilities of the Parent Company (Notes 19,21 and 22).

Movement on the allowance for expected credit losses against contract and trade receivables including current retentions is as follows:

Amount in RO '000s

Particulars	Parent Company 2023	Parent Company 2022	Consolidated 2023	Consolidated 2022
At the beginning of the year	**5,100**	15,658	**6,228**	16,696
Charge for the year	**555**	669	**785**	759
Written back during the year	**(1,993)**	(1,686)	**(1,993)**	(1,686)
Written off during the year	**(14)**	(9,541)	**(14)**	(9,541)
At the end of the year	**3,648**	5,100	**5,006**	6,228

Movement on the allowance for expected credit losses against non-current retentions is as follows:

Amount in RO '000s

Particulars	Parent Company 2023	Parent Company 2022	Consolidated 2023	Consolidated 2022
At the beginning of the year	**155**	159	**155**	159
Charge for the year	**-**	-	**-**	-
Written back during the year	**(75)**	(4)	**(75)**	(4)
At the end of the year	**80**	155	**80**	155

11. Advances, prepayments and other receivables

Amount in RO '000s

Particulars	Parent Company 2023	Parent Company 2022	Consolidated 2023	Consolidated 2022
Advance on sub-contracts and supplies	**5,477**	5,022	**6,099**	5,527
Advances to employees	**252**	212	**250**	212
Prepaid expenses	**2,958**	3,838	**2,967**	3,948
Due from related parties - others (Note 36)	**10,967**	11,274	**4,209**	5,342
Advance Tax	**-**	-	**13**	-
Deposits	**637**	670	**637**	670
Other receivables	**-**	-	**1**	71
	20,291	21,016	**14,176**	15,770
Allowance for expected credit losses against due from related parties	**(2,666)**	(2,477)	**(2,724)**	(2,535)
Provision for others	**(2)**	(5)	**(35)**	(5)
	17,623	18,534	**11,417**	13,230

Movement on the allowance for expected credit losses against due from related partiesand others are as follows:

Amount in RO '000s

Particulars	Parent Company 2023	Parent Company 2022	Consolidated 2023	Consolidated 2022
At the beginning of the year	**2,482**	1,994	**2,540**	2,052
Charge for the year	**204**	506	**237**	506
Written back during the year	**(18)**	(18)	**(18)**	(18)
At the end of the year	**2,668**	2,482	**2,759**	2,540

12. Deposits with banks

Amount in RO '000s

Particulars	Parent Company 2023	Parent Company 2022	Consolidated 2023	Consolidated 2022
Term deposits (net of allowance for expected credit losses)	**3,456**	3,842	**3,881**	3,842
Margin deposits	**-**	-	**58**	398
	3,456	3,842	**3,939**	4,240

The term deposits are kept for a period more than three months from the date of placement.
Movement of expected credit losses on deposits with banks is as follows:

Amount in RO '000s

Particulars	Parent Company 2023	Parent Company 2022	Consolidated 2023	Consolidated 2022
At the beginning of the year	**5**	5	**5**	5
Charge for the year	**2**	-	**2**	-
	7	5	**7**	5

13. Cash and cash equivalents

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Cash in hand	**125**	110	**141**	132
Bank balances with current accounts (net of allowance for expected credit losses)	**1,450**	5,948	**2,256**	6,763
	1,575	6,058	**2,397**	6,895

There are no restrictions on bank balances at the time of approval of the financial statements.

For the purpose of statement of cash flows, cash and cash equivalents are presented as follows:

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Cash and bank balances	**1,577**	6,076	**2,399**	6,913
Deposits with banks (within 3 months maturity) (Note 12)	**608**	975	**608**	975
Bank overdrafts (Note 22)	**(4,277)**	(694)	**(4,427)**	(961)
	(2,092)	6,357	**(1,420)**	6,927

Movement of expected credit losses on bank balances are as follows:

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
At the beginning of the year	**18**	18	**18**	18
Charge for the year	**(16)**	-	**(16)**	-
At the end of the year	**2**	18	**2**	18

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14. Share capital

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Authorised: 500,000,000 (2022: 500,000,000) ordinary shares of par value RO 0.100 (2022: RO 0.100) each	**50,000**	50,000	**50,000**	50,000
Issued and fully paid:				
Balance at beginning of the year	**29,065**	29,065	**29,065**	29,065
Reduction during the year	**-**	-	**-**	-
Balance at end of the year	**29,065**	29,065	**29,065**	29,065

The issued and fully paid share capital comprises of 290,650,946 (2022: 290,650,946) shares having a par value of RO 0.100 (2022: 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 202,986,446 (2022: 202,986,446) ordinary shares and 87,664,500 (2022: 87,664,500) 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 receipt of dividend. That details of major Shareholders is published on the Muscat Stock Exchange

15. Share premium

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

16. Statutory reserve

In accordance with the Commercial Companies Law of the Sultanate of Oman, 2019, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one-third of the value of the Group's paid-up share capital. This reserve is not available for distribution to the Shareholders. During the year, RO 57 thousand Parent and RO 144 thousand for the Group has been transferred to statutory reserve (2022: RO 463 thousand for Parent and RO 463 thousand for the Group).

17. Foreign currency translation reserve

Foreign currency translation reserve represents impact of translation of associate company's (Galfar Engineering and Contracting Kuwait KSC) financial statements figures in foreign currency to functional currency of the Parent Company as required under IAS 21 The Effects of Changes in Foreign Exchange Rates.

18. Dividend

No dividend was proposed or paid in 2023 (2022: RO Nil).

19. Term loans

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Term loans:				
- from banks	10,519	11,327	10,519	11,327
- finance companies	10,004	2,657	10,162	2,801
	20,523	13,984	20,681	14,128
Current portion:				
- from banks	3,916	7,269	3,916	7,269
- finance companies	3,149	783	3,218	891
	7,065	8,052	7,134	8,160
Non-current portion:				
- from banks	6,603	4,058	6,603	4,058
- finance companies	6,855	1,874	6,944	1,910
	13,458	5,932	13,547	5,968
The term loans are repayable as follows:				
Within one year	7,065	8,052	7,134	8,160
In the second year	5,353	2,604	5,362	2,640
From third year onwards	8,105	3,328	8,185	3,328
	20,523	13,984	20,681	14,128

The 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 assignment of contract receivables and/or joint registration of motor vehicles and equipment/lands mortgage. The term loans from finance companies are secured against the jointly registered motor vehicles and equipments.

20. Lease liabilities

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
At the beginning of the year	1,477	920	3,598	2,150
Additions during the year	839	1,329	4,655	2,902
Interest on lease liablities	101	85	375	196
Payments during the year	(801)	(857)	(2,122)	(1,650)
Balance at the end of the year	1,616	1,477	6,506	3,598

Current portion	677	498	1,753	1,149
Non-current portion	939	979	4,753	2,449
	1,616	1,477	6,506	3,598

20. Lease liabilities (Continued)

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Within one year	754	574	2,165	1,352
After one year but not more than five years	877	920	4,213	2,588
After five years	156	184	1,565	184
Total minimum lease payments	1,787	1,678	7,943	4,124
Amount representing finance charges	(171)	(201)	(1,437)	(526)
Present value of minimum lease payments	1,616	1,477	6,506	3,598

21. Short term loans

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
- from banks	9,054	8,000	9,054	8,000

Short term loans from banks are repayable in one year and are secured against the contract assignments and/or joint registration of vehicle/equipment.

22. Bank borrowings

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Bank overdrafts	4,277	694	4,427	961
Loan against trust receipts	17,614	5,760	17,614	5,760
Bills discounted	12,487	2,228	12,487	2,228
	34,378	8,682	34,528	8,949

Bank borrowings are repayable on demand or within one year. Bank borrowings are secured against the assignment of contract receivables.

23. Trade and other payables

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Trade payables	**48,941**	36,868	**55,556**	43,262
Provision for purchases and sub-contracts	**50,941**	38,004	**50,941**	38,004
	99,882	74,872	**106,497**	81,266

All amounts are short-term. The carrying values of trade and other payables are considered to be a reasonable approximation of fair values.

24. Employees' end of service benefits

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Balance at beginning of the year	**11,917**	11,965	**12,300**	12,365
Charge for the year (Note 32)	**3,963**	1,378	**4,146**	1,455
Paid during the year	**(1,135)**	(1,426)	**(1,199)**	(1,520)
Balance at end of the year	**14,745**	**11,917**	**15,427**	**12,300**

25. Accruals and other liabilities

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Provision for employees' leave pay and passage	**5,173**	4,674	**5,290**	4,674
Advance from customers - current	**21,188**	27,335	**21,188**	27,335
Due to customers for construction contracts (Note 9)	**5,111**	6,690	**5,111**	6,690
Provision for future loss on contracts	**3,067**	1,620	**3,067**	1,620
Retentions on sub-contracts	**4,510**	4,209	**4,539**	3,331
Accrued expenses	**7,980**	6,051	**8,815**	7,084
Due to related parties (Note 36)	**2,916**	2,273	**1,166**	1,263
Statutory dues payable	**1,986**	4,371	**2,030**	4,406
Other payables	**985**	1,025	**1,094**	1,182
Advance from customers	**52,916**	58,248	**52,300**	57,585
Non-current portion	**3,956**	7,542	**3,956**	7,542
Current portion	**21,188**	27,335	**21,188**	27,335
Advance from customers	**25,144**	34,877	**25,144**	34,877

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.

26. 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 disallowable items.

Income tax expense

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Tax (credit)/charge - Prior year	**-**	(1,192)	**1**	(1,113)
Deferred tax charge/(credit) for the year	**-**	-	**(178)**	(14)
	-	(1,192)	**(177)**	(1,127)

Provision for taxation

The Parent Company's income tax assessment up to the year 2019 has been completed by the tax authority. The income tax assessments of the subsidiaries are at various stages of completion. The management believes that the amount of additional taxes, if any, that may become payable on fainalisation of the unassessed tax years would not be material to the Group's financial position. The movement of tax provision is as follows:

The movement of tax provision is as follows:

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Balance at beginning of the year	**100**	1,340	**125**	1,406
Tax (credit)/charge	**-**	(1,192)	**1**	(1,113)
Tax adjustment/paid	**-**	(48)	**(1)**	(168)
Balance at end of the year	**100**	**100**	**125**	**125**

Deferred tax liability

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.

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Balance at beginning of the year	**-**	-	**347**	361
Tax charge	**-**	-	**(178)**	(14)
Balance at end of the year	**-**	-	**169**	347

27. Contract revenue

(a) Disaggregation of revenue from contracts with customers

Parent Company – 2023

Amount in RO '000s

Particulars	Construction	Other	Total
Revenue recognised over time	233,808	-	233,808

Parent Company - 2022

Particulars	Construction	Other	Total
Revenue recognised over time	163,412,	-	163,412

Consolidated – 2023

Particulars	Construction	Other	Total
Revenue recognised over time	233,808	405	234,213

Consolidated – 2022

Particulars	Construction	Other	Total
Revenue recognised over time	163,412	537	163,949

(b) Assets and liabilities related to contracts with customers

The Parent Company and the Group have recognized the following assets and liabilities related to contracts with customers:

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Contract receivables (Note 10)	77,088	57,662	77,836	58,430
Current contract asset relating to project revenue (receivable) (Note 9)	79,150	66,197	81,762	68,809
Allowance for expected credit losses (Note 9 & 10)	(12,227)	(15,183)	(14,625)	(17,351)
Total contract assets	144,011	108,676	144,973	109,888

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Contract liabilities relating to project revenue (unearned, advance) (Note 25)	25,144	34,877	25,144	34,877
Total current contract liabilities	25,144	34,877	25,144	34,877

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on construction projects.

The contract liabilities primarily relate to the advance consideration received from customers for the construction projects.

28. Sales and services income

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Sales and services - recognised at a point in time	4,994	2,696	13,221	11,796
Hiring services - recognised at a point in time	9	12	2,420	1,876
	5,003	2,708	15,641	13,672

29. Other income

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Gain on disposal of property, plant and equipment	1,089	714	1,257	907
Loss on foreign exchange	-	-	(5)	(2)
Miscellaneous income	1,090	1,218	1.453	1,379
	2,179	1,932	2,705	2,284

30. Cost of contracts and services

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Materials	60,286	28,537	66,184	35,531
Manpower costs (Note 32)	81,789	67,621	82,525	68,958
Sub-contracting costs	41,070	21,719	39,828	21,620
Plant and equipment repair and maintenance expenses	8,581	7,751	9,446	8,767
Plant and equipment hiring costs	7,091	2,970	7,283	3,401
Fuel expenses	16,314	11,620	17,256	12,748
Training expenses	500	224	500	224
Depreciation on right-of-use assets (Note 5)	659	578	1,223	993
Depreciation on property, plant and equipment (Note 3)	5,328	7,089	6,112	8,071
General and administrative expenses (Note 31)	10,928	9,294	11,443	10,270
	232,546	157,403	241,800	170,583

31. General and administrative expenses

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Manpower costs (Note 32)	**4,243**	3,923	**6,088**	5,736
Sub-contract expenses	**701**	282	**713**	282
Rent	**323**	364	**361**	398
Electricity and water charges	**4,027**	2,692	**4,192**	2,814
Professional, legal and client deductions	**1,873**	2,362	**1,957**	2,419
Insurance charges	**2,502**	2,343	**2,554**	2,395
Bank guarantee and other charges	**1,596**	1,241	**1,608**	1,245
Communication expenses	**364**	270	**393**	302
Repairs and maintenance - others	**360**	380	**378**	392
Traveling expenses	**184**	139	**188**	145
Printing and stationery expenses	**231**	176	**243**	184
Business promotion expenses	**44**	15	**44**	15
Tender fees	**245**	64	**245**	64
Directors' sitting fee (Note 36)	**162**	97	**162**	107
Corporate social responsibility expenses	**84**	27	**84**	27
Other general expenditure	**1,137**	944	**1,228**	1,000
Depreciation and amortisation expenses (Notes 3 and 4)	**339**	344	**404**	404
	18,415	15,663	**20,842**	17,929
Less: Pertaining to cost of contracts and services (Note 30)	**10,928**	9,294	**11,443**	10,270
	7,487	6,369	**9,399**	7,659

32. Manpower costs

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Salary and wages	**72,076**	62,387	**73,707**	65,171
Employees' end of service benefits (Note 24)	**3,963**	1,378	**4,146**	1,455
Camp and catering expenses	**8,928**	7,004	**8,928**	7,004
Hired salary and wages	**532**	197	**532**	197
Other expenses	**386**	536	**1,153**	825
Staff incentives	**147**	42	**147**	42
	86,032	71,544	**88,613**	74,694
Less: Pertaining to cost of contracts and services (Note 30)	**81,789**	67,621	**82,525**	68,958
Pertaining to general and administration expenses (Note 31)	**4,243**	3,923	**6,088**	5,736

33. Finance costs

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Interest expense	**3,038**	2,499	**3,106**	2,560
Interest on lease liabilities	**101**	85	**375**	196
	3,139	2,584	**3,481**	2,756

34. Earning per share

The earning per share is calculated by dividing the earnings for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year. The Parent Company does not have any dilutive potential ordinary shares in issue at the year end, thus, the diluted earning per share is identical to the basic earning per share.

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Profit attributable to equity shareholders of the Parent Company:	**574**	4,628	**168**	1,304
Number of shares in '000 (Note 14)	**290,650**	290,650	**290,650**	290,650
Basic and diluted earning per share(RO)	**0.002**	0.016	**0.001**	0.004

35. 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:

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Net assets	**28,472**	27,898	**22,624**	22,464
Number of shares in '000 (Note 14)	**290,650**	290,650	**290,650**	290,650
Net assets per share (RO)	**0.098**	0.096	**0.078**	0.077

36. Related parties transactions and balances

Related parties comprise of 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/ Audit Committee.

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

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Contract income				
- with other related parties	-	-	-	-
Sales and services				
- with subsidiaries	1,754	1,413	-	1
- with other related parties	-	6	-	828
Purchase of goods and services				
- with subsidiaries	5,973	2,607	-	-
- with other related parties	64	68	64	138
Directors' sitting fees	162	97	162	97

Balances of related parties recognised and disclosed in notes 11 and 25 respectively are as follows:

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Due from subsidiaries and associated companies	7,710	6,939	952	1,007
Due from other related parties	3,257	4,335	3,257	4,335
Allowance for expected credit losses against due from related parties	(2,666)	(2,477)	(2,724)	(2,535)
	8,301	8,797	1,485	2,807
Due to Shareholders	-	10	-	10
Due to subsidiaries and associated companies	2,699	1,978	935	938
Due to other related parties	217	285	231	315
	2,916	2,273	1,166	1,263

The amounts outstanding are unsecured and will be settled. During the year, net RO 186 (2022: recognised net RO 488) thousand has been recognised towards expected credit losses pertaining to related parties.

36. Related parties transactions and balances (Continued)

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

The remuneration of key management personnel is as follows:

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Salaries	774	689	1,113	1,028
Employees' end of service benefits	27	24	144	46
Directors' sitting fees (Note 31)	162	97	162	107
	963	810	1,419	1,181

37. Commitments and contingencies

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Bonds and guarantees	133,457	128,788	136,503	128,991
Letter of credit	29,673	25,166	29,716	25,185
Corporate guarantees	3,775	3,000	3,775	3,000
Capital commitments	15,098	1,807	15,098	1,807
Legal cases	774	718	819	718
	182,777	159,479	185,911	159,701

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

37. Commitments and contingencies (Continued)

37.1Legal cases

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

37.2 Penalties

Penalties amounting to RO 3,926 (2022: RO 5,301) thousand have been levied on the Parent Company. Though the penalties are countered by the extension of time claims from the Parent Company, cases are under various stages of negotiations/arbitration and expected to be settled in due course, moreover the same has been recorded in the books of account.

Further imposable penalties on account of expected completion delays amounting to RO 1,753 (2022: RO 2,147) thousand on certain projects are not considered in the books of the Parent Company as the management believes that the delay in these projects are majorly due to the delay from the customer's side and based on their recent discussions with these customers these penalties are not expected to be levied on the Company.

38. Financial instruments & related risk management

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

The Group's financial assets include contract and trade receivables, and Cash and cash equivalents and short-term deposits that arrive directly from its operations.

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

Market risk

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

Interest rate risk

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

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The management has set up a policy to require the Group to manage its foreign exchange risk against their functional currency. The Group operates in international markets and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euros, Pound sterling and all GCC currencies. As the exchange rate of the Rial Omani is pegged against most of the currencies, the Group is not subject to any significant currency risk.

38. Financial instruments & related risk management (Continued)

Equity price risk

The Group does not hold any quoted investment.

Credit risk

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

Exposure to credit risk

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

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Contract work in progress, contract and trade receivables	**157,267**	125,621	**165,858**	134,160
Retentions receivables	**30,970**	26,099	**32,008**	26,221
Due from related parties and deposits	**11,604**	11,944	**4,847**	6,083
Deposits with banks	**3,463**	3,847	**3,946**	4,245
Cash and bank balances	**1,577**	6,076	**2,399**	6,913
	204,881	**173,587**	**209,058**	**177,622**

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

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Government customers	**97,110**	73,228	**97,110**	73,228
Petroleum Development Oman	**20,385**	19,190	**20,385**	19,190
Other private customers	**39,772**	33,203	**48,363**	41,742
	157,267	**125,621**	**165,858**	**134,160**

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

38. Financial instruments & related risk management (Continued)

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

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Not past due	**46,599**	28,461	**46,722**	28,465
Past due 1- 180 days	**71,440**	60,877	**75,104**	66,036
Past due 181 - 365 days	**13,757**	16,775	**14,260**	18,188
More than 365 days	**25,471**	19,508	**29,772**	21,471
	157,267	**125,621**	**165,858**	**134,160**
Allowance for expected credit loss	**(12,227)**	**(15,183)**	**(14,625)**	**(17,351)**

Liquidity risk

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

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

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

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Term loans	**20,523**	13,984	**20,681**	14,128
Short term loans	**9,054**	8,000	**9,054**	8,000
Bank borrowings	**34,378**	8,682	**34,528**	8,949
Trade and other payables	**152,798**	133,120	**158,797**	138,851
	216,753	163,786	**223,060**	169,928

The contractual maturities of above financial liabilities are:

Term loans: (principle+future interest)				
Up to 90 days	**1,978**	4,848	**2,051**	4,900
91 - 180 days	**1,937**	1,110	**1,972**	1,162
181 - 365 days	**3,830**	3,028	**3,838**	3,046
More than 365 days	**14,772**	7,235	**14,814**	7,283
	22,517	16,221	**22,675**	16,391

38. Financial instruments & related risk management (Continued)

Amount in RO '000s

Particulars	Parent Company		Consolidated	
	2023	2022	2023	2022
Short term loans: (principle+future interest)				
Up to 90 days	**8,051**	6,553	**8,051**	6,553
91 - 180 days	**-**	1,524	**-**	1,524
181 - 365 days	**-**	-	**-**	-
	8,051	8,077	**8,051**	**8,077**
Bank borrowings: (principle+future interest)				
Up to 90 days	**30,782**	7,361	**30,932**	7,628
91 - 180 days	**2,381**	663	**2,381**	663
181 - 365 days	**1,445**	745	**1,445**	745
	34,608	8,769	**34,758**	9,036
Trade and other payables:				
Up to 90 days	**91,486**	57,137	**94,870**	61,613
91 - 180 days	**25,600**	25,416	**26,893**	26,599
181 - 365 days	**17,011**	31,108	**17,831**	30,797
More than 365 days	**18,701**	19,459	**19,203**	19,842
	152,798	133,120	**158,797**	138,851

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38. Financial instruments & related risk management (Continued)

Changes in liabilities arising from financing activities

Amount in RO '000s

Parent Company	1 Jan 2023	Cash flows	Others	31 Dec 2023
Current interest-bearing loans and borrowings	24,734	23,167	2,596	50,497
Non-current interest-bearing loans and borrowings	5,932	6,539	987	13,458
Total liabilities from financing activities	**30,666**	**29,706**	**3,583**	**63,955**

Parent Company	1 Jan 2022	Cash flows	Others	31 Dec 2022
Current interest-bearing loans and borrowings	35,385	(5,844)	(4,807)	24,734
Non-current interest-bearing loans and borrowings	11,528	(9,880)	4,284	5,932
Total liabilities from financing activities	46,913	(15,724)	(523)	30,666

Changes in liabilities arising from financing activities

Amount in RO '000s

Group	1 Jan 2023	Cash flows	Others	31 Dec 2023
Current interest-bearing loans and borrowings	25,109	23,167	2,440	50,716
Non-current interest-bearing loans and borrowings	5,968	6,553	1,026	13,547
Total liabilities from financing activities	**31,077**	**29,720**	**3,466**	**64,263**

Group	1 Jan 2022	Cash flows	Others	31 Dec 2022
Current interest-bearing loans and borrowings	35,666	(5,844)	(4,713)	25,109
Non-current interest-bearing loans and borrowings	11,561	(9,823)	4,230	5,968
Total liabilities from financing activities	47,227	(15,667)	(483)	31,077

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

At 31 December 2023, the exposure to letter of credit facilities stood at RO 29,546 (2022: RO 25,166) thousand for the purchase of goods.

39. Fair value of financial instruments

Fair values

Financial instruments comprise financial assets and financial liabilities.
Financial assets consist of bank balances, contract work in progress, contract receivables and trade and other receivables and investments at fair value through other comprehensive income. Financial liabilities consist of term loans, bank borrowings and trade and other payables.

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

40. 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 in line with IFRS 15 requirements. It uses the 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 and planning 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 consultant reports and the internal assessments, a portion of such claims has been recognized in these financial statements based on management's assessment of the amount of claims that will be recoverable from customers.

The claims raised by the Group against the customers are mainly in relation to variations from the originally agreed contract scope, changes in costs incurred due to the effects of royal decrees issued after the commencement of contracts and additional costs incurred due to extension of the project completion time. Claims are determined mostly based on evaluation by third party consultants appointed by the Group and the Group's internal experts.

The determination of claims to be recovered requires the use of estimates based on the evaluation performed by third party consultants and stage of negotiations of these claims with customers. The amount of claims which will be accepted by the customers after negotiations may be different from the amount claims recognized in the financial statements. Management is of the view that the amount of claims to be recovered from customers will not be less than the amount recognized in these financial statements.

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

40. Key sources of estimation uncertainty (Continued)

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

At the reporting date, the Group's contract billed receivables were RO 77,836 (2022: RO 58,430) thousand, most of these receivables were from Government and quasi Government entities. This balance includes value of RO 37,410 (2022: RO 36,883) thousand certification in process, which is in the normal course of business activity in the construction industry. At 31 December 2023, the provision for expected credit losses against contract receivables and work in progress was RO 14,625 (2022: RO 17,351) thousand. Management believes the balance amounts are fully recoverable. In addition to this, the Group's trade receivables were RO 6,260 (2022: RO 6,921) thousand.

(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. The Second Appeal court accepted Haya nullification on 17 September 2020 and Galfar submitted the second petition before Supreme Court on 25 October 2020.
On 12 September 2022 Galfar received second and final Supreme Court Judgment which rejected Galfar appeal and nullified the arbitration award and arbitration case totally

Subsequently, Galfar filed the commercial case before Muscat Primary Court claiming RO. 2.81 million along with the interest of 7% from the penalty deduction dated 14 February 2013 till the case registration date amounting to RO. 1.83 million and the subsequent period until the full payment date and first hearing was on 11 December 2022, where the court has directed Haya Water to file their reply by 26 February 2023.
11 June 2023 Primary Court issued the Judgement in which the court declared 'As Contract has an arbitration clause, it has to be referred back to arbitration' and Galfar appealed against the judgement and case listed on 16 October 2023. Further on 13 November 2023 Galfar and Haya provided their final replies to the Appeal Court. Judgement awaited on 21 March 2024.

(iv) The Parent Company has on 15 August 2022 served a 'Notice of Dispute' against M/s. Petrofac towards recovery of extension of time with associated costs, unapproved variations and unagreed back charges with M/s. Petrofac for USD 13.83 million for the project 'Sub-contract for EPC of Building Works-Salalah LPG Project' and USD 42.94 million for the project 'Sub-contract for CMEI Works E&F Area-Salalah LPG Project'.
On 13 September 2022, the Parent Company has issued notice to M/s. Petrofac that the dispute will be referred for arbiration as per the conditions of the contract. On 30 September 2022 the Parent Company has received M/s. Petrofac's request for arbitration from ICC .
On 27 October 2022, the Parent Company has submitted the 'Answer' to M/s. Petrofac's request for arbitration and it's counter claim to ICC. On 20 December 2022, both parties have agreed and informed the ICC to consolidate the arbitrations. Chairperson for arbitration has been appointed and preliminary meeting was held on 30 March 2023 and tribunal issued the Arbitration Procedural Order and timetable, accordingly the Hearing scheduled on 4 September 2024.

40. Key sources of estimation uncertainty (Continued)

v) The Parent Company has on 8 January 2023 served a 'Notice of Dispute' against M/s. Saipem S.P.A. towards the entitlement of extension of time with associated costs, unapproved variations and unagreed back charges with M/s. Saipem S.P.A. for USD 58.09 million for the project 'Sub-contract of Mechanical, Electrical, Instrumentation and Piping Fabrication Works for sub-package A&C-Duqm Refinery Package 3 Offsite Facilities' project. Since amicable settlement of dispute was not achieved, the Parent Company issued the 'Request for Arbitration' on 23 February 2023 to M/s. Saipem S.P.A. through ICC. Chairperson for arbitration has been appointed and preliminary meeting was held on 3 August 2023 and tribunal issued the Arbitartion Procedural Order and timetable, accordingly Galfar's Statement of Claim will be submitted on 1 March 2024 and the Hearing scheduled on 7 April 2025.

(vi) The Parent Company has filed a Commercial Case against (PS-JV) for the project 'EPC Building Works-Packages 1 & 3' claiming USD 3,433,690.34 along with compensation and the case expenses due to PS-JV's breach of the settlement agreement. On 11 June 2023 judgment was issued in which the case was accepted and referred the case to an Engineering/Accounting expert by the court.

(c) Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value through physical verification of inventories carried out annually. As majority of the inventories are at ongoing project sites these are considered as usable in nature by management as these are closely monitored by the respective project teams.

Dedicated project teams also monitors surplus inventories on closed/completed jobs for assessing their usability to consider necessary provisions. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence. Management believes that provision of RO 682 (2022: RO 689) thousand for the Group is adequate (refer Note 8)..

(d) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates (refer Note 3).

(e) Impairment of intangible assets

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

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

40. Key sources of estimation uncertainty (Continued)

(f) Impairment of investments in subsidiaries and associates

The Group reviews its investments in an associate and subsidiaries periodically and evaluates for objective evidence of impairment. Objective evidence includes the performance of an associate and subsidiaries, significant decline in carrying value below its costs, the future business model, local economic conditions and other relevant factors. Based on objective evidences the Group determines the need for impairment loss on investment in an associate and subsidiaries (refer Notes 6 and 7).

(g) Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of respective Group companies. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority (refer Note 26).

(h) Leases

Significant judgement in determining the lease term of contracts with renewal and termination options – Group as lessee. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

Leases – Estimating the incremental borrowing rate

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

41. Reclassification of comparative information

Comparative figures for the previous year have been reclassified/re-arranged, wherever necessary to conform with the presentation in the current year's financial statements.

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