

Corporate Governance Report:

1. Company's Philosophy

Galfar Engineering and Contracting SOAG, is convinced with the importance of the need for good governance and healthy corporate practices for a company to succeed in the long run, fulfill its plans and realize its objectives. The concept of governance at Galfar envisages care of the Company to enhance the value of all its stakeholders, that 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 continues applying a well defined Management Systems Procedures (MSPs) in accordance with ISO 9001, the adherence to such principles would be attainable.

The company is fully abiding by the corporate governance code issued by the Capital Market Authority (CMA). The company has taken all necessary steps to fulfill the objective of good corporate governance.

The Board Members having professional and/or practical experiences in their diversified fields of profession as shown as profile in the Annual Report booklet, have given great support to the Board to exercise its widest authorities in managing the Company and supervise the good performance of the Company's business. The Board is responsible for achieving the company's objectives. For this purpose, the Board is assisted by various committees and the higher executive management of the company. The Board has formed the executive Committee, the Audit Committee and other ad hoc committees when the need arises such as the procurement committee. In addition, there is a well-structured organization for the management executives whose duties and authorizations are defined in the manual of authority approved by the Board.

In general the board exercises its primary functions and duties in line with the powers stipulated in article 35 of the Articles of Association of the company.

2. Board of Directors & Committees

The First Board of Directors which was duly elected by the Constitutive General Meeting of the Shareholders on October 9th, 2007 comprises of nine members. All the Nine members are non-executive and five members are Independent Directors. The Members of the Board are all having professional and practical experience in their respective corporate fields ensuring proper direction and control of company's activities. No director is a member of more than 4 public companies whose shares are listed on the Muscat Securities Market (MSM) and no director is chairman of more than 2 such companies. None of the directors is a member of the Board of Directors of a public company which carries out similar business and whose principal office is located in the Sultanate of Oman.

Sr. N o.	Name of Directors & Representatives	Designation	Category	Directorship in other Joint Stock Companies
1.	Sheikh Dr.Salim Said Hamed Al Fannah Al Araimi	Chairman	Non-Executive	A'Sharqiya Investment Holding Co. S.A.O.G
2.	Dr. P. Mohamed Ali	Vice Chairman	Non-Executive	Nil
3.	Dr.Hamed Hashim Mohamed Al Dhahab Al Ghailani	Member	Non-Executive Independent	Oman & Emirates Investment Holding Co. S.A.O.G The Financial Corporation Co. S.A.O.G (FINCORP)
4.	Dr.Adil Abdulaziz Yahya Al Kindy	Member	Non-Executive Independent	Nil
5.	Dr.Hatem Bakheit Saeed Al Shanfari	Member	Non-Executive Independent	Gulf Investment Services Co. S.A.O.G Al Omaniya Financial Services S.A.O.G
6.	Sheikh Yahya Abdullah Salim Al Fannah Al Araimi	Member	Non-Executive Independent	Nil
7.	Engr.Ali Mohamed Ali Al Mahrouqi	Member	Non-Executive Independent	A'Sharqiya Investment Holding Co. S.A.O.G
8.	Engr. Majid Salim Said Al Fannah Al Araimi (Representing Aimaar United Investment & Projects LLC)	Member	Non-Executive	Omani Packaging Co. S.A.O.G Oman International Development & Investment Co. S.A.O.G (OMINVEST)
9.	Ms.Budoor Mohamed Rashid Al Fannah Al Araimi (Representing Al Siraj Investments & Projects LLC)	Member	Non-Executive	Gulf Plastic Industries Co. S.A.O.G A'Sharqiya Investment Holding Co. S.A.O.G

2.1 Board Meetings:

During the year 2008, the Board has held 5 meetings. The following table shows details of the meetings and attendance of the Members:

Sr. No.	Name of Director	1 st meeting 12.1.2008	2 nd meeting 28.2.2008	3 rd meeting 13.5.2008	4th meeting 26.7.2008	5 th meeting 28.10.2008
1	Sheikh Dr. Salim Said Hamed Al Fannah Al Araimi	✓	✓	✓	✓	✓
2	Dr. P. Mohamed Ali	×	✓	✓	✓	✓
3	Dr. Hamed Hashim Mohamed Al Dhahab Al Ghailani	✓	×	×	✓	✓
4	Dr. Adil Abdulaziz Yahya Al Kindy	✓	✓	×	✓	✓
5	Dr. Hatem Bakheit Saeed Al Shanfari	✓	×	✓	×	×
6	Sheikh Yahya Abdullah Salim Al Fannah Al Araimi	×	✓	×	×	✓
7	Engr. Ali Mohamed Ali Al Mahrouqi	×	✓	✓	✓	✓
8	Engr. Majid Salim Said Al Fannah Al Araimi	✓	✓	×	×	×
9	Ms. Budoor Mohamed Rashid Al Fannah Al Araimi	✓	✓	✓	✓	✓

2.2 Remuneration to the Board of Directors:

The total amount of remuneration proposed to be paid to the Directors including the sitting fees for the year 2008 is RO.200,000/-

2.3 Board Secretary

Mr.Abdelbagi Daffalla, of a legal profession career, was appointed secretary of the Board. The secretary records minutes of the Board meetings as well as the resolutions passed. He handles liaison works between the Board, Board committees and follow-up actions to be taken and informing concerned parties.

3. Other Committees:

3.1 Executive Committee:

The Board has formed, an Executive Committee consists of 4 members, to oversee in general setting of business and strategic plans, policies of the Company, review decisions on various matters concerning the operation of the company and any other matters assigned by the Board. The Executive Committee exercises its functions in accordance with the Executive Committee Charter. The committee held six meetings during the year 2008

Sr. No.	Name of Members of the Committee	Designation
1.	Dr. P. Mohamed Ali	Chairman
2.	Dr. Adil Abdulaziz Yahya Al Kindy	Member
3.	Engr. Ali Mohamed Ali Al Mahrouqi	Member
4.	Engr. Majid Salim Said Al Fannah Al Araiimi	Member

3.2 Meetings & Attendance

Sr. No.	Name of Member	1 st Meeting 23-Feb-08	2 nd Meeting 24-Apr-08	3 rd Meeting 12-Jun-08	4 th Meeting 21/8,31/8 & 8/9	5 th Meeting 24-Nov-08	6 th Meeting 28-Dec-08
1	Dr. P. Mohamed Ali	√	√	√	√	√	√
2	Dr. Adil Abdulaziz Yahya Al Kindy	√	√	√	√	√	√
3	Engr. Ali Mohamed Ali Al Mahrouqi	√	×	√	√	√	√
4	Engr. Majid Salim Said Al Fannah Al Araiimi	√	√	×	×	×	×

4. **Audit Committee:**

The audit committee is appointed by the board of directors to assist the board in discharging its oversight responsibilities. The audit committee will oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information. The audit committee will also review: the effectiveness of the company's internal financial control and risk management system; the effectiveness of the internal audit function; the independent audit process including recommending the appointment and assessing the performance of the external auditor; the company's process for monitoring compliance with laws and regulations affecting financial reporting and, if applicable, its code of business conduct.

In performing its duties, the committee will maintain effective working relationships with the board of directors, management, and the external and internal auditors. To perform its role effectively, each committee member will need to develop and maintain his skills and knowledge, including an understanding of the committee's responsibilities and of the company's business, operations and risks. The Committee held seven meetings during the year.

Sr. No.	Name of Members of the Committee	Designation
1.	Dr. Hamed Hashim Mohamed Al Dhahab Al Dhailani	Chairman
2.	Sheikh Yahya Abdullah Salim Al Fannah Al Araimi	Member
3.	Dr. Hatem Bakheit Saeed Al Shanfari	Member
4.	Ms. Budoor Mohamed Rashid Al Fannah Al Araimi	Member

4.1. Meetings & Attendance

Sr. No.	Name of Member	1 st Meeting 20 th Jan, 2008	2 nd Meeting 12 th Feb, 2008	3 rd Meeting 27 th Feb, 2008	4 th Meeting 13 th May 2008	5 th Meeting 26 th July 2008	6 th Meeting 27 th Oct 2008	7 th Meeting 23 rd Dec 2008
1	Dr. Hamed Hashim Mohamed Al Dhahab Al Dhailani	✓	✓	×	×	✓	✓	✓
2	Sheikh Yahya Abdullah Salim Al Fannah Al Araithi	×	✓	✓	×	✓	✓	✓
3	Dr. Hatem Bakheit Saeed Al Shanfari	✓	×	×	✓	×	×	×
4	Ms. Budoor Mohamed Rashid Al Fannah Al Araithi	✓	×	✓	✓	×	✓	×

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5. Procedure for Standing as a Candidate for the Board:

The right to stand as a candidate for membership of the Board of Directors of the Company is open to shareholders and non shareholders.

In case of a shareholder, whether in personal capacity or representing a juristic person, he must have a minimum equity of not less than 10000 shares.

6. Remuneration:

Total remuneration during the financial year 2008 to top Management (top 5) was RO 1.855 Million.

7. Compliance with Rules and Regulations:

The Company has been compliant with all the applicable rules and regulations issued by MSM, CMA and that provided for in the Commercial Companies Law 1974 as amended. No fines or penalties have been imposed on the Company during the period. The Company was explained by Directorate of Corporate Governance of CMA on a donation granted to Oman national soccer team. The Company answered the explanation in writing.

8. Communication with Shareholders and Investors:

The company maintains good communication relations with the shareholders and Investors and responds - in line with the disclosures rules - to their queries, request and furnish them with the required information. The company, during the period, underwent several conference calls and interviews with financial analysts and investors. On background of the global financial crises, The Company also responded to a request by MSM to hold a discussion forum on the Company's position, its financial results and futuristic plans. The Company held successfully the discussion forum on 6th November 2008.

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

The Management discussion and analysis form part of the Annual Report.

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9. Statement on Market Price and distribution of Holdings:

9.1 High / Low price during each month

Month	High	Low	Close
Jan' 08	1.750	1.499	1.506
Feb'08	1.625	1.500	1.605
Mar'08	1.768	1.500	1.768
Apr'08	2.250	1.775	2.184
May'08	2.310	2.150	2.160
Jun'08	2.349	1.880	2.094
Jul'08	2.422	1.849	1.948
Aug'08	1.952	1.537	1.649
Sep'08	1.625	1.240	1.441
Oct'08	1.449	0.757	0.757
Nov' 08	0.833	0.620	0.671
Dec' 08	0.685	0.414	0.463

9.2 Distribution of Share ownership between shareholders holding 5% or more. (Including Shares having preferential voting rights)

Sr. No.	Category	No. of Shareholders	No. of Shares	% Shareholding
1	Less than 5%	6578	106,583,000	42.63
2	5% to 10%	1	12,500,000	5.00
3	Above 10%	4	130,917,000	52.37
	Total	6583	250,000,000	100

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

10. Profile of the Statutory Auditors

Deloitte Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice. Deloitte is focused on client service through a global strategy executed locally in over 140 countries. With access to the deep intellectual capital of approximately 165,000 people worldwide, Deloitte delivers services in four professional areas: audit, tax, consulting, and financial advisory services.

Deloitte & Touche in the Middle East is among the region's leading professional services firms, providing audit, tax, consulting, and financial advisory services through 25 offices in 14 countries with over 1,700 partners, directors and staff. The Oman Practice currently has three Partners and over 60 professionals.

10.1 Audit Fees of the Company and subsidiaries and fees for other services paid to the Auditor:

Sr. No.	Particulars	Amount (In RO)
1	Statutory Audit Fees (Parent)	17,000
2	Fees for Corporate Governance Report (Parent)	1,000
3	Statutory Audit Fees (Subsidiary)	5,000

11. The Board of Directors acknowledges as at December 31, 2008:

The Board of Directors acknowledges:

- ❑ With its liability for the preparation of financial statements in accordance with the applicable standards and rules.
- ❑ Review of the efficiency and adequacy of internal control systems of the Company and that it complies with internal rules and regulations. The internal control systems of the Company are being assessed regularly for effectiveness and it has been decided by the Audit Committee to engage the services of a professional firm to carry out this assessment in the year 2009, for further enhancement of the system of internal control and recommend same to the Board in the forthcoming meeting.
- ❑ That there is no material matter that affects the continuation of the Company and its ability to continue its production and operations during the next financial year.

Salim Said Hamed Al Fannah Al Araimi
Chairman