

Corporate Governance Report

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.

Board of Directors

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. During the year, Sheikh Salim Abdullah Said Al Rawas, was appointed as member of member of the board and member of Executive Committee to replace representative of A'maar United Investment & Projects LLC. The board also decided seconding of Vice Chairman Dr. P. Mohammed Ali to hold the office of the Managing Director. The board comprises of nine Directors, eight non executive and one executive. Six of the non executive directors are independent.

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 joint stock public companies whose shares are listed on the Muscat Securities Market (MSM) and no director is chairman of more than 2 public companies whose principal office is in the Sultanate of Oman. None of the directors is a member of a Board of Directors of a joint stock public or closed company which carries out similar business and whose principal office is in the Sultanate of Oman.

Sr. No.	Name of Directors & Representatives	Designation	Category	Directorship in other Joint Stock Companies
1.	Sheikh .Salim Said Hamed Al Fannah Al Araimi	Chairman	Non-Executive	Bank Sohar S.A.O.G Oman Medical College S.A.O.C
2.	Dr. P. Mohamed Ali	Vice Chairman & Managing Director	Executive	Tabreed Oman S.A.O.C Oman Medical College S.A.O.C
3.	Dr.Hamed Hashim Mohamed Al Dhahab Al Ghailani	Member	Non-Executive Independent	Majan Electricity Company S.A.O.C
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 Gulf Baader Capital Markets Co. S.A.O.C
6	Sheikh Salim Abdullah Al Rawas	Member (w.e.f. 13/5/2009)	Non-Executive Independent	Oman Oil Marketing Company S.A.O.G Oman Oil Company S.A.O.C
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.	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 Oman Medical College S.A.O.C

Board Meetings:

During the year 2009, the Board held 7 meetings. The following table shows details of the same.

	1st Meeting	2nd Meeting	3rd Meeting	4th Meeting	5th Meeting	6th Meeting	7th Meeting
Name	11	12	13	14	15	16	16 Contd
	22/01/09	26/02/09	13/05/09	13/08/09	5/11/2009	24/12/09	30/12/09
Sheikh Dr.Salim Said Hamed Al Fannah Al Araimi	√	√	√	X	√	√	√
Dr.P. Mohamed Ali	X	√	√	√	√	√	√
Dr.Hamed Hashim Mohamed Al Dhahab	√	√	√	X	√	√	√
Sheikh Yahya Abdullah Al Fannah Al Araimi	X	√	X	√	X	√	X
Dr.Adil Abdulaziz Al Kindy	√	√	√	X	√	√	√
Dr.Hatem Bakheit Saeed Al Shanfari	X	√	X	√	√	√	√
Engr.Ali Mohamed Ali Al Mahrouqi	√	√	√	√	√	√	√
Ms.Budoor Mohamed Rashid Al Fannah Al Araimi	√	√	√	X	√	√	X
Engr.Majid Salim Said Al Fannah Al Araimi	X	X	N/A	N/A	N/A	N/A	N/A
Sheikh Salim Abdullah Saeed Badr Al Rawas (w.e.f 13/05/09)	N/A	N/A	√	√	√	√	√

Remuneration to the Board of Directors:

The total amount of remuneration proposed to be paid to the Directors including sitting fees for the year 2009 is RO.76,840/-

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.

Other Committees:**Executive Committee:**

The Board has formed, an Executive Committee which consists of 4 members, to oversee in general, setting of business and strategic plans, policies of the Company, review decisions taken 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. During the year, Board Member Sheikh Salim Abdullah Said Badr Al Rawas was appointed as member of the Executive Committee (EXCOM) to succeed the former EXCOM member Engr. Majid Salim Said Al Fannah Al Aرامي. In a later date, board member Dr. Adil Abdulaziz Yahya Al Kindy assumed chairmanship of the Excom in succession to Dr. P. Mohamed Ali who held office of Managing Director. The committee held seven meetings during the year 2009

Sr. No.	Name of Members of the Committee	Designation
1.	Dr. P. Mohamed Ali	Chairman (former)
2.	Dr. Adil Abdulaziz Yahya Al Kindy	Chairman (present)
3.	Engr. Ali Mohamed Ali Al Mahrouqi	Member
4	Engr.Majid Salim Said Al Fannah Al Aرامي	Member (former)
4. bis	Sheikh Salim Abdullah Said Badr Al Rawas	Member (present)

Excom-Attendance Sheet

	1st Meeting	2nd Meeting	3rd Meeting	4th Meeting	5th Meeting	6th Meeting	7th Meeting
Meeting No.	10	11	12	13	14	15	16
Date	9-Feb-09	12-Apr-09	28-May-09	20-Aug-09	17-Oct-09	22-Nov-09	9-Dec-09
Dr P Mohamed Ali	√	√	√	√	√	√	√
Dr. Adil Al Kindy	√	√	√	√	√	√	x
Eng Mohamed Ali Al Mahrouqi	√	√	√	√	√	√	√
Engr.Majid Salim Said Al Fannah Al Aرامي	x	x	N/A	N/A	N/A	N/A	N/A
Sheikh Salim Abdullah Said Badr Al Rawas	N/A	N/A	x	√	√	√	√

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 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 six meetings during the year.

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

Audit Committee Meeting & Attendance Details - Year 2009						
Audit Committee Members	Meeting Date / Attendance					
	1 st Meeting	2 nd Meeting	3 rd Meeting	4 th Meeting	5 th Meeting	6 th Meeting
	11/2/2009	25-02-09	12/5/2009	12/8/2009	4/11/2009	7/12/2009
Dr Hamed Hashim Al Dhahab	√	√	√	X	√	√
HE Yahya Al Fannah Al Araiimi	√	√	√	√	X	X
Dr Hatem Bakhit Al Shanfari	X	√	X	√	√	√
Ms. Budoor Al Fannah Al Araiimi	√	√	√	X	√	√

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.

Remuneration:

Total remuneration during the financial year 2009 to top Management (top 5) was RO 1.099 Million.

Compliance with Rules and Regulations:

The Company has been compliant with all the applicable rules and regulations issued by MSM, CMA and that stipulated in the Commercial Companies Law 1974 as amended. An Audit Team from Capital Market Authority (CMA) conducted a general audit over the Year 2009, to ensure the company's commitment to the Corporate Governance Code of SAOG companies and other regulations and laws issued by the CMA. Their respective report, commended the Company's commitment towards Corporate Governance and other regulations and laws.

During the year, a fine of RO 1300/- was imposed on the company, for delay in disclosure of the unaudited Financial Statements for the second quarter on the Company's webpage at the website of Muscat Securities Market (MSM). The delay was due to a technical fault in the Company's Internal Network System.

Communication with Shareholders and Investors:

The company maintains good communication relations with the shareholders and Investors and responds as much as possible to their queries and requests in line with the disclosures rules. The company, during the period, conducted several phone interviews with financial analysts and investors.

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 on 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 discussions and analysis report forms an integral part of the Annual Report.

**Statement on Market Price and distribution of Holdings:
High / Low price during each month**

Month	High	Low	Close
Jan-09	0.585	0.360	0.534
Feb-09	0.5770	0.4500	0.5350
Mar-09	0.6160	0.4300	0.4410
Apr-09	0.7470	0.4250	0.6770
May-09	0.7220	0.5800	0.6000
Jun-09	0.6370	0.5900	0.6280
Jul-09	0.7040	0.5800	0.6630
Aug-09	0.6950	0.6000	0.6590
Sep-09	0.6980	0.6200	0.6490
Oct-09	0.7250	0.6150	0.6500
Nov-09	0.6600	0.5600	0.5970
Dec-09	0.6150	0.5430	0.5780

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%	6,110	127,757,645	42.59
2	5% to 10%	2	45,000,000	15.00
3	Above 10%	3	127,242,355	42.41
	Total	6,115	300,000,000	100

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

Profile of the Statutory Auditors

Ernst and young are the statutory Auditors of the Company .Ernst & Young is one of Oman's oldest established accounting firms, having had a permanent office in the country since 1974. The practice comprises of one hundred and sixty professionals, and is working under the direction of three partners.

The Oman office forms part of Ernst & Young's Middle East practice, with over 135 partners and nearly 5,700 other professionals in 23 offices in 17 countries throughout the region.

The Middle East practice is member firm of Ernst & Young Global, operating in more than 140 countries with approximately 130,000.

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)	16,000
2	Statutory Audit Fees (Subsidiary)	5,000

The Board of Directors acknowledges as at December 31, 2009:

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. In order to enhance and strengthen the efficiency of the internal control systems, the Company has appointed a chief internal auditor and also recruited technical auditors in the Internal Audit Department.
- ❑ 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 Aرامي
Chairman