

Corporate Governance Report

Company's Philosophy

Galfar Engineering and Contracting SOAG is committed to good corporate governance and healthy corporate practices. The concept of good governance at Galfar 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 continues applying well-defined Management Systems Procedures (MSPs) in accordance with ISO 9001.

The Company has implemented the Code of Conduct and Whistleblower Policy during the year. This was recommended by the external consultant appointed by the Board of Directors to review and strengthen the internal control system and corporate governance. Companywide awareness program has been rolled out and uploaded in the company's website.

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 are experienced in their diversified professional fields. They 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 sub committees and the higher executive management of the company. The Board has formed two new sub committees, Supervisory and Follow up Committee and the Human Resource Committee, and has reconstituted the Audit Committee. In addition, there is a well-structured organization for management executives whose authorities are defined in a revised Manual of Authority.

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

At the Annual General Meeting of the Company held on 26th March 2014, the Shareholders duly elected a new Board of 9 members, which includes nine non-executives. Four of the Directors are independent.

The Members of the Board have professional and practical experience in their respective 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 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.

Sr. No.	Name of Director & Representative	Designation	Category	Directorship in Other Joint Stock Companies
1	Sheikh Dr.Salim Said Hamed Al Fannah Al Araimi	Chairman	Non Independent Non – Executive	Oman Medical College S.A.O.C
2	Sheikh Salim Abdullah Saeed Badr Al Rawas	Vice Chairman	Non Independent Non – Executive	Oman Oil Marketing Company S.A.O.G , Kunooz Oman Holding S.A.O.C.
3	Dr.Hatem Bakheit Saeed Al Shanfari	Director	Independent Non - Executive	Gulf Investment Services Co. S.A.O.G, Gulf Baader Capital Markets Co. S.A.O.C
4	Mr. Hamad Mohamed Al Wahaibi	Director	Independent Non - Executive	Voltamp Energy Co. S.A.O.G., Al Madina Insurance Co S.A.O.C., and National Bank of Oman S.A.O.G.
5	Engr. Salman Rashid Al Fannah Al Araimi	Director	Non Independent Non – Executive	NIL
6	Ms. Khalood Mohamed Rashid Al Fannah Al Araimi	Director	Non Independent Non – Executive	Gulf Plastic Industries Co. S.A.O.G and Oman Medical College S.A.O.C
7	Abdulqader Askalan (W.E.F 26.03.2014)	Director	Independent Non – Executive	Oman Telecommunication Company S.A.O.G
8	Engr. Mohiuddin Mohamad Ali (W.E.F 26.03.2014)	Director	Non Independent Non - Executive	NIL
9	Engr. Raiz Basheeruddin (W.E.F 26.03.2014)	Director	Independent Non - Executive	NIL

Board Meetings:

During the year 2014, the Board held 9 meetings. Five meetings of them were held after election of the new Board. The following table shows details of the same.

Board of Directors Meetings & Attendance Details - Year 2014

Sr. No.	Name of Director & Representative	Meeting 40	Meeting 41	Meeting 42	Meeting 43	Meeting 44	Meeting 45	Meeting 46	Meeting 47	Meeting 48
		14-Jan-14	03-Feb-14	11-Feb-14	06-Mar-14 & 20-Mar-14	26-Mar-14 First meeting of Elected Board	13-May-14	10-Aug-14	09-Nov-14	30-Dec-14
1	Sheikh Dr.Salim Said Hamed Al Fannah Al Araimi	√	√	√	√	√	√	X	X	X
2	Dr.P. Mohamed Ali	√	X	X	X	X	X	X	X	X
3	Dr.Adil Abdul Aziz Yahya Al Kindy	X	√	√	X	X	X	X	X	X
4	Dr.Hatem Bakheit Saeed Al Shanfari	√	X	X	√	√	√	√	√	√
5	Sheikh Salim Abdullah Saeed Badr Al Rawas	√	√	√	√	√	√	√	√	√
6	Sheikh Yahya Abdullah Al Fannah Al Araimi	√	X	√	√	X	X	X	X	X
7	Engr. Salman Rashid Al Fannah Al Araimi	√	√	√	√	√	√	√	√	√
8	Mr. Hamad Mohamed Al Wahaibi	√	√	√	√	√	√	√	√	√
9	Ms. Khalood Mohamed Rashid Al Fannah Al Araimi	√	√	√	√	√	√	√	√	√
10	Mr. Abdulqader Ahmed Askalan	X	X	X	X	X	√	√	√	√
11	Engr. Mohiuddin Mohamad Ali	X	X	X	X	√	√	√	√	√
12	Engr. Raiz Basheeruddin	X	X	X	X	√	X	√	√	√

Remuneration to the Board of Directors:

The total amount proposed to be paid to the Directors for the year 2014 is RO 73,500/-, being the sitting fees for the year 2014, which will be paid after approval in AGM dated 25th March, 2015.

The total amount paid to the Directors or provided during the year 2014 for the year 2013 is as under:

Sr. No.	Name of Director & Representative	Sitting Fees	Remuneration	Total
1	Sheikh Dr.Salim Said Hamed Al Fannah Al Araiimi	4,900	15,422	20,322
2	Dr.P. Mohamed Ali	7,700	15,422	23,122
3	Dr.Adil Abdul Aziz Yahya Al Kindy	5,900	15,422	21,322
4	Dr.Hatem Bakheit Saeed Al Shanfari	6,700	15,422	22,122
5	Sheikh Salim Abdullah Saeed Badr Al Rawas	7,700	15,422	23,122
6	Sheikh Yahya Abdullah Al Fannah Al Araiimi	4,400	15,422	19,822
7	Engr. Salman Rashid Al Fannah Al Araiimi	7,700	15,422	23,122
8	Mr. Hamad Mohamed Al Wahaibi	8,100	15,422	23,522
9	Ms. Khulood Mohamed Rashid Al Fannah Al Araiimi	8,100	15,422	23,522
Total		61,200	138,800	200,000

Board Secretary

The elected Board has re-appointed Mr.Abelbagi Daffalla, a legal professional, as secretary of the Board. The secretary facilitates holding and smooth conduct of the Board Meetings, records the minutes of the meetings, drafting of resolutions, following-up implementation of the Board resolutions and to inform the competent bodies therewith. The secretary also serves as a liaison between the board and its Sub-Committees and addresses the subsidiaries and associate companies on any matters or in respect of the resolutions being issued by the or to be issued for them by the parent Company.

Other Committees:**Supervisory and Follow up Committee:**

The Board assigned four members as a task committee and after holding two preliminary meetings, the Board decided to form it under the name Supervisory and Follow up Committee (SAFCOM) consisting of 4 members and thereafter expanded to 5 members. SAFCOM assists the board in following up and improvement of outstanding receivables. It also studies Investment opportunities for the company and monitors performance of all Company units. SAFCOM helps the management of the company to play its role effectively and efficiently to achieve the Company's objectives and ensures the interests of the Shareholders are protected. The committee held 5 meetings during the year 2014.

Name of members of the committee	Designation
Sheikh Dr.Salim Said Hamed Al Fannah Al Araiimi	Chairperson
Sheikh Salim Abdullah Saeed Badr Al Rawas	Member
Dr.Hatem Bakheit Saeed Al Shanfari	Member
Mr. Abdul Qader Askalan	Member
Engr. Mohiuddin Mohamad Ali	Member

SAFCOM Attendance details – 2014

Sr. No.	Name of Director & Representative	1st Meeting	2nd Meeting	3rd Meeting	4th Meeting	5th Meeting
		19-May-14	01-June-14	28-Sep-14	02-Nov-14	14-Dec-14
1	Sheikh Dr.Salim Said Hamed Al Fannah Al Araiimi	√	√	X	X	X
2	Sheikh Salim Abdullah Saeed Badr Al Rawas	√	√	√	√	√
3	Dr.Hatem Bakheit Saeed Al Shanfari	X	√	√	√	√
4	Mr. Abdul Qader Askalan	√	√	√	√	√
5	Engr. Mohiuddin Mohamad Ali	X	X	X	X	√

Human Resource Committee:

The Board has formed the Human Resources Committee, which consists of 4 members, to assist the Board in fulfilling its oversight responsibilities on HR matters and to reorganize and restructure the Human Resources Unit in order to enhance organizational effectiveness. The committee also reviews from time to time the systems, regulations and policies of the HR Unit of the company. The committee held 4 meetings during the year 2014

Name of members of the committee	Designation
Ms. Khulood Mohamed Rashid Al Fannah Al Araiimi	Chairperson
Engr. Salman Rashid Al Fannah Al Araiimi	Member
Mr. Hamad Mohamed Al Wahaibi	Member
Engr. Mohiuddin Mohamad Ali	Member

Human Resource Committee Attendance details – 2014

Sr. No.	Name of Director & Representative	1st Meeting	2nd Meeting	3rd Meeting	4th Meeting
		06-May-14	11-Aug-14	10-Sep-14	03-Nov-14
1	Ms. Khulood Mohamed Rashid Al Fannah Al Araiimi	√	√	√	√
2	Engr. Salman Rashid Al Fannah Al Araiimi	√	√	√	√
3	Mr. Hamad Mohamed Al Wahaibi	√	√	√	√
4	Engr. Mohiuddin Mohamad Ali	√	√	√	√

Audit Committee

The Board reconstituted the Audit committee which consists of 5 members. The Audit Committee assists the board in discharging its oversight responsibilities and oversees the financial reporting process to ensure the balance, transparency and integrity of published financial information. The audit committee also reviews the effectiveness of the company's internal financial controls 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 maintains 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 nine meetings during the year 2014.

Sr. No.	Name of the members of the committee	Designation
1	Dr.Hatem Bakheit Saeed Al Shanfari	Chairman
2	Mr. Hamad Mohamed Al Wahaibi	Member
3	Ms. Khalood Mohamed Rashid Al Fannah Al Araiimi	Member
4	Engr. Salman Rashid Al Fannah Al Araiimi	Member
5	Engr. Raiz Basheeruddin	Member

Audit Committee Meetings & Attendance Details - Year 2014

Sr. No.	Name of the members of the committee	Designation	1st Meeting	2nd Meeting	3rd Meeting	4th Meeting	5th Meeting	6th Meeting	7th Meeting	8th Meeting	9th Meeting
			22-Jan-14	10-Feb-14	04-Mar-14	22-Apr-14	11-May-14	19-Jun-14	10-Aug-14	09-Nov-14	07-Dec-14
1	Dr.Hatem Bakheit Saeed Al Shanfari	Chairman	√	X	√	√	√	√	√	√	√
2	Sheikh Yahya Abdullah Al Fannah Al Araimi	Member	X	√	√	X	X	X	X	X	X
3	Mr. Hamad Mohamed Al Wahaibi	Member	√	√	√	√	√	√	√	√	X
4	Ms. Khalood Mohamed Rashid Al Fannah Al Araimi	Member	√	√	√	√	√	X	√	√	√
5	Engr. Salman Rashid Al Fannah Al Araimi	Member	X	X	X	√	√	√	√	√	√
6	Engr. Raiz Basheeruddin	Member	X	X	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.

Key Management Remuneration:

Total remuneration during the financial year 2014 to top Management (top 5) was RO 534,838/-

Compliance with Rules and Regulations:

The Company has been following the applicable rules and regulations issued by MSM, CMA and those stipulated in the Commercial Companies Law 1974 as amended.

During the year 2014, a fine of RO 1450/-, was imposed on the Company, for delay in disclosure of the Unaudited Financial Statement for the second quarter on the Company's page at the website of Muscat Securities Market.

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

Market High/Low price during each month of 2014

Sr. No.	Month	High	Low	Closing
1	January-14	0.316	0.268	0.282
2	February-14	0.297	0.262	0.267
3	March-14	0.267	0.241	0.249
4	April-14	0.270	0.240	0.246
5	May-14	0.253	0.218	0.221
6	June-14	0.272	0.222	0.252
7	July-14	0.272	0.252	0.264
8	August-14	0.270	0.237	0.240
9	September-14	0.245	0.225	0.227
10	October-14	0.228	0.161	0.166
11	November-14	0.179	0.153	0.155
12	December-14	0.176	0.100	0.161

**Distribution of ownership of shares between shareholders
(Including Shares having preferential voting rights)**

Sr. No.	Category	No. of Shareholders	No. of Shares	% of Shareholding
1	Less than 5%	4,591	127,784,585	33.85
2	5% to 10%	2	46,765,847	12.39
3	Above 10%	4	202,918,329	53.76
	Total	4,597	377,468,761	100.00

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

PwC is a global network of firms operating in 157 countries with more than 195,000 people who are committed to delivering quality in assurance, tax and advisory services. PwC also provides corporate training and professional financial qualifications through PwC's Academy.

Established in the Middle East for over 40 years, PwC Middle East has firms in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates, with around 3,000 people. (www.pwc.com/middle-east)

PwC has been established in Oman for over 40 years and the Firm comprises 3 partners, including one Omani national, and over 135 professionals and support staff. Expert assurance, tax and advisory professionals are able to combine internationally acquired specialist consulting and technical skills with relevant local experience.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

Audit fees of the Company and Subsidiaries:

In addition to the below stated fees, the Company has paid RO. 885/- towards participation fee for the Company's delegates to attend a seminar on International Financial Reporting Standards, organized by PricewaterhouseCoopers LLP. The Company has also paid RO. 15,950/- during the year as fee towards their professional services rendered for issuing various tenders related certificates in their capacity as the statutory auditors of the Company.

Audit Fees of Company and Subsidiaries and fees for other services paid to the Auditors for 2014

Sr. No.	Particulars	Amount (In RO)
1	Statutory Audit Fees (Parent)	35,000
2	Statutory Audit Fees Al Khalij Heavy Equipment & Engineering LLC (Subsidiary)	2,750
3	Statutory Audit Fees Galfar Training Institute LLC (Subsidiary)	1,700
4	Statutory Audit Fees Galfar Engineering & Contracting India Pvt. Ltd (Subsidiary)	5,938
5	Statutory Audit Fees Aspire Projects & Services LLC (Subsidiary)	2,300
6	Statutory Audit Fees Galfar Aspire Readymix LLC (Subsidiary)	2,200
7	Statutory Audit Fees Salasar Highways Pvt. Ltd. (Subsidiary)	920
8	Statutory Audit Fees Kashipur Sitarganj Highways Pvt. Ltd. (Subsidiary)	920

The Board of Directors acknowledges as at December 31, 2014:

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 Araiimi
Chairman