

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 is committed to following high standards of Corporate Governance in accordance with the Code of Corporate Governance of the Capital Market Authority and is geared towards the implementation of the New Code of Corporate Governance, promulgated by the Capital Market Authority, with effect from July 2016. The Company has made improvements to its internal regulations by updating its manual of authority and put in place policies for Whistle blowing, Code of conduct, Related Party Transactions and Revenue Recognition, duly approved by the Board.

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. 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

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 Company SAOG, Al Madina Insurance Company SAOG National Bank of Oman SAOG.
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 Oman Medical College S.A.O.C
7	Mr. Abdulqader Askalan	Director	Independent Non - Executive	Oman Telecommunication Company S.A.O.G
8	Engr. Mohiuddin Mohamad Ali	Director	Non Independent Non - Executive	Oman Medical College S.A.O.C
9	Engr. Raiz Basheeruddin	Director	Independent Non - Executive	NIL.

Board Meetings:

During the year 2015, the Board held ten (10) meetings in twelve sessions. The following table shows dates of the meetings and attendance details:

Board of Directors Meetings & Attendance Details - Year 2015

Sr. No.	Name of Director & Representative	Meeting no:49	Meeting no:50	Meeting no:51	Meeting no:52	Meeting no:53	Meeting no:54	Meeting no:55	Meeting no:56	Meeting no:57	Meeting no:58
		07-Mar-15 & 17-Mar-15	10-May-15	31-May-15	06-Jul-15	10-Aug-15	20-Sep-15	11-Oct-15 & 18-Oct-15	04-Nov-15	11-Nov-15	17-Dec-15
1	Sheikh Dr.Salim Said Hamed Al Fannah Al Araimi	√	√	X	√	X	√	√	√	√	√
2	Sheikh Salim Abdullah Saeed Badr Al Rawas	√	√	√	√	√	√	√	√	√	√
3	Dr.Hatem Bakheit Saeed Al Shanfari	√	√	√	√	X	X	√	X	X	√
4	Mr. Abdel Qadir Ahmed Askalan	√	√	√	X	X	√	X	X	√	X
5	Engr. Salman Rashid Al Fannah Al Araimi	√	√	√	√	√	√	√	√	√	√
6	Ms. Khalood Mohamed Rashid Al Fannah Al Araimi	√	√	√	√	X	X	√	√	√	√
7	Mr. Hamad Mohamed Al Wahaibi	√	√	X	√	√	√	√	X	√	√
8	Engr. Mohiuddin Mohamad Ali	√	√	√	√	√	√	√	√	√	√
9	Engr. Raiz Basheeruddin	√	√	√	√	√	√	√	X	X	√

Remuneration to the Board of Directors:

The total amount proposed to be paid to the Directors for the year 2015 is RO 50,000/-, being the sitting fees for the year 2015, which will be paid to the Directors after approval by the shareholders in the AGM scheduled to be convene on 27th March, 2016.

The total amount approved by the shareholders for the year 2014 and paid to the Directors during the year 2015 is detailed as under:

Sr. No.	Name of Director & Representative	Sitting Fees	Remuneration	Total
1	Sheikh Dr.Salim Said Hamed Al Fannah Al Araiimi	5,000	-	5,000
2	Dr.P. Mohamed Ali (Director Till 14.01.2014)	700	-	700
3	Dr.Adil Abdul Aziz Yahya Al Kindy (Director Till 26.03.2014)	1,400	-	1,400
4	Dr.Hatem Bakheit Saeed Al Shanfari	9,700	-	9,700
5	Sheikh Salim Abdullah Saeed Badr Al Rawas	8,300	-	8,300
6	Sheikh Yahya Abdullah Al Fannah Al Araiimi (Director Till 26.03.2014)	2,900	-	2,900
7	Engr. Salman Rashid Al Fannah Al Araiimi	10,000	-	10,000
8	Mr. Hamad Mohamed Al Wahaibi	10,000	-	10,000
9	Ms. Khalood Mohamed Rashid Al Fannah Al Araiimi	10,000	-	10,000
10	Mr. Abdel Qadir Ahmed Askalan	4,800	-	4,800
11	Engr. Mohiuddin Mohamad Ali	5,500	-	5,500
12	Engr. Raiz Basheeruddin	5,200	-	5,200
Total		73,500	-	73,500

Board Secretary

The elected Board has re-appointed Mr. Abdelbagi 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 inform the competent bodies with the same. The secretary also serve as a liaison between the board and its Sub-Committees, and follow up the decisions issued by the subsidiaries and associated companies, as well as the decisions that issued on their respect by the parent company.

Other Committees:

Supervisory and Follow up Committee (SAFCOM):

Supervisory and Follow up Committee (SAFCOM) consisting of 5 members. The Committee assists the board to provide its support to the executive management to run effectively and efficiently the businesses of the Company in order to achieve the Company's objectives and to ensure that the interests of the Shareholders are protected. In this context the committee extends a follow-up support to overcome the difficulties faced by the executive management including collection of outstanding receivables. The committee also studies Investment opportunities for the company and monitors performance of all Company's units.

Sr. No.	Name of Director & Representative	Designation
1	Sheikh Dr.Salim Said Hamed Al Fannah Al Araimi	Chairman
2	Sheikh Salim Abdullah Saeed Badr Al Rawas	Member
3	Dr.Hatem Bakheit Saeed Al Shanfari	Member
4	Mr. Abdel Qadir Ahmed Askalan	Member
5	Engr. Mohiuddin Mohamad Ali	Member

SAFCOM Meetings:

During the year 2015, SAFCOM held 13 meetings. The following table shows dates of the meetings and attendance details:

Sr No	Name of Director & Representative	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	13th
		08-Jan-15	01-Feb-15	08-Feb-15	19-Feb-15	22-Mar-15	30-Apr-15	21-May-15	29-Jun-15	14-Jul-15	08-Sep-15	26-Oct-15	17-Nov-15	10-Dec-15
1	Sheikh Dr.Salim Said Hamed Al Fannah Al Araimi	√	X	X	√	√	X	√	√	√	√	√	√	√
2	Sheikh Salim Abdullah Saeed Badr Al Rawas	√	√	√	√	√	√	√	√	√	√	√	√	√
3	Dr.Hatem Bakheit Saeed Al Shanfari	√	√	√	√	√	√	√	√	√	√	X	√	√
4	Mr. Abdel Qadir Ahmed Askalan	√	X	√	X	√	√	X	√	√	√	√	√	√
5	Engr. Mohiuddin Mohamad Ali	√	√	√	√	√	√	√	√	√	√	X	√	√

Audit Committee

The primary responsibilities and functions of Audit Committee are to provide assistance to the Board of Directors 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; 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.

The Audit Committee reviews and approves the annual audit plan which is prepared based on risk based audit approach. It also reviews the Audit Committee Charter, Internal Audit Charter periodically. These are key to reinforce the organizational independence of Internal Audit and to establish their rules of engagement throughout the Company.

The Audit Committee's focus to create awareness on the code of ethics and whistleblower policy and ensured that all the staff of the Company has gone through the whistleblower awareness program.

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 six meetings during the year 2015.

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 Aرامي	Member
4	Engr. Salman Rashid Al Fannah Al Aرامي	Member
5	Engr. Raiz Basheeruddin	Member

Audit Committee Meetings:

During the year 2015, the Audit Committee held 6 meetings. The following table shows dates of the meetings and attendance details:

SI #	Name of the members of the committee	1st	2nd	3rd	4th	5th	6th
		05-03-15	07-05-15	11-06-15	09-08-15	08-11-15	17-12-15
1	Dr Hatem Al Shanfari	√	√	√	X	√	√
2	Ms. Khulood Mohamed Rashid Al Fannah Al Araiimi	√	√	√	X	√	√
3	Mr. Hamad Mohammad Al Wahaibi	√	√	√	√	X	√
4	Eng. Salman Rashid Abdullah Al Fannah Al Araiimi	√	√	√	√	√	√
5	Mr. Raiz Basheeruddin	√	√	√	√	√	√

Human Resource Committee:

The Human Resources Committee (HR Committee) consists of 4 members. The roll of HR Committee is 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.

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

HR Committee Meetings:

During the year 2015, the HR Committee held 5 meetings. The following table shows dates of the meetings and attendance details:

Sr. No.	Name of Director & Representative	1st	2nd	3rd	4th	5th
		10-Feb-15	18-Mar-15	15-Apr-15	08-Jun-15	07-Sep-15
1	Ms. Khalood 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	√	√	√	√	√

Procurement Committee

The Board of Directors, on 11 November 2015, formed a Procurement Committee to assist the board in overseeing the management of procurement process and practices. The Committee consists of 4 members chaired by Mr. Hamad Mohammed Hamood Al Wahaibi and membership of Engr. Mohiuddin Mohamad Ali and Ms. Khulood Mohammed Rashid Al Fannah Al Araiimi. The committee which was formed in November 2015 didn't hold a meeting during 2015.

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 who satisfies the legal requirements provided for in the Commercial Company Law 1974 as amended, the Articles of Associations of the Company and principles of the Code of Corporate Governance.

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 2015 to top Management (top 5) was RO 548,664/-

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 and Articles of Association of the Company.

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 and held press conference on 09 June 2015.

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 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:

Market High/Low price during each month of 2015

Sr. No.	Month	High	Low	Closing
1	January-15	0.198	0.145	0.172
2	February-15	0.183	0.144	0.159
3	March-15	0.160	0.116	0.124
4	April-15	0.142	0.125	0.128
5	May-15	0.133	0.120	0.120
6	June-15	0.140	0.121	0.122
7	July-15	0.137	0.119	0.121
8	August-15	0.122	0.084	0.103
9	September-15	0.106	0.091	0.092
10	October-15	0.102	0.083	0.086
11	November-15	0.088	0.073	0.074
12	December-15	0.077	0.069	0.070

**Distribution of Ownership of Shares shareholders
(Including Shares preferential voting rights) 2015**

Sr. No.	Category	No. of Shareholders	No. of Shares	% of Shareholding
1	Less than 5%	4,717	140,563,045	33.85
2	5% to 10%	2	51,442,431	12.39
3	Above 10%	4	223,210,161	53.76
	Total	4,723	415,215,637	100.00

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

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 208,000 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/me).

PwC has been established in Oman for over 40 years and the Firm comprises 3 partners, including one Omani national, and over 140 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.

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Audit fees of the Company and Subsidiaries:

In addition to the below stated fees, the Company has paid RO. 600/- 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. 4,200/- 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 2015

Sr. No.	Particulars	Amount (In RO)
1	Statutory Audit Fees (Parent)	39,000
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)	1,287
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)	878
8	Statutory Audit Fees Kashipur Sitarganj Highways Pvt. Ltd. (Subsidiary)	878

The Board of Directors acknowledges as at December 31, 2015:

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