

Corporate Governance Report

We are pleased to present the Corporate Governance Report of the Company for the year ended 31st December 2010.

COMPANY'S PHILOSOPHY

The principles of Corporate Governance are the cornerstones of Oman Oil Marketing Company. We believe these principles distinguish a well managed company from other methods of management. These principles ensure transparency, integrity and accountability which are vital for the long and sustained growth of the Company.

Oman Oil Marketing Company has been practising these principles long before these were made mandatory for listed companies and fully supports the guidelines on Corporate Governance issued in June 2002 by the Capital Market Authority (CMA). The Company has a representation of seven independent directors on its Board to complement and supplement the other two directors, the Executive Management and providing optimum mix of professionalism, knowledge and experience.

Our endeavour has always been to engage persons of eminence as directors who can contribute to corporate strategy, provide an external perspective and be a source of challenge and evaluation wherever appropriate. We have the good fortune of having directors whose contributions to the trade and industry are well acknowledged.

BOARD OF DIRECTORS

(a) Composition of the Board

The Board strength is currently nine Directors, and the maximum number permitted by the Articles of Association of the Company is nine directors. All the Directors are Non-Executive, Omani nationals and seven are also independent.

Subject to the overall superintendence and control of the Board, the day to day management of the Company now vests in the Executive Management team

headed by Eng. Omar Ahmed Salim Qatan, Chief Executive Officer and includes Mr. Raja Shahreen Othman, Mr. Hussain Jama Al Ishaqi, Mr Aminurddin bin Abdul Jalil, Mr. Ahmed Kamel Mahmud, Mr. Faisal Abdulaziz Said Al Shanfari, Mr. Nabeel Salim Said Al Ruwaidhi and Mr. Mohammed Amor Rashid Al Barwani as members.

The CEO is a permanent invitee to the Board meetings of the Company. The Company Secretary is Mr. Raja Shahreen Othman.

(b) Process of nomination of Directors

Directors are appointed for three years and retire by rotation and, if eligible, can offer themselves for re-election at the Annual General Meeting (AGM). There are arrangements for the filling of vacancies by the Board itself on a temporary basis. Individuals wishing to nominate themselves for election to Directorship to the Company's Board are required to complete and submit a nomination form to the Company at least two working days before the Annual General Meeting (AGM) of the Company. Notice of the AGM is published in the leading English and Arabic dailies at least two weeks in advance.

The process as laid down in the Commercial Companies Law and by the Capital Market Authority (CMA) in conjunction with the Articles of Association of the Company is adhered to. The Company has an induction program for Directors, which covers the business environment and the Company businesses as well as specific Corporate Governance elements (e.g. Confidentiality, Disclosure of Interest).

(c) Disclosures regarding appointment or re-appointment of Directors

There were no changes in the Board of Directors during the year.

(d) Number of Board meetings

The Company held five Board meetings during the year ended December 31st 2010. These were on January 27th 2010; April 27th 2010; July 15th 2010; October 27th 2010 and 4th November 2010 with the maximum interval between any two meetings not exceeding the CMA required interval of maximum of four months.

(e) Directors' attendance record and directorships held

See Table 1 for details.

Table 1: Details about Oman Oil Marketing's Board of Directors

Name of Director	Position	Board meetings held during the year *	Board meetings attended during the year	Whether attended last AGM	Directorships in other SAOG companies incorporated in Oman
Salim Abdullah Al Rawas ¹	Non Executive Chairman and Director	5	4	Yes	1
Mulham Bashir Al Jarf	Non Executive Deputy Chairman and Director	5	3	Yes	-
Assilah Zaher Al Harthy	Non Executive and Independent Director	5	4	No	-

Amal Suhail Bahwan 2	Non Executive and Independent Director	5	4	Yes	2
Khamis Mohammed Al Amry	Non Executive and Independent Director	5		Yes	-
Al Sayyida Rawan Ahmed Al Said	Non Executive and Independent Director	5	4	Yes	3
Ahmed Abdullah Al Rawas ³	Non Executive and Independent Director	5	2	No	3
Abdul Kader Darwish Al Balushi	Non Executive and Independent Director	5	5	Yes	1
Saleem Pir Bakhsh Al Raisi	Non Executive and Independent Director	5	5	Yes	2

Notes:

- * During the tenure in which director
- 1 Representing Oman Oil Company SAOC
- 2 Representing Suhail Bahwan group
- 3 Representing Dhofar International Development & Investment Holding Company SAOG

Independent Director is as defined in Article 1 of the Code of Corporate Governance.

(f) Information supplied to the Board

In order to facilitate proper governance, the following information amongst others is provided to the Board:

- Review of annual operating plans of businesses, capital budgets, updates
- Quarterly results of the Company and its operating divisions or business segments
- Key discussion points at meeting of audit committee
- Materially important show cause, demand, prosecution and penalty notices
- Fatal or serious accidents or dangerous occurrences
- Any materially significant effluent or pollution problems
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company
- Any issue which involves possible public or product liability claims of a substantial nature
- Details of any joint venture or collaboration agreements
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property
- Significant labour problems and their proposed solutions
- Significant development in the human resources and industrial relations fronts
- Sale of material nature of investments, subsidiaries, assets which is not in the normal course of business
- Material details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement and
- Non-compliance with any regulatory, statutory or listing requirements or shareholder services such as non-payment of dividend

The Board of Oman Oil Marketing Company (omanoil) is routinely presented with all information under the above heads whenever applicable and materially

significant. These are submitted either as a part of the agenda papers well in advance of the Board meetings or are tabled in the course of the Board meetings or are tabled before the appropriate committees of the Board.

The Board has, as required under the Corporate Governance guidelines, adopted internal regulations – these include adoption of principles, policies and procedures and practices for doing business and conducting affairs.

(g) Materially significant related party transactions

There have been no materially significant related party transactions, pecuniary transaction or relationships between Oman Oil Marketing Company (omanoil) and its Directors for the year ended December 31st, 2010 that may have a potential conflict with the interests of the Company at large.

(h) Remuneration of Directors: sitting fees, salary, remuneration and perquisites

The remuneration policy is decided by the Board and approved in the Annual General Meeting with the intent of attracting and retaining the highest quality of industrialists/ professionals to provide the Company with the right kind of strategic directions and improve operational efficiencies. Non-executive directors are paid RO 500/- and RO 400/- respectively as sitting fees for every board and audit committee meeting attended. Apart from the sitting fees, non-executive directors are paid as remuneration such that the aggregate of such remuneration for the full Board does not exceed 5% of net adjusted profits for the year before appropriating such remuneration subject to maximum amount of RO 200,000/- . The fixed remuneration is pro-rated for the period directorship is held, if less than one year. The regulations laid down in the Commercial Companies Law and as laid down by the CMA in this respect are also complied with. Executive directors, if any, apart from their contractual benefits and performance linked pay (see section below) are not eligible for any sitting fees or fixed remuneration.

Table 2 gives the details of the remuneration package of Directors.

Table 2: Remuneration paid/payable to Directors during the year 2010
Omani Riyals

Name of Director	Sitting Fees	Total compensation	Remuneration*	Total
Salim Abdullah Al Rawas	2,000	N/A	12,000	14,000
Mulham Bashir Al Jarf	1,500	N/A	12,000	13,500
Assilah Zaher Al Harthy ¹	3,500	N/A	12,000	15,500
Amal Suhail Bahwan	2,000	N/A	12,000	14,000
Khamis Mohammed Al Amry	2,500	N/A	12,000	14,500
Al Sayyida Rawan Ahmed Al-Said ¹	3,900	N/A	12,000	15,900
Ahmed Abdullah Al Rawas	1,000	N/A	12,000	13,000
Abdul Kader Darwish Al Balushi ¹	4,400	N/A	12,000	16,400
Saleem Pir Bakhsh Al Raisi	2,500	N/A	12,000	14,500
	23,300		108,000	131,300

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Notes:

1 includes sitting fees for Audit committee meetings

* The remuneration for the year ended December 31st 2010 will be paid to the non-executive directors after adoption of accounts by shareholders at the Annual General Meeting to be held on March 28th 2011 at 3 p.m.

(i) Directorships in other listed companies and memberships of other committees

Table 3 gives details of Board members' Directorships in other listed companies and memberships of other committees

Table 3: Particulars of Directorships in other SAOG Companies & memberships of other committees

Name of the Director	Other Directorships		Other Committee memberships	
	Name of the company	Position	Committee	Position
Salim Abdullah Al Rawas	Galfar Engineering & Contracting Co SAOG	Member	Executive Committee	Member
Mulham Bashir Al Jarf	None	N/A	N/A	N/A
Assilah bint Zaher Al Harthy	None	N/A	N/A	N/A
Amal bint Suhail Bahwan	Oman Ceramics Co. SAOG	Chairperson	N/A	N/A
	National	Vice Chairperson	N/A	N/A

	Pharmaceutical Industries Co. SAOG			
Khamis bin Mohammed Al Amry	None	N/A	N/A	N/A
Al Sayyida Rawan Ahmed Al-Said	National Bank of Oman ONICH Holding SAOG Oman Orix Leasing	Vice Chairperson Executive Director Member	Audit Risk Management Credit N/A N/A	Chairperson Member Member N/A N/A
Ahmed Abdullah Al Rawas	Dhofar International Development & Investment Holding Company SAOG Dhofar Cattle Feed Co SAOG Salalah Flour Mills Co SAOG	Director Vice Chairman Vice Chairman	N/A N/A Audit	N/A N/A Chairman
Abdul Kader Darwish Al Balushi	Oman Ceramics Co	Director	Audit	Chairman
Saleem Pir Bakhsh Al Raisi	Oman Flour Mill	Director	Executive & Investment	Member

	SAOG Muscat Gas Co. SAOG	Director	Audit	Member
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(j) Disclosures by the Board members

All details relating to financial and commercial transactions where Directors may have a pecuniary interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.

(k) Committees of the Board

1) Audit Committee

The Audit Committee comprises of three (3) non-executive and independent directors. The members are as follows:

Table 4: Attendance record of audit committee members:

Name	Position
Abdul Kader Darwish Al Balushi	Chairman
Al Sayyida Rawan Ahmed Al-Said	Member
Assilah Zaher Al Harthy	Member

The Company continue to derive immense benefit from the deliberation of the Audit Committee comprising of three Non-Executive Directors – Mr. Abdul Kader Darwish Al Balushi (Chairman), Al Sayyida Rawan Ahmed Al Said, Ms. Assilah bint Zaher Al Harthy who are eminent professionals knowledgeable in finance, accounts and company law. The Board secretary also serves as the secretary to the Audit Committee and the CEO and Chief Internal Auditor is a permanent invitee to the meeting. The chairperson of the audit committee meeting, at the Board meeting, briefs the Board of the outcomes at the audit committee meeting, and these are discussed at the Board meeting.

Among the principal functions and duties of the Audit Committee are as follows:

- Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment of any other services;
- Reviewing with management and external and internal auditors, the adequacy of internal control systems;
- Reviewing the Company's financial and risk management policies; and
- Examining reasons for substantial default in the payment to depositors, bond holders, shareholders (in case of non-payment of declared dividends) and creditors, if any;

Further details on the Audit Committee including its activities during the year under review are contained in the Audit Committee report of this Annual Report.

2) Board Investment Committee

The Investment Committee is comprised of four (4) Non Executive Directors (two of whom are independent):

- a) Salim Abdullah Al Rawas – Chairman
- b) Al Sayidda Rawan Ahmed Al Said
- c) Mulham Bashir Al Jarf
- d) Abdul Kader Darwish Al Balushi

The Board secretary also serves as the secretary to the Investment Committee and the Chief Executive Officer is a permanent invitee to the meeting.

The principle functions and duties of the Investment Committee are as follows:

- To deliberate, review and recommend for approval of the Board on the merits of any new businesses to be set up or acquired or any investment proposal submitted to the Company.
- To carry out any other functions as may be delegated and authorised by the Board.
- There were no investment committee meeting held during the year.

3) Board Remuneration Committee

During the year, the Company sets up a Remuneration Committee which comprises of three (3) Non-Executive Directors (two of whom are independent):

- a) Mulham Bashir Al Jarf – Chairman
- b) Amal bint Suhail Bahwan
- c) Saleem Pir Bakhsh Al Raisi

The Head of Human Resources, Administration and Information Technology serves as the secretary to the Remuneration Committee and the Chief Executive Officer is the permanent invitee to the meeting.

Among the principle functions and duties of the Investment Committee are as follows:

- In the case of the CEO, recommending to the Board the appointment, remuneration, reward framework, KPI as well as assessment thereof.
- In the case of the Executive Management and based on the recommendation of the CEO, approving the appointment, remuneration, reward framework, and key performance indicators (KPI) as well as assessment thereof
- Ensuring an appropriate succession plan is in place at all times for the CEO and Executive Management.
- Reviewing the qualifications and work experience of any individual being nominated to be appointed to the Executive Management.
- Reviewing and oversee human resource policies and Organisation plans.
- Reviewing and ensure the existence of a remuneration framework that adequately addresses Company needs in attracting and retaining competent employees taking into account market trends and practices.

- Interviewing any member of the Executive Management upon resignation or termination from the Company.

MANAGEMENT & REMUNERATION

Recruitment and remuneration of the CEO is finalised by the Board or a sub-committee of the Board.

With respect to the selection of the key executives (other than contractors), a selection process applied within the Company is used. The job of each executive and each other salaried employee of the Company is assigned an internal “job level” designation, based on the person’s duties and responsibilities, the degree of special skill and knowledge required and other similar factors. Each job level is assigned a job rate. This job rate is determined with reference to surveys and other conditions. This system is in widespread use within the industry and adjusted from time to time. The same applies for evaluation of staff where a comprehensive performance appraisal system is implemented.

The remuneration package of executives, other than those recruited as contractors, is made up of basic salary, annual bonus, contributions to Provident Fund/PASI and additional allowances and perquisites. The annual bonus is determined with reference to the extent of achievements against challenging performance targets. The targets taken into account include financial, operational, social and environmental objectives. Table 5 lists the names of the current senior management team.

Table 5: Senior Management Team

Name	Designation	Age	Qualification	Date of Joining the
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				Company
Omar Ahmed Salim Qatan	Chief Executive Officer	56	Msc (Engineering) , MBA	1-Apr-06
Ahmad Kamel Mahmud	General Manager - Aviation & Marine		BSc in Mechanical Engineering	16-Dec-08
Aminurddin Bin Abdul Jalil	Senior General Manager -Sales & Marketing	45	MBA (Mktg), BBA (Political Science)	3-Feb-07
Raja Shahreen Othman	General Manager - Finance & Accounts	43	B.Com, CA, CPA	1-Nov-07
Faisal Abdulaziz Said Al Shanfari	General Manager – Engineering, Operations and HSSE	39	B.Eng (Mechanical)	11-Feb-08
Nabeel Salim Said Al Ruwaidhi	General Manager - Business Plan Dev & Corporate Affairs	37	B.Eng (Civil), M.Eng (Industrial)	6-Oct-08
Mohammed Amor Rashid Al Barwani	General Manager - HR, Admin, IT & Systems Optimisation	44	B.Eng (Electronics & Computer)	1-Dec-08

Hussain Jama Al Ishaqi	General Manager – Retail	42	MBA & MSc in Geographic Information for Development (GID	1-Oct-07
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During the year 2010 the total cost of the top five executives of the Company was approximately RO 409,769/- (Bonus for 2009 paid in 2010 is included in this figure)

SHAREHOLDERS

(a) Means of communication with shareholders and investors

The Company has its own website and all vital information relating to the Company, its business and performance, including quarterly results and official press releases which are posted for all interested parties. The Company's website address is www.oomco.com. The detailed and full set of quarterly results are also posted on the Muscat Securities Market (MSM) website www.msm.gov.om as also made available to any shareholder requesting the same to the Company or the MSM.

The summary of quarterly, half-yearly and annual results of the Company's performance together with the Director's report outlining the business performance, current issues and concerns as also other communication to shareholders (notice of general meetings, dividend payment) are published in leading newspapers such as Times of Oman and Al Watan. The Directors scrutinise these announcements at their Board meetings prior to publication to ensure that they are accurate and present a clear assessment of the Company's affairs.

Furthermore, the Company entertains specific meetings with analysts and shareholders, upon request and as appropriate.

(b) Dividend policy

The Company's dividend policy is to remit the optimum amount of profit, in any operating year, to shareholders. If, in accordance with the business plans, funds and profits were likely to be available, the Company would like to pay a dividend. In line with this policy, the Company is expected to pay a dividend for the year 2010 in April 2011. The dividend payout would take into account major investment plans, working capital requirements or other constraints.

(c) Details of non-compliance by the Company

The Company has been fully compliant with all matters relating to the capital market and the listing arrangements and no penalties or strictures have been imposed on the Company by the CMA/MSM or any statutory authority during the period of this report.. The Company is also in full compliance with the Corporate Governance Code.

(d) General body meetings

The Company's Annual Report together with the Notice cum Agenda for the Annual General Meeting (AGM) contain sufficient written clarifications on each item on the agenda of the AGM so that shareholders are suitably briefed on matters that are to be discussed to enable their effective participation thereat. The Directors encourage shareholders to attend and participate in the Annual General Meeting. Questions posed are, where possible, answered in detail either at the General Meeting itself or thereafter. Shareholders are welcomed to raise queries by contacting the Company at any time throughout the year and not just at the General Meetings.

Details of the last three Annual General Meetings are given in Table 6.

Table 6: Date, time and venue of the last three AGMs

Financial year (ended)	Date	Time	Venue
31 st December 2007	22 nd March 2008	4.00 PM	Businessmen Hall, Capital Market Authority Building, Central Business District
31 st December 2008	31 st March 2009	4.00 PM	Businessmen Hall, Capital Market Authority Building, Central Business District
31 st December 2009	31 st March 2010	12.00 PM	Sinbad ballroom at Crowne Plaza Hotel, Qurum

The Annual General Meeting for the financial year ended December 31st 2010 is scheduled to be held as per details below:

Date : March 28th 2011

Venue : Assifah Meeting Room, Barr Al Jissah Shangri-La Hotel.

Time : 3.00 PM

(e) Stock Data

Table 7 gives the monthly high and low prices and volumes of Oman Oil Marketing company (omanoil) shares at the Muscat Securities Market (MSM) for the year ended December 31st 2010.

Table 7: Monthly share price data and volumes at the Muscat Securities Market (MSM)

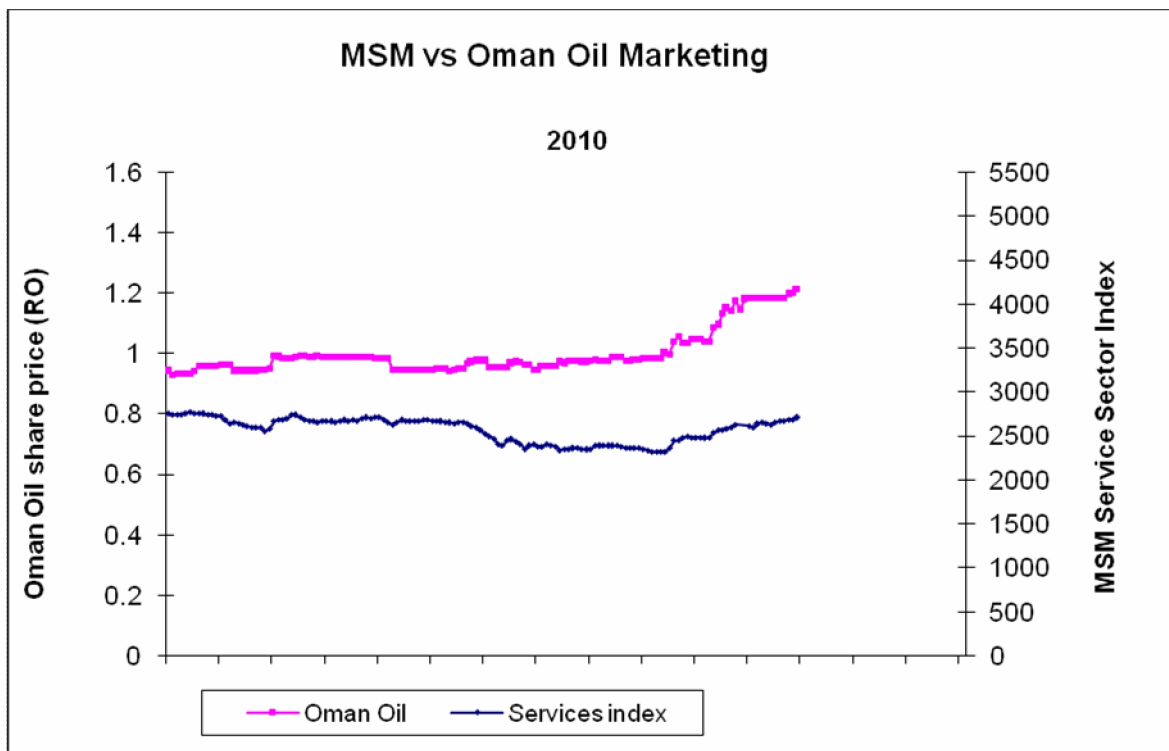
Month 2010	High	Low	Volume
January	0.999	0.910	830,463
February	0.999	0.930	300,993
March	1.000	0.920	503,168
April	0.955	0.920	117,213
May	0.980	0.946	671,459
	0.97	0.91	
June	5	5	348,196
July	0.980	0.945	880,804
August	0.990	0.975	246,208
September	1.060	0.986	117,950
October	1.175	1.025	207,396
November	1.185	1.058	603,150
December	1.230	1.082	324,013

Note: High and low are in Rial Omani per traded share. Volume is the total monthly volume of trade (in numbers) in Oman Oil Marketing shares on the MSM.

Performance in comparison to broad based service sector index of Muscat Securities Market

Chart A plots the performance of the Company's shares against the broad based Services sector index of the Muscat Securities Market (MSM) for the year 2010.

Chart A: MSM Service Sector Index vs. Oman Oil Marketing in 2010



Distribution of shareholding

Oman Oil Company SAOC holds 49% of the shares, whereas 51% of the shares are held by local investors or traded at the Muscat Securities Market. In line with the Commercial Companies Law and the Company’s Articles of Association, 3,225,000 shares of the Company have a preferential characteristic, in that they are multi-vote shares. Oman Oil Company owning these multi-vote shares thereby is able to cast 34,830,000 votes (51.4%) at the General Meetings of the Company. However, this will not itself enable them to control an Extraordinary General

Meeting of the Company. Table 8 gives the distribution pattern of shareholding of Oman Oil Marketing Company (omanoil) as on December 31st, 2010 whilst Table 9 lists the names of the top ten shareholders in the Company on the same date with the number of shares owned and percentage age of holding (*the top ten shareholders are determined based on holdings in single account and not multiple accounts*).

Table 8: Distribution of shareholding by size class as on December 31st 2010

Holdings	Shareholders		Shares	
	Number	% of Total	Number	% to Total
Up to 5000	832	74.1	1,278,358	2.0
5,001 - 10,000	119	10.6	890,764	1.4
10,001 - 20,000	34	3.0	489,764	0.8
20,001 - 30,000	24	2.1	622,311	1.0
30,001 - 40,000	16	1.4	551,986	0.9
40,001 - 50,000	14	1.2	646,692	1.0
50,001 - 100,000	31	2.8	2,257,205	3.5
100,001 - 200,000	13	1.2	1,624,518	2.5

200,001 - 300,000	26	2.3	6,853,073	10.6
300,001 - 500,000	5	0.4	1,954,831	3.0
500,001 - 1,000,000	2	0.2	1,341,009	2.1
1,000,001 - 2,000,000	4	0.4	5,692,776	8.8
2,000,001 and above	3	0.3	40,297,290	62.5
Total	1,123	100.0	64,500,000	100.0

Table 9: Top 10 shareholders as on 31st December 2010

Holdings	Shares	
	Number	% to Total
Oman Oil Company SAOC	31,605,000	49.00
Civil Services Pension Fund	5,467,290	8.48
Dhofar International Development & Investment Holding Co SAOG	3,225,000	5.00
HSBC A/C Ministry of Defense Pension Fund	1,846,605	2.86
Public Authority for Social Insurance	1,406,690	2.18
Oman Cement Co SAOG	1,237,190	1.92
BankMuscat SAOG	1,202,291	1.86

National Equity fund	704,662	1.09
Dhofar Insurance Co. SAOG	636,347	0.99
Bank Deposit Insurance Scheme Fund	450,000	0.70
Total	45,903,082	74.08

Outstanding GDRs/ADRs/Warrants/Convertible instruments and their impact on equity

Not applicable for Oman Oil Marketing Company (omanoil)

Unclaimed Dividends

Under the Commercial Companies Law and CMA guidelines, dividends that are unclaimed for a period of more than six months from the date of payment statutorily get transferred to the Investor Trust Fund administered by the Capital Market Authority. Table 10 gives the details of dividend payment since 2000 and the corresponding months when such unclaimed dividends were transferred to the stated Fund. The Company has no unclaimed dividends. All claims subsequent to the date of transfer for dividends not received need to be referred to the Muscat Depository and Securities Registration Company.

Table 10: Details of unclaimed dividend transferred to the Investor Trust Fund

Rial Omani

Year	Dividend				Month of transfer
	%	Total Amount	Amount Claimed	Unclaimed & transferred Amount	
2000	22	1,419,000	1,412,344	6,656	March-04

2001	25	1,612,500	1,601,071	11,429	March-04
2002	25	1,612,500	1,604,414	8,086	March-04
2003	26	1,677,000	1,662,844	14,156	January-05
2004	30	1,935,000	1,925,685	9,315	October-05
2005	45	2,902,500	2,893,469	9,031	October-06
2006	47.5	3,063,750	3,040,022	23,728	October-07
2007	47.5	3,063,750	3,039,924	23,826	October-08
2008	35.0	2,257,500	2,251,143	6,357	October-09
2009	35.0	2,257,500	2,250,813	6,687	October-10
Total		21,801,000	21,681,729	119,271	

AUDITOR'S REPORT ON FACTUAL FINDINGS ON CORPORATE GOVERNANCE

As required, the Auditors' have issued a separate report on Factual Findings on the Company's Corporate Governance Report and application of corporate governance practices and which is annexed to this report.

ACKNOWLEDGEMENT BY THE BOARD

As required by the code of corporate governance the board of directors hereby confirm the following:

- That it is the responsibility of the Board to ensure that the financial statements are in accordance with applicable standards and rules
- That the internal control systems are adequate and efficient and that it has complied with all internal rules and regulations
- That there is no material items that effect the continuation of the company and its ability to continue its operations during the next financial year

Salim Abdullah Al Rawas
Chairman

Omar Ahmed Salim Qatan
CEO

AUDIT COMMITTEE REPORT

The Board of Directors of Oman Oil Marketing Company SOAG (OOMCO) is pleased to present the report on the Audit Committee of the Board for the financial year ended 31st December 2010.

Members and Meetings

The Audit Committee during the year comprised the Directors listed below. The Committee had five (5) meetings during the financial year. Details of the members and the attendance of the meetings are as follows:

Members

- | | |
|-----------------------------------|----------|
| a) Abdul Kader Darwish Al Balushi | Chairman |
| b) Al-Sayyida Rawan Ahmed Al-Said | Member |
| c) Assilah Zaher Al Harthy | Member |

Attendance of Meetings

The audit committee met five times during the year: January 25th 2010, April 25th 2010, July 14th 2010, October 24th 2010 and October 26th 2010. The table below gives the attendance record.

Members	Total
a) Abdul Kader Darwish Al Balushi	5 / 5

- | | |
|-----------------------------------|-------|
| b) Al-Sayyida Rawan Ahmed Al-Said | 5 / 5 |
| c) Assilah Zaher Al Harthy | 5 / 4 |

Activities of the Committee During the Year

During the year, the Audit Committee carried out its duties as set out in the terms of reference. The main issues discussed by the Audit Committee were as follows:-

- Review of the audit plans for the financial year 2010 to ensure adequate scope and coverage over the activities of the Company;
- Review of the audit reports of the Company prepared by the internal and external auditors and consideration of the major findings by the auditors and management's responses thereto. The review included a meeting with the external auditors without the presence of the management of the Company to deliberate on the audit issues;
- review of the quarterly and annual reports of the Company prior to submission to the Board of Directors for consideration and approval;
- review of the performance of external auditors and made recommendations to the Board on their appointment, scope of work and audit fees;
- review the performance of the head of internal audit,
- review of the risk management policy and risk management registers; enterprise and departmental level; prepared by management;

Terms of reference

The terms of reference of the Committee are as follows:-

Composition of Committee

The Committee shall be appointed by the Board of Directors amongst the Directors of the Company in accordance with the following guidelines:-

- The Committee shall consists of not less than three members; all being non-executive directors and a majority of them being independent,

- The members of the Committee shall elect a Chairman from among themselves who shall be an Independent Director.
- At least one member shall have finance and accounting expertise,
- The Audit Committee shall meet at least 4 times a year with majority of independent directors remaining present,
- In the event of any vacancy in the Committee resulting in the non-compliance of the Code of Corporate Governance pertaining to composition of audit committee, the Board of Directors shall within three months of that event fill the vacancy.

Meetings

Meetings shall be held not less than four (4) times a year and, in addition to members of the Committee, will normally be attended by the Chief Executive Officer, General Manager Financial and Chief Internal Auditor. Other members of the Board, senior management and external auditors' representatives may attend the meetings upon invitation of the Committee.

The auditors, both internal and external, may request a meeting if they consider that one is necessary.

The quorum shall be two (2) members, a majority of whom must be Independent Directors. Minutes of each meeting shall be kept and distributed to each member of the Committee and of the Board. The Chairman of the Committee shall report on each meeting to the Board. The Secretary to the Committee shall be the Company Secretary.

Rights and Authority

The Committee is authorized by the Board:

- to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group;
- to have full and unrestricted access to information pertaining to the Group and the Company;
- to have direct communication channels with the internal and external auditors;
- to be able to obtain independent professional or other advice; and
- To have resources in order to perform its duties as set out in its terms of reference.

Notwithstanding anything to the contrary, the Committee does not have executive powers and shall report to the Board of Directors on matters considered and its recommendation thereon, pertaining to the Company.

Review of the Committee

The performance of the Committee and each of the members shall be reviewed by the Board of Directors at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their Terms of Reference in the Corporate Governance Statement.

Duties and Functions

The duties and functions of the Committee are as follows:-

- considering the name of the auditor in the context of their independence (particularly with reference to any other non audit services), fees and terms of engagement and recommending its name to the Board for putting before AGM for appointment;
- reviewing audit plan and results of the audit and as to whether auditors have full access to all relevant documents;
- checking financial fraud particularly fictitious and fraudulent portions of the financial statements;
- oversight of the internal audit function in general and with particular reference to reviewing of scope of internal audit plan for the year, reviewing the reports of internal auditors pertaining to critical areas, reviewing the efficacy of the internal auditing and reviewing as to whether internal auditors have full access to all relevant documents;
- Oversight of the adequacy of the internal control system through the regular reports of the internal and external auditors.
- to review the quarterly and annual financial statements of the Company focusing on the matters set out below, and thereafter to submit them to the Board:-
 - any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption;
 - Compliance with accounting standards and regulatory requirements.
- to consider the appointment, resignation and dismissal of external auditors and the audit fees;
- to discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss;
- to review the audit reports prepared by the internal and external auditors, the major findings and management's responses thereto;

- to review the adequacy of the scope; functions and resources of the internal audit department and whether it has the necessary authority to carry out its work;
- to review the evaluation of the systems of internal control with the auditors;
- serving as a channel of communication between external auditors and the board and also the internal auditors and the board;
- reviewing risk management policies and looking into the reasons of defaults in payment obligations of the Company, if any;
- to review any appraisal or assessment of the performance of executives in the internal audit department;
- reviewing proposed specific transactions with related parties for making suitable recommendations to the Board and setting rules for entering into small value transactions with related parties without obtaining prior approval of audit committee and the Board; and
- Any such other functions as may agreed to by Committee and the Board.

Risk Management Framework

The Board subscribes to the fact that an effective risk management practices is a critical component of a sound system of internal control. Accordingly, the Audit Committee was given the mandate to ensure that there is a formal and on-going process in place to identify, evaluate and manage significant risks faced by the Company that may impede the achievement of the Company's objectives throughout the year. Among measures taken during the year are as follows:

- Establishment of the Risk Management policy for the Company,
- Audit Committee meeting to discuss and review the Enterprise Risk register and departmental risk register. The risk register provides a comprehensive view of key details for every risk including Key Risk Indicators and Management Action plans,
- Update the Board on the progress of the Enterprise Risk Management.

Management is responsible for creating a risk-aware culture and for building the necessary knowledge for risk management. They also have the responsibility for managing risks and internal controls associated with the business and operations and ensuring the compliance with the applicable laws and regulations.

Internal Audit Functions and Activities

The Company has an in-house internal audit function. The Internal Audit department reports directly to the Audit Committee and its principal activity is to undertake regular and systematic reviews of the system of controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Company.

Throughout the financial year, audit assignments and follow-ups were carried out on units of operations. These were carried out in accordance with the annual audit plan or as special ad-hoc audits at Audit Committee's request. The resulting reports of the audits undertaken were presented to the Audit Committee and forwarded to the parties concerned for their attention and necessary action.

The Management is responsible for ensuring that corrective actions on reported weaknesses and suggested improvements as recommended are taken within the required timeframe.

The following activities were carried out by the Internal Audit department:

- reviewing and appraising the soundness, adequacy and application of controls to ensure effectiveness of internal control system in the Company,
- ascertaining the extent of compliance with established policies, procedures and statutory requirement,
- Provides an independent assessment on the adequacy, efficiency and effectiveness of the Company's internal control system and advises management on areas that require improvement.
- identifying opportunities to improve the operations of and processes in the Company,
- Facilitate the Risk Management framework for the Company which includes the establishment of the Risk Management policy (approved by the Board on 27 January 2010), facilitation and reviewing the enterprise risk management register and departmental register of the Company.

Statutory Auditor

The Company's external auditors are Deloitte Touche Tohmatsu Limited, a UK private company limited, the company has a network 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 150 countries. With access to the deep intellectual capital of

approximately 170,000 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 2,400 partners, directors and staff through 26 offices in 15 countries. The Oman Practice currently has three Partners and over 65 professionals.

The fees payable to Deloitte & Touche for the year 2010 for audit and other services is as follows:

- Audit of Financial Statements RO 5,000/-
- Audit of Corporate Governance Report RO 500/-

The Audit Committee has reviewed, on behalf of the Board, the effectiveness of internal controls by meeting the internal auditor, reviewing the internal audit reports and recommendations and meeting the external auditor, reviewing the audit findings report and the management letter; this includes meeting the auditor in the absence of management. The Audit Committee and the Board are pleased to inform the shareholders that, in their opinion, an adequate and effective internal control system is in place.