Corporate Governance Report

The Capital Market Authority of Oman (CMA) has issued a "Code of Corporate Governance for Muscat Securities Market listed Companies" (Code) via its Circular No. 11/2002 on 3 June 2002, which is amended periodically. The information to be stated in the Corporate Governance Report is further stipulated by an Administrative Decision No. 5/2007 dated 27 June 2007, whereby the CMA issued Rules and Guidelines on Disclosure by Issuers of Securities and Insider Trading.

Al Kamil Power Company SAOG (AKPC) believes that setting the highest standards of Corporate Governance, as envisioned by CMA in the Code, is not a matter of mere compliance but a useful mechanism to restructure the core corporate values that ensures accountability. This leads to transparency and ensures impartial treatment of all investors. Thus ultimately increasing the confidence of shareholders and prospective investors in companies' results. AKPC is committed to a high standard of corporate governance.

AKPC management is committed to the highest standards of business practice. Together with AKPC's policies, well implemented systems and recognised internal controls it is committed to maintaining the greatest standard of corporate governance as laid out in the Code of Corporate Governance.

Board of Directors

The Board of Directors consists of five directors, all of whom are non-executive directors. More than one-third of the total members on the Board are independent directors. All directors have excellent industry and corporate governance experience. The roles of Chief Executive Officer and Chairman are not combined.

The current Board of Directors was elected at an Ordinary General Meeting of the shareholders held on 28 October 2007.

The Board of Directors was notified by National Life & General Insurance Company SAOC (NLGIC) on 29 May 2008 that Mr. Khalil Ahmed Abdulla Al Harthy will represent NLGIC on the Board of Directors of AKPC in place of Mr. Akbar Ali Habib.

By means of a written resolution dated 23 June 2008, the Board of Directors accepted the resignation of Mr. Akbar Ali Habib and appointed the nominee of NLGIC, Mr. Khalil Ahmed Abdulla Al Harthy as director of the Company to fill this vacancy.

The following table details the composition of the Board of Directors, and their attendance at Board of Directors meetings held during 2008:

Name of Director	Category of Director	Board Meetings held during the period	Board Meetings attended
Dr. Ranald G.L. Spiers	Chairman(nominee)	5	5
Ms. Carol Rees	Vice-Chairman (nominee)	5	5
Mr. Kevin Cox	Director (nominee)	5	4
Mr. Ajeet Walavalkar	Independent Director (nominee)	5	5
Mr. Akbar Ali Habib	Independent Director (nominee)- part of the year (January 2008 to May 2008	3	1
Mr. Khalil Ahmed Abdulla Al Harthy	Independent Director (nominee)- with effect from June 2008	2	2

The dates of these meetings were:
04 February 2008
17 April 2008
23 April 2008
20 July 2008
22 October 2008

Other interests

Mr. Akbar Ali Habib held directorships in the following companies during his tenure:

1. National Life Insurance Company SAOC
2. Al Ahlia Insurance Company SAOC
3. Oman Orix Leasing Company SAOG
4. Oman Chlorine Company SAOG

Mr. Khalil Ahmed Abdulla Al Harthy is a director in Omani Unified Bureau Orange Card Company SAOC.
No other Directors are Board members of other Omani companies.

Audit Committee

Brief Description of Terms of Reference

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling oversight responsibilities by reviewing:

- the financial reports and other financial information provided by the Company to any governmental body or the public;
- the Company's compliance with legal and regulatory requirement;
- the Company's systems of internal controls regarding finance, accounting, legal compliance and ethics that the management and the Board have established; and
- the Company's auditing, accounting and financial reporting processes generally.

Consistent with this function, the Audit Committee will encourage continuous improvement of, and will foster adherence to, the Company's policies, procedures and practices at all levels.

The Audit Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company's financial reporting process and internal control system;
- recommend engagement of external and internal auditors of the Company;
- review and appraise the audit efforts of the Company's statutory and internal auditors; and
- provide an open avenue of communication among the statutory and internal auditors, financial and senior management and the Board of Directors.

Audit Committee

The Audit Committee consists of three members of the Board. Mr. Ajeet Walavalkar, as an independent director is the Chairman of the Audit Committee.

Following the nomination of Mr. Khalil Ahmed Abdulla Al Harthy as a Director of the Company in place of Mr. Akbar Ali Habib, the Board of Directors appointed Mr. Khalil Ahmed Abdulla Al Harthy as a member of the Audit Committee. The following table details the composition of the Audit Committee and the attendance record of the Audit Committee members during 2008.

Name of Committee Member	Position	Meetings held during the period	Meetings attended during the period
Mr. Ajeet Walavalkar	Chairman	4	4
Ms. Carol Rees	Member	4	4
Mr. Akbar Ali Habib	Member January 2008 to June 2008	2	-
Mr. Khalil Ahmed Abdulla Al Harthy	Member with effect from June 2008	2	2

The dates of these meetings were:
04 February 2008
23 April 2008
20 July 2008
22 October 2008

Procedure for standing as candidate for the Board of Directors

The election of the Board of Directors is governed by the Company's Articles of Association (Articles 25 to 27). The Company has ensured that the elections to the Board of Directors are held in accordance with the Commercial Companies Law and the rules issued by Capital Market Authority.

The five members of the Board of Directors are elected from amongst the shareholders or non-shareholders. A shareholder who is elected as director is required to hold a minimum of 500 shares as qualifying shares which they may not dispose off throughout the term of their office.

Article 25 of the Company's Articles of Association stipulates the following restrictions with regard to the composition of the Board:

1. The majority of the Board members must not be working for the Company in consideration of a fixed monthly or annual remuneration.

2. A minimum of one third of the Directors must be independent directors. That is to say, such directors or any of their first degree relatives should not have occupied any senior post (such as the Chief Executive Officer, the General Manager or similar posts in accordance with the organisational structure) in the Company for the last two years. Also they should not have had any relations with the Company, its parent company or its affiliate or sister companies that could result in financial transactions.

3. More than one director shall not represent a juristic person on the Board of the Company.

4. The Chief Executive Officer / General Manager / Chairman's office shall not be held by a single person

The members thus elected hold office for a period of three years.

Annual General Meeting

- The last Annual General Meeting was held on 17 March 2008

- Dr. Ranald G.L. Spiers, Ms. Carol Rees, Mr. Kevin Cox and Mr. Ajeet Walavalkar attended the last Annual General Meeting.

Remuneration

Directors – Remuneration / Attendance Fees

The total attendance fees paid to the Directors and Audit Committee members for 2008 was RO 4,800 as detailed below:

Name of Director	Number of meetings attended	Total Sitting fees paid in Rials Omani
Dr. Ranald G.L. Spiers	5	750
Ms. Carol Rees	9	1,350
Mr. Kevin Cox	4	600
Mr. Ajeet Walavalkar	9	1,350
Mr. Akbar Ali Habib	1	150
Mr. Khalil Ahmed Abdulla Al Harthy	4	600
Total	32	4,800

No other remuneration was paid to the directors.

Remuneration to Key Management

The remuneration package of the executives is made up of a fixed and variable component. The fixed component includes salary, perquisites and gratuity benefit as per the Omani Labour Laws. The variable component is performance-linked bonus, which is based on pre-determined parameters of performance.

The aggregate remuneration paid to top three officers of the Company:

Remuneration	Allowances	Bonus	Notice period	End of service gratuity
96,609	15,771	25,428	3 months	As per the Omani Labour Laws

Specific Areas of Non-Compliance with the Provisions of Corporate Governance

There are no areas of non-compliance with the Code of Corporate Governance. No penalties or strictures were imposed on the Company by the Muscat Securities Market, the Capital Market Authority or any other statutory body on any matter related to the capital markets during the last three years.

Communications with the Shareholders and Investors

The Annual Report and the Company's website are the main channels of communication with shareholders. The Annual Report will also be sent to all shareholders by post to their registered postal addresses.

The Company's website (www.alkamilpower.com) contains detailed information on the Company, its business, financial results, announcements and news about the Company's operations. The website also gives information about the dividends declared by the Company, with a link to the MSM website giving current and historical information on the Company's share price. All announcements made to the Muscat Securities Market are posted on the Company's website. The Company issues press releases in cases of important news and developments. The financial results and any material announcements can also be viewed on the website of Muscat Securities Market.

The Company will provide directly, or by mail (if requested), a complete copy of any accounts which have been submitted to the Capital Market Authority, in either English or Arabic, to any registered or beneficial shareholder or other interested party who requests it, within seven days receipt of such a request.

The Company is available to meet its shareholders and their analysts at their convenience.

Market Price Data

The following table details the market prices of AKPC shares for the year 2008 and its performance compared to the MSM Index:

Month	High Price (RO)	Low Price (RO)	MSM Index (Service Sector)
January	**1.830**	**1.830**	**3594.49**
February	**1.830**	**1.830**	**4027.39**
March	**1.900**	**1.830**	**4010.64**
April	**2.000**	**1.900**	**4552.63**
May	**2.000**	**2.000**	**4731.97**
June	**2.000**	**2.000**	**4990.30**
July	**2.000**	**2.000**	**4891.03**
August	**2.074**	**1.993**	**4275.97**
September	**2.074**	**2.200**	**3983.73**
October	**2.200**	**2.150**	**2822.84**
November	**2.150**	**2.000**	**2914.56**
December	**2.000**	**2.000**	**2527.87**

Distribution of Shareholding

The Shareholding as of 31 December 2008 was as follows:

Category of Shareholders	Number of Shareholders	Total Shares	% Share Capital
Ordinary Shareholders above 5%	3	6,868,656	71.4%
Ordinary Shareholders below 5%	188	2,756,344	28.6%
Total	191	9,625,000	100%

The Company has not issued any securities or convertible financial instruments.

Statutory Auditors

Deloitte and Touche (M.E.) are the appointed Statutory Auditors of the Company.

Deloitte and Touche (M.E.) is member of Deloitte Touche Tohmatsu (Deloitte), 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 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 other professionals.

Deloitte and Touche was paid total audit fees RO 8,000 for the year 2008.

Internal Auditor

Due to the level of activities of the Company, a full-time internal auditor is not required. An independent professional firm, Moore Stephens, Chartered Accountants, has been assigned to carry out the internal audit functions as specified in the Administrative Decision 6/2006 issued by Capital Market Authority.

However, pursuant to the Administrative Decision No: 1/2007 dated 29 January 2007 issued by the Capital Market Authority, the Company has recruited a suitable candidate for the post of full-time internal auditor, who will assume responsibilities of an internal auditor with effect from January 2009.

Acknowledgement by the Board of Directors:

- The Board of Directors confirms that the financial statements for 2008 have been prepared in accordance with the applicable standards and rules.

- The Board of Directors, through the Audit Committee, has reviewed the Company's system of internal controls, and confirms that all controls are in place and fully effective.

- The Board of Directors confirms that they believe there are no material matters which may affect the continuation of the Company and its ability to continue its operations during the next financial year.