



## **REPORT OF FACTUAL FINDINGS TO THE SHAREHOLDERS OF NATIONAL FINANCE COMPANY SAOG**

We have performed the procedures prescribed in Capital Market Authority (CMA) Circular number 16/2003, dated 29 December 2003 with respect to the Board of Directors' Corporate Governance Report of **National Finance Company SAOG** ('the Company') as at and for the year ended 31 December 2014 and application of the corporate governance practices in accordance with CMA Code of Corporate Governance issued under Circular number 11/2002 dated 3 June 2002 and as supplemented by the Rules and Guidelines on Disclosure by Issuer of Securities and Insider Trading approved by Administrative Decision number 5/2007 dated 27 June 2007 and the Executive Regulation of the Capital Market Law issued under the Decision number 1/2009 dated 18 March 2009 (collectively the Code and additional regulations and disclosures). Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon-procedures engagements. The procedures, as stated in Circular number 16/2003, were performed solely to assist you in evaluating the Company's compliance with the code as issued by the CMA.

We report our findings on the procedures performed in the following paragraph.

We found the Board of Directors' Corporate Governance report reflects the Company's application of the provisions of the code and additional regulations and disclosures and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the accompanying Corporate Governance Report.

Had we performed additional procedures or had we performed an audit or a review of the Corporate Governance Report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the Board of Directors' Corporate Governance Report included in its annual report for the year ended 31 December 2014 and does not extend to any financial statements of National Finance Company SAOG taken as a whole.

**8 March 2015**  
**Muscat, Sultanate of Oman**

## ***Corporate Governance Report***

### **CORPORATE PHILOSOPHY**

The corporate governance philosophy of the Company aims at corporate fairness, transparency and accountability at all levels through well laid down systems and procedures. The Board of National Finance Co. SAOG firmly believes that the adopted corporate governance policies are aligned with the principles enshrined in the Code of Corporate Governance and the provisions of the Executive Regulation of the Capital Market Law dealing with disclosures to be made by issuers of securities and insider trading.

### **THE BOARD**

#### **Role and Function**

The Board of Directors plays a central role within the business organization in developing the Company's strategic and organizational objectives as well as in ensuring the effectiveness of the internal controls.

#### **Composition of the Board**

The articles of association of the Company stipulate that the Board should consist of seven directors. The qualification requirement for each director is 200,000 shares in the Company. The members were last elected to the Board at the annual general meeting held on March 23, 2014 with three years tenor.

All the members have the requisite knowledge, varied background and rich experience in the field of financial services. All directors, including the Chairman, are non-executive and independent. Out of the seven directors, five are nominee directors representing institutional investors and two are elected in their individual capacities. None of the directors is a member of the Board of more than four public joint stock companies whose principal place of business is in the Sultanate of Oman, nor is a Chairman of more than two such companies.

The roles of the Chairman are distinct and separate from that of the Chief Executive Officer. The Secretary to the Board is Mr. R. Panneerselvam.

#### **Executive Management**

The Chief Executive Officer (CEO) is responsible for the management of the Company. He is assisted by the General Manager (GM), the two forming the Management Committee of the Company. The GM reports to the CEO and is responsible for the Sales, Credit, Credit Administration, Human Resources & Administration, Finance and Information Technology departments.

### Board Meetings

During the year 2014, six board meetings were held as listed below:

Meeting No.	Board Meeting Dates
1/2014	January 29, 2014
2/2014	March 23, 2014
3/2014	April 28, 2014
4/2014	July 22, 2014
5/2014	October 28, 2014
6/2014	December 17, 2014

The maximum interval between any two meetings was 98 days which is within the stipulated maximum of 120 days as per Article 4 of the Code of Corporate Governance. The quorum for the meeting of the Board of Directors is a minimum of half of its members present or represented. Details of the members, the institutions they represent and the membership in the board of other SAOG companies are disclosed in Table 1.

### Brief profile of directors

**Mr. Taya Jandal Ali**, a diploma graduate of the Faculty of Extra Mural Studies, Cambridge University, has been the Chairman of the Board since 1992 and Chairman of the Executive Committee since 2000. He also holds the position of Deputy Chairman in Oman International Development and Investment Company SAOG (OMINVEST).

Prior to this, Mr. Taya Jandal served the Government as the Under Secretary to the Advisor of His Majesty the Sultan for Economic Planning Affairs.

**Mr. Hani Muhammad Al Zubair** has been the Deputy Chairman since 1997. A graduate of Richmond University, UK with Bachelors Degrees in Mathematical Science and Computer Science, he is a Director of The Zubair Holding LLC, one of the leading private sector groups in the Sultanate of Oman with diverse business interests, and Chairman of Zubair Automotive Group. He has extensive knowledge and experience in financial, investment and business management areas. He also holds the position of Chairman in Fund for Development of Youth Projects SAOC and the position of a Director on the Board of Oman Arab Bank SAOC.

**Mr. Pramod G. Karajgikar** has been a Director since 2002 and Member of the Audit and Risk Management Committee since 2003. Since 2013, he is also the Chairman of the Audit and Risk Management Committee. He is a Chartered Accountant (from the Institute of Chartered Accountants of India), Cost Accountant (from the Institute of Cost and Works Accountants of India) and Company Secretary (from the Institute of Company Secretaries of India).

He has experience of more than 30 years in the field of Finance and Management. He has been in Oman since February 1985 in the field of Finance with Waleed Associates LLC (an Omar Zawawi Est. Group Company)

**Mr. Francis Pinto** has been appointed as Director and member of the Audit and Risk Management Committee in April 2011. He represents Al Thurya For Investments LLC on the Board of National Finance.

Mr. Pinto is a Chartered Certified Accountant and Fellow Member of the ACCA, UK and Chartered Management Accountant and an Associate Member of CIMA, UK.

He has experience of more than 20 years in the field of Accounts, Finance and Audit. He is currently working as Finance Controller in the family office of Galfar Group Chairman since 2005.

Mr. Pinto represents the Galfar Group Chairman and his investment companies as Director in several private limited companies.

**Mr. K. Balaji** has been a Director with effect from 5<sup>th</sup> January 2013 and Member of the Executive Committee. He represents Al Hilal Investments Co. LLC on the Board of National Finance. He had earlier represented Al Hilal Investments on the Board of National Finance from November 2002 to May 2009.

He is a Chartered Accountant and a Fellow Member of The Institute of Chartered Accountants of India.

He has experience of 27 years in the field of Finance and Management. He is currently working as Group Advisor in Zubair Automotive Group and has been associated with this organization for about 19 years.

**Mr. Abdulaziz Mohammed Al Balushi** has been a Director with effect from 10<sup>th</sup> March 2014 and Member of the Executive Committee.

Abdulaziz is an experienced and professional banker with more than 28 years of experience in the banking industry and capital markets. He was the CEO of Ahlibank SAOG from 2007 to 2013 and was primarily responsible in converting a single product mortgage bank into a full-fledged commercial bank. During his tenure, Ahlibank won many prestigious awards including the best bank of Oman for three consecutive years by OER, the best bank in Oman 2012 by World Finance and the Bankers award 2013.

In a career which has spanned over two decades, Mr. Balushi has held positions of increasing responsibility in all major areas of Banking. Abdulaziz started his career with Oman International Bank and prior to joining Ahlibank, he was Deputy CEO of National Bank of Oman. Abdulaziz holds Master of Science Degree in Finance from the University of Strathclyde (UK) and a Fellow Chartered Institute of Bankers (UK). He has attended a host of Specialized Executive Management Development Programs at International Institutes of worldwide repute such as Strathclyde; London and INSEAD Business Schools. In November 2012, he was ranked as the "Second Best CEO in the Arab Banking World" by Forbes Magazine. Abdulaziz served in various Boards of companies across the Sultanate including ONIC Holding, Al Ahlia

Insurance Company, National Life Insurance, Oman Investment & Finance Company, Gulf Hotels Co. and as Advisory Board Member in the college of Agricultural and Marine Services at Sultan Qaboos University. He is currently the Chairman of Oman Electricity Transmission Company, a wholly government-owned entity. He is also a member "The British Scholarships of Oman", a local organization that sponsors outstanding Omanis for post graduate studies in the U.K

**Mr. Rami Bazzi** has been appointed as Director and a member of the Audit and Risk Management Committee in December 2014.

Rami is a Chief Operating Officer at the Zubair Corporation in Sultanate of Oman. He is a seasoned investment professional with experience in private equity, business strategy, and shareholder value creation accrued at several international and regional reputable organizations. He has served on the boards of several public and private companies in MENA and Southeast Asia.

Rami earned a MBA and a M.S. in Finance from Concordia University, Canada. He has also earned a B.S in Computer Science from the Lebanese American University in Lebanon. He is a Chartered Financial Analyst and a Certified Professional Director by Mudara Institute of Directors, UAE.

#### **Brief profile of senior management**

**Mr. Robert Pancras**, Chief Executive Officer joined the Company in May 2005. He has over 20 years of experience in banking and financial services, including a decade of experience in the area of Asset Finance in India, Australia and Oman. He was employed by CitiBank and ANZ Banking Group (Grindlays Bank) in the five years prior to his move to Muscat to head National Finance. Mr. Pancras holds a Masters in Business Administration (PGDM) from Indian Institute of Management, Bangalore and a Bachelor of Engineering degree from College of Engineering, Madras.

**Mr. Ali Abdullah Saleh Al Tamimi**, General Manager started his career as a banker with British Bank of Middle East. He is a former Chairman of Oman Refinery Company and has been on the Board of Oman Arab Bank, PDO, Oman Oil, Oman LNG, Oman Mining and Occidental during his tenure in the Government. He was deeply involved in policy making in the Ministry of Petroleum and Minerals and occupied special grade allocated for Under Secretary. Mr. Tamimi joined the Company in 1999 and possesses rich experience in general administration, policy formulation and finance.

### **BOARD SUB-COMMITTEES**

#### **Executive Committee**

The Executive Committee comprises of 3 Directors and is headed by the Company's Chairman, Mr. Taya Jandal Ali. The other members of the Executive Committee are Mr. K. Balaji and Mr. AbdulAziz Al Balushi.

The Executive Committee facilitates the smooth functioning of the company by approving bank borrowings, credit limits, compensation matters, etc. as per the authorities delegated to it by the Board of Directors. The Executive Committee also reviews and recommends to the Board of Directors the annual budget of the Company and strategic plans and monitors the ongoing performance of the Company. During the year 2014, the Executive Committee met four times and considered matters requiring urgent decision by circulation. The quorum for the committee is at least two members.

#### **Audit and Risk Management Committee**

The Audit and Risk Management Committee comprises of three independent members, all being non-executive directors nominated by the Board. The current Committee is headed by Mr. Pramod G. Karajgikar. The other members of the Audit and Risk Management Committee are Mr. Francis Pinto and Mr. Rami Bazzi. The Audit and Risk Management Committee assists the Board in fulfilling its oversight responsibilities. The Audit and Risk Management Committee reviews the financial reporting process, the system of internal control, management of overall risks, company's process for monitoring compliance with laws and regulations, adhering to its own Manual of Authority and Procedures and co-ordinates the audit process.

During the year 2014, the Audit and Risk Management Committee met four times, viz. on 27<sup>th</sup> January, 23<sup>rd</sup> April, 20<sup>th</sup> July and 26<sup>th</sup> October. Attendance of the Members during these meetings is shown in Table 1. The discussions held in the meetings of the Audit and Risk Management Committee are minuted and reviewed by the Board of Directors. The quorum for the committee is at least two members.

#### **INTERNAL CONTROL**

The internal control system encompassing the entire gamut of the financial, operational and risk management functions of the Company are periodically reviewed by the Audit and Risk Management Committee and the Executive Committee set up by the Board of Directors.

The Company has set up an in-house internal audit department as per the regulatory requirements of the CMA. The functions of the internal audit department are overseen by the Audit and Risk Management Committee. The internal audit reports are reviewed by the Audit and Risk Management Committee and the findings are placed before the Board of Directors. The Company has adequate and effective internal controls in place, which are regularly reviewed and modified as and when the business processes undergo a change.

During the year 2014, all the significant activities of the company were reviewed by the internal audit. The management has initiated appropriate action on the recommendations of the internal audit department.

#### **Related Party Disclosure**

Details of all commercial and financial transactions where Directors have potential interest are provided to the Board at quarterly intervals. All related party transactions

have been effected on arms length basis without any preferential advantage accruing to any related party concerned.

## **REMUNERATION**

### **Members of the Board**

The Chairman and other members of the Board were entitled for sitting fees of Rials 500 each per meeting. During the year 2014, the Directors were paid sitting fees for the Board meetings, Executive Committee meetings and Audit and Risk Management Committee meetings, details of which are provided in Table 1.

The company has provided an amount of Rials 138,000 (Rials 125,000 paid in 2014 for 2013 remuneration) during the year on account of Directors' remuneration which will be paid in 2015 if approved by the shareholders at the annual general meeting.

### **Top Five Officials of the Company**

The top five managerial executives of the Company are employed through service contracts and the contracts are open ended, which can be terminated by the Company or the executive by giving a notice of three months. The gross remuneration paid to the top 5 Officials of the Company amounted to Rials 505K which includes all allowances, travel and transport expenses, perquisites and bonus.

## **SHAREHOLDERS**

### **Channels of Contact with Shareholders and investors**

The quarterly financials of the Company are available in digital form at the website of Muscat Securities Market (MSM) viz., [www.msm.gov.om](http://www.msm.gov.om). The quarterly, half yearly and annual results of the Company are published in two national dailies, one in English and one in Arabic. The financials of the Company are also available at the website of the Company which is: [www.nationalfinance.co.om](http://www.nationalfinance.co.om)

The audited financial statements and other reports of the Company for the year ended 31 December 2014 will be discussed in the Shareholders' meeting scheduled to be held in March 2015.

After completion of the statutory audit, the annual report and financial statements (including the Board of Directors Report, Corporate Governance Report and the Management Discussion and Analysis Report) are sent by Registered Post to all the shareholders along with the invitation to the Annual General Meeting.

### **Distribution of share holding**

The following institutions hold more than 5% of the Company's shares:

<b>Name</b>	<b>Number of shares</b>	<b>% of holding</b>
Al Hilal Investment Company LLC	101,148,765	39.387
Oman International Development Investment Co. SAOG	65,650,136	25.564

The remaining shareholding pattern as at 31 December 2014 was as follows:

<b>Category</b>	<b>No. of shareholders</b>	<b>Number of shares</b>	<b>% of holding</b>
0-30,000	53	429,157	0.167
30,001 - 60,000	2	95,236	0.037
60,001 - 90,000	4	325,110	0.127
90,001 - 120,000	2	194,816	0.076
120,001 - 150,000	1	144,998	0.056
Over 150,001	30	88,820,085	34.586
<b>Total</b>	<b>92</b>	<b>90,009,402</b>	<b>35.049</b>

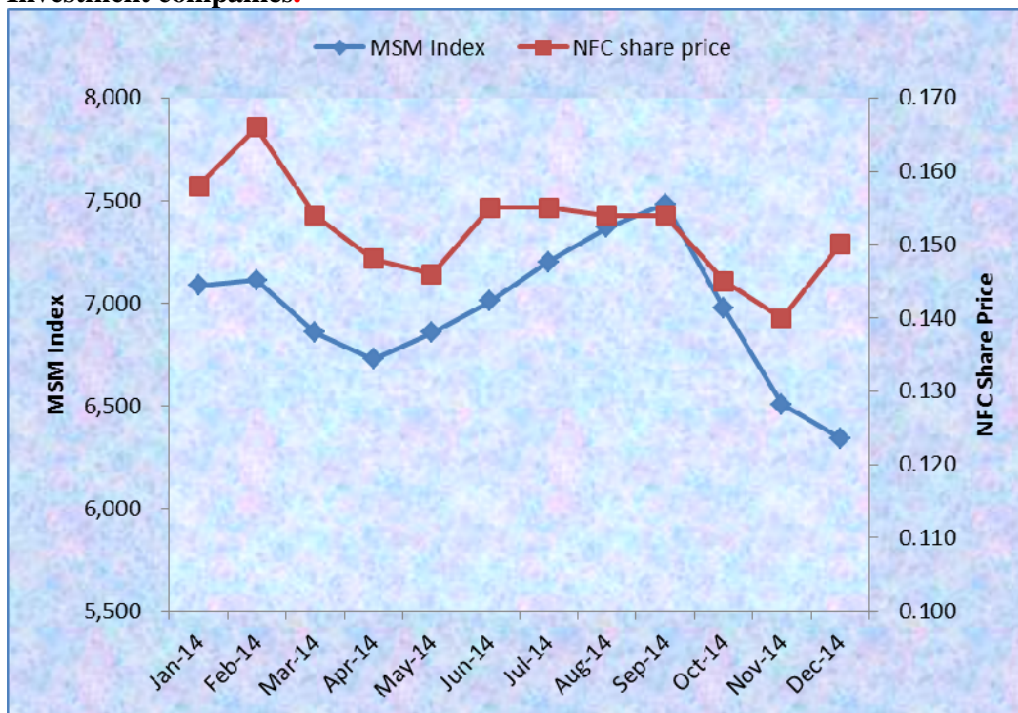
#### **Statement on Market Price**

The Company's shares are listed in the Muscat Securities Market. The closing share price as at 31 December 2014 was Rials 0.150 per share. The market price quotes for the traded shares during 2014 were as follows.

<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Traded Volume</b>	<b>Value Rials</b>
January	0.162	0.162	0.158	5,000	810
February	0.166	0.166	0.166	62,187	10,323
March	0.154	0.154	0.161	20,000	3,080
April	0.148	0.148	0.148	68,800	10,182
May	0.146	0.146	0.146	1,488	217
June	0.155	0.155	0.155	10,000	1,550
July	0.155	0.155	0.155	390,000	60,450
August	0.154	0.150	0.154	32,404	4,990
September	0.154	0.154	0.154	440	68
October	0.145	0.145	0.145	29,707	4,308
November	0.140	0.140	0.140	177,900	24,906
December	0.150	0.150	0.150	7,500	1,125



**Performance of the company in comparison with MSM index for Banking & Investment companies.**



**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](http://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](http://www.pwc.com/structure) for further details.

During the year 2014, professional fees for audit in the amount of Rials 13,400 were rendered by the external auditors in respect of the services provided by them to the organization.

**DETAILS OF NON-COMPLIANCE**

There was no instance of non compliance on any matter relating to the CBO regulations, Commercial Companies Law of Oman, Capital Market Authority's (CMA's) Code of Conduct on Corporate Governance for MSM listed companies, CMA Regulations or the MSM listing agreements during the year 2014.

**ACKNOWLEDGMENT**

The Board of Directors confirms its liability in respect of preparation of the financial statement in accordance with the applicable rules and standards. The Board also confirms that it has reviewed the efficiency and adequacy of internal control systems of the Company and confirms that they comply with internal rules and regulations. Further, the Board confirms that there are no material items that affect the continuation of the Company and its ability to continue its operations during the next financial year.

**Taya Jandal Ali**  
**Chairman**

**Table 1**

Name of the Director	Institution represented	Whether attended last AGM held on March 23, 2014	No. of meetings attended			Directorship in other SAOG Companies	Sitting Fees paid to each Director during 2014 Rials	Directors Remuneration paid to each Director during 2014 Rials
			Board	Executive Committee	Audit and Risk Management Committee			
Taya Jandal Ali	Himself	Yes	6	4	-	1	5,000	31,250
Hani Al Zubair	Himself	Yes	5	-	-	-	2,500	15,625
Ziyad Al Zubair	Himself	No	1	-	-	-	500	15,625
Pramod G. Karajgikar	Muscat Contract Cleaning & Maintenance LLC	Yes	5	-	4	-	4,500	15,625
Francis Pinto	Al Thurya For Investments LLC	Yes	6	-	4	-	5,000	15,625
K. Balaji	Al Hilal Investment Co. LLC	Yes	6	4	-	-	5,000	15,625
AbdulAziz Al Balushi	Oman International Development and Investment Co. SAOG	Yes	4	3	-	-	3,500	15,625
K. Palanivelu*	Muscat Trading Co. LLC	-	2	-	2	-	2,000	-
Rami Bazzi**	Muscat Trading Co. LLC	-	-	-	-	-	-	-
<b>Total</b>							<b>28,000</b>	<b>125,000</b>

Note: \* Muscat Trading Co. LLC has nominated Mr. K. Palanivelu as their representative in the election held on March 23, 2014.

\*\* In October 2014, Muscat Trading Co. LLC has replaced Mr. K. Palanivelu with Mr. Rami Bazzi.