



شركة الجرافات
البحرية الوطنية
NATIONAL MARINE
DREDGING COMPANY

Corporate Governance Report 2014



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1. INTRODUCTION

National Marine Dredging Company ("NMDC" or the "company") is operating in an evolving global environment of diverse expectations, constant regulatory change, and increasing focus on stakeholder engagement and accountability. We acknowledge that the environment in which we operate provides challenges from a governance and regulatory perspective; however, we are confident that our commitment to adopting and complying with good corporate governance practices, and our culture and values will continue, as ever, to provide the group with a strong foundation that will enable the board and the company to meet these challenges going forward.

The purpose of this document is to report on the corporate governance framework at NMDC, in accordance with the Ministerial Resolution No. (518) of 2009 Concerning Governance Rules and Corporate Discipline Standards ("Corporate Governance Code") issued by the Securities and Commodities Authority ("SCA").

This report includes a discussion on the following:

1. Corporate Governance Practices - the principles of the company's corporate governance framework and the approach the company takes to the implementation of these principles;
2. Board of Directors (the "board") - the role of the board in connection with the company's corporate governance framework, the structure and composition of the board, the terms of membership of the directors including membership in other joint stock companies and details about their remuneration from the company;
3. Directors' dealings in NMDC securities - a description of the company's share dealing policy, and the company's approach to ensuring that it complies with its disclosure obligations relating to directors' dealings in NMDC securities;
4. External Auditors - a brief about the auditor company including a statement of the fees and expenses relating to auditing or other services provided by the company's external auditor;
5. Board Committees- a description of the composition, functions and responsibilities of the four board committees – Audit Committee, Nomination and Remuneration Committee, Strategic Committee and Technical Committee;
6. Internal Control System - a description of the company's internal control system, and the company's approach to complying with that system;
7. Company's Contribution – in development of local community and environment protection during the year 2014; and
8. General Information - certain other information requested by SCA, including price movement of company's share, breakdown of share ownership and corporate governance violations committed during 2014, if any.



2. CORPORATE GOVERNANCE PRACTICES

2.1. Corporate Governance Rules

The board of NMDC is committed to implementing strong corporate governance practices to a standard derived from an amalgam of UAE guidelines and international best practices. Underpinning these legislative, regulatory and best practice requirements are NMDC's values and philosophies, which provide the framework against which we measure behaviour and practices so as to assess the characteristics of good governance. Our values require that directors and employees act with integrity and conduct themselves to promote and maintain trust.

Sound corporate governance is therefore implicit in our values, culture, processes, functions and organizational structure. Structures are designed to ensure that our values remain embedded in all businesses and processes. We continually refine these structures and a written statement of values serves as our code of ethics. NMDC undertakes a frequent review of its strategic and operational environment, including communication with its stakeholders, in order to determine an appropriate balance, scope and sophistication of the corporate governance framework which is proportionate to NMDC's nature, size and complexity.

The corporate governance culture of NMDC is driven by:

- A well informed and effective board to direct the company's affairs and set its objectives;
- Clearly defined roles and responsibilities of the board, its members, its committees, and key company officers and executives;
- Selection of productive strategies and management of risks;
- Appropriate delegation and monitoring of responsibility and accountability to management;
- Satisfying the interests of stakeholders through relevant and material disclosures;
- Ensuring compliance with all regulatory obligations;
- Ensuring that the company's performance and financial reporting are properly directed and controlled through an effective internal control system;
- Engaging with the community; and
- Adopting high ethical standards and practices by the company, its officers, and employees.

To achieve these aims, and to ensure compliance with the specific requirements of the Corporate Governance Code issued by SCA, the Company has developed and implemented its Corporate Governance Manual, which contains policies on the following subjects:

- Board and Director Matters;
- Board Committees;
- Delegation of Authority to Management;



- Relationship with Shareholders;
- Company's Disclosure Obligations;
- Internal Control System;
- Engagement of External Auditor;
- Code of Conduct;
- Share Dealing Policy; and
- Board Committee's Terms of Reference.

In addition, the directors are responsible for monitoring and reviewing the preparation, integrity and reliability of NMDC's combined and consolidated financial statements, accounting policies and the information contained in the annual report. In undertaking this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the significant risks NMDC faces in preparing the financial and other information contained in the annual report. This process was in place for the year under review and up to the date of approval of the annual report and financial statements.

The process is implemented by management and independently monitored for effectiveness by the Audit, Strategic, Nomination and Remuneration and Technical Committees of the board.

2.2. Corporate Governance Structure

The board plays a central role in the company's corporate governance framework. It is ultimately responsible for ensuring that the company complies with its legal and regulatory obligations, the company's Memorandum and Articles of Association, and its duties to shareholders. The board is assisted in this process by various board committees (particularly the Audit Committee, Strategic Committee, Nomination and Remuneration Committee and the Technical Committee), external and internal auditors, and company officers and employees (including the Chief Executive Officer, the Chief Financial Officer, the Ethics and Compliance Officer, and other members of management).

In addition to the Articles of Association and regulating laws, the NMDC board has approved a wide range of Charters, Codes, Policies and carefully defined business structures and processes in order to record their decisions and delegations, and regulate the operations and overview activities of the company and its subsidiaries. The board has also issued general principles of behaviour and personal conduct for which all directors and staff are accountable as individuals and as a collective entity. The corporate governance structure ensures transparent reporting and necessary checks and balances. Various layers of shareholder, management and regulatory oversight ensure continuous performance review against corporate strategic objectives and external standards.



2.3. Disclosure Practices

The Company is committed to comply with all of its disclosure obligations, including to Securities and Commodities Authority (SCA), the Abu Dhabi Stock Exchange (ADX) and to shareholders, so that trading in its shares can take place in an informed market. In 2014, the Company made regular disclosures to SCA and ADX, including its inability to timely submit the quarterly and annual financial statements, upcoming Board meetings and decisions, publication of Annual Report, Corporate Governance Report and other announcements on key financial and/or operational matters/transactions, copies of which are generally available or updated on the company's website.

2.4. Delegation of Authority

The board has approved, the Delegation of Authority Matrix in its meeting dated October 13, 2010. The Delegation of Authority outlines authority limits delegated by the board to the executive committee, management and staff in order to run the company's affairs and operations within the United Arab Emirates and overseas locations. Furthermore, the company adopts a written policy on the approval of purchases (supplies and services), payroll and related employee expense claims, and petty cash transactions.

The board has also delegated certain authority to its committees, being the Audit Committee, the Nomination and Remuneration Committee, the Strategic Committee and the Technical Committee.

The existing Delegation of Authority Matrix is constantly under review and any update required to address changes in current economic environment within which the company operates is incorporated. The company is also in the process of establishing a financial governance framework for its subsidiaries and overseas branch locations.

2.5. Code of Business Conduct and Fraud Control Policy

The company has defined Code of Business Conduct and Fraud Control Policy, which addresses the following areas:

- Compliance with Laws and Regulations;
- Personal Conduct;
- Standard of Conduct;
- Confidentiality and Intellectual Property Rights;
- Integrity and Conflicts of Interest;
- Competition and Fair Dealing;
- Protection and Proper Use of the Company's Assets;
- Health and Safety;
- Reporting any Violations of the Code;
- Compliance Procedure; and
- Disclosure in Reports and Documents.

Company officers and employees are required to comply with this Code in performing their duties.



2.6. Director's Induction Policy

The company's policy on director induction requires all new directors to participate in the company's induction program. This program includes presentations by management to familiarise new directors with the company's strategic plans, business operations and activities, business units and departments, and principal officers and employees. The program aims at providing the information required to ensure that a new director understands his/her duties and responsibilities under the - applicable laws and regulations, the company's corporate governance framework, and understands the company's policies and procedures.

2.7. Share Dealing Policy

The company has adopted a policy on directors' and employees' dealing in the company's securities, for the purpose of ensuring that the company's directors and employees (and their closely related individuals) do not deal or trade in securities issued by the company or its subsidiary or group companies based on undisclosed confidential information or in circumstances of conflict.

The following represents the key aspects of the Share Dealing Policy:

- No director or employee of the company (or any subsidiary or other company controlled by NMDC) may deal in company securities whilst they are in possession of any information which could affect the price of these securities, where such information has not been disclosed to the ADX.
- Trading may not take place during any insider trading prohibition period, which is generally the period commencing in the last two weeks of an accounting quarter, and ending once the accounts for that quarter have been released to the market.
- Directors who are not in possession of such information as referred to above, and who are not proposing to trade in any insider trading prohibition period, may only deal in the securities of the company with the prior written consent of the Chairman (or, in his absence, of the Vice-Chairman), whilst employees who are not in such possession may only do so with the prior written consent of the CEO (or, in his absence, the Company Secretary).

2.8. Transactions in Company's Securities by Board Members

The board and the individual directors as well as company management understand their obligations with respect to disclosure requirements in connection with their dealings in NMDC securities and are compliant with all requirements set by SCA and the ADX.

Additionally, a yearly declaration is obtained from the directors confirming their compliance with the company share dealing policy and with the requirements of the Corporate Governance Code. The table below provides details of the dealing in NMDC securities by the board members and their relatives during the year 2014:

Board Member	Transactions By	Total Shares Sold	Total Shares Purchased
Mr. Ahmed Omar Salem Al Kourbi	Self	200,000	200,000
	Son 1	71,717	325,429
	Son 2	-	337,585



3. BOARD OF DIRECTORS

3.1. Role of the Board

The board is responsible to the company's shareholders for creating and delivering sustainable value through the oversight of the company's business. In particular, the board is responsible for providing strategic direction, management supervision and adequate controls with the objective of promoting the success and long-term value of the company. The board also plays a central role in the company's corporate governance framework. It is ultimately responsible for ensuring that the company complies with its legal and regulatory obligations, the company's Memorandum and Articles of Association, and its duties to shareholders.

The NMDC board seeks to exercise leadership, integrity and judgement in pursuit of strategic goals and objectives, to achieve long-term sustainability and growth. The board is accountable for the performance and affairs of NMDC. It provides leadership for the company within a framework of prudent and effective controls which allows risks to be assessed and managed. The board has adopted a Corporate Governance Manual, which provides a framework of how the boards operate as well as the type of decisions to be taken by the board and which decisions should be delegated to management.

The NMDC board:

- Approves the company's and its subsidiaries strategy;
- Ensures that the group complies with the applicable laws and regulations;
- Is responsible for the governance of risk, including that of information technology (IT);
- Acts as a focal point for, and the custodian of corporate governance;
- Provides effective leadership on an ethical foundation; and
- Ensures that the company is, and is seen to be, a responsible corporate citizen.

The board meets its objectives by reviewing and guiding corporate strategy, setting the company's values and standards, promoting high standards of corporate governance, approving key policies and objectives, ensuring that obligations to its shareholders and other stakeholders are understood and met, understanding the key risks, determining risk tolerance and reviewing and approving the processes in operation to mitigate risk from materializing, including the approval of the terms of reference of key board committees. To achieve its objectives, the board may delegate certain of its duties and functions to various board committees or the Chief Executive Officer, without abdicating its own responsibilities.

Furthermore, directly or through its subcommittees, the NMDC board:

- Assesses the quantitative and qualitative aspects of NMDC's performance through a comprehensive system of financial and non-financial monitoring involving an annual budget process, detailed monthly reporting, regular review of strategic and operational updates;



- Approves annual budgets, capital plans, projections and business plans. Monitors the company's compliance with relevant laws, regulations and codes of business practice;
- Ensures there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders;
- Identifies and monitors key risk areas and key performance indicators;
- Reviews processes and procedures to ensure the effectiveness of the internal systems of controls;
- Ensures that the company adopt sustainable business practices, including social and environmental activities;
- Monitors and evaluates significant IT investments and expenditure;
- Ensures information assets are managed effectively;
- Ensures that the appropriate risk governance, including IT, is in place including continual risk monitoring by management;
- Ensures the integrity of the company and its subsidiary's integrated report;
- Ensures the induction of, and ongoing training and development of directors; and
- Evaluates the performance of senior management and considers succession planning.

3.2. Composition of the Board

The current Board of Directors were elected by the company's shareholders in the company's Annual General Meeting (held on April 24, 2013). The board is comprised of the following members:

Name	Designation	Membership Category	Year of Appointment
Mr. Mohamed Thani Murshid Al Rumaithi	Chairman	Non-Executive	2007
Mr. Khalifa Mohamed Abdul Aziz Rubaya Al Muhairy	Vice Chairman	Non-Executive	2004
Mr. Abdulla Ali Musleh Al Ahbabi	Member	Independent	2007
Mr. Mohamed Ahmed Al Qamzi	Member	Independent	2013
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri	Member	Independent	2007
Mr. Ahmed Omar Salem Al Kourbi	Member	Independent	2007
Mr. Mohamed Rashed Mubarak Al Kitbi	Member	Non-Executive	2010
Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy	Member	Non-Executive	2007
Mr. Ahmed Saeed Al Mureikhi	Member	Independent	2010

All of the directors' terms of office will expire upon the company's Annual General Meeting in 2016.



All of the above directors are considered as non-executive and/or independent, according to the definitions used in the Corporate Governance Code. In particular, the Code provides that a director is non-executive if they are not dedicated on a full time basis to the management of the company or do not receive a monthly or annual salary from the company. All of the directors satisfy this definition and are thus considered as non-executive directors.

The Corporate Governance Code also provides that a director cannot be deemed to be independent if he/she satisfies any of the following:

- He/she is an employee of any party related to the company during the last two years;
- He/she is directly related to a company that performs consultation business or provides consultation to the company or any parties related thereto;
- He/she enters into personal service contract with the company, any party related to the company or the employees of the executive management of the company;
- He/she is directly related to a non-profit organization that receives a considerable financing from the company or a party related thereto;
- He/she is during the last two years related to or an employee of any external or former auditor of the company or any party related to the company; or
- His/her or his/her minor children's share or the share of both in the capital of the company amounts to ten percent or more.

To ensure their continued independence, directors are required to disclose the nature of their positions with other organizations, including companies and public institutions, and indicate the set term of each position, when they first join the company, and when their positions change.



3.3. Director's Qualification and Experience

The Board of Directors' qualifications and experience are as follows:

Name	Qualification	Exp	Membership in Joint Stock Co	Other Memberships
Mr. Mohamed Thani Murshid Al Rumaithi	Businessman	20+ Years	1. Board member of Aghia Group	1. President of Federation of UAE Chambers of Commerce & Industry 2. Chairman of Abu Dhabi Chamber of Commerce & Industry 3. Chairman of Thani Murshed Uniliver 4. Board member of Emirates Competitiveness Council 5. Board Member of Abu Dhabi Council For Economic Development
Mr. Khalifa Mohamed Abdul Aziz Rubaya Al Muhairy	Bachelor Degree in Accounting & Business Management	20+ Years	1. Chairman of Al-Khazna Insurance Company 2. Board Member, SANAD Insurance & Re-Insurance Co-Operative Company, KSA	1. Chairman and CEO of Al-Rubaya Group 2. Board Member, British Arab Chamber of Commerce, London
Mr. Abdulla Ali Musleh Al Ahbabi	Master of Business Administration	20+ Years	-	1. Undersecretary of Department of Finance 2. Board Member of Abu Dhabi Technology Development Committee 3. Board Member of Abu Dhabi Retirement Pensions and Benefits Fund 4. Board Member of Khalifa Fund for Enterprise Development
Mr. Mohamed Ahmed Al Qamzi	Bachelor of Science in Management, EMBA, PLD	15+ Years	-	1. Deputy Director, Internal Equities ADIA 2. Board Member of Khalidiya Co-operative Society 3. Member of National Consultative Council 4. Chairman/ Member of various committees in ADIA
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri	Businessman	20+ Years	-	1. CEO of Abdul Khaleq Al Khouri & Sons Company. 2. CEO of Milipol International Company.
Mr. Ahmed Omar Salem Al Kourbi	Bachelor of Business Administration	20+ Years	1. Board Member of Ras Al Khaima White Cement Company. 2. Board member of Umm Al Quwain Cement Company 3. Board Member of Ras Al Khaima Poultry and Feeding Company	-
Mr. Mohamed Rashed Mubarak Al Kitbi	Businessman	15+ Years	-	-
Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy	Businessman	15+ Years	1. Board Member and Managing Director of Al-Khazna Insurance Company	1. Managing Director of Electromechanical Company. 2. Board Member of Al-Rubaya Group
Mr. Ahmed Saeed Al Mureikhi	Bachelor of Electrical Engineering	20+ Years	-	-

3.4. Directors Remunerations



3.4. Directors Remunerations

The company's General Assembly determines the remuneration of the board of directors on an annual basis. According to the company's Articles of Association and the Corporate Governance Code, the director's remuneration cannot exceed 10% of the net profits of the company, after deducting 10% of the net profits to the statutory reserve, and paying a first dividend to shareholders of at least 5%.

The Nomination and Remuneration Committee is also required to review, at least annually, the remuneration proposed to be paid to directors, whether in their capacity as members of the board or of board committees, and make recommendations to the board as considered appropriate.

In 2014, the directors were paid a bonus of AED 7.15 million (in aggregate) in respect of the financial year 2013. The Company's Board of Director's have decided that the Board will not receive any bonus or remuneration for the year 2014.

Apart from the above provision for bonuses, no other remuneration or allowances has been paid/proposed to be paid to the board members for attending the meetings of the board or membership remuneration in the committees formed by the board.

3.5. Board of Directors Meeting

The Board of Directors held seven (7) meetings during 2014 on the following dates:

Name	Meeting 1	Meeting 2	Meeting 3	Meeting 4	Meeting 5	Meeting 6	Meeting 7
	07/01/14	24/02/14	23/04/14	15/07/14	01/09/14	23/09/14	16/12/14
H. E. Mohamed Thani Murshid Al Rumaithi	✓	✓	✓	✓	✓	✓	✗
Mr. Khalifa Mohamed Abdul Aziz Rubaya Al Muhairy	✓	✓	✓	✓	✓	✓	✓
Mr. Abdulla Ali Musleh Al Ahbabi	✓	✓	✓	✓	✓	✓	✗
Mr. Mohamed Ahmed Al Qamzi	✓	✓	✓	✓	✓	✓	✓
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri	✓	✓	✓	✓	✓	✓	✓
Mr. Ahmed Omar Salem Al Kourbi	✓	✓	✓	✓	✓	✓	✓
Mr. Mohamed Rashed Mubarak Al Kitbi	✓	✓	✓	✗	✗	✓	✓
Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy	✓	✓	✓	✓	✓	✓	✗
Mr. Ahmed Saeed Al Mureikhi	✓	✓	✓	✓	✓	✓	✓

✓ refers to attendance

✗ refers to absence

The minutes of each board meeting were signed by all directors who attended the relevant meeting. In compliance with the Corporate Governance Code, the Company will endeavor that the board meeting in 2015 and beyond takes place at least once every two months.



3.6. Duties and Competencies of the Board performed by Executive Management

Under the Articles of Association, and by virtue of various resolutions, the Board of Directors of the company have delegated to the other committees of the board, the CEO or other officers, the authority to transact business on behalf of the company. To that end, the board has delegated to the CEO authority to conduct the business of the Company within the UAE and abroad, and to carry out all acts reasonably necessary to fulfil the company's objects with certain financial limits which currently stands at AED 2 million.

Specifically, the CEO holds a special power of attorney dated 11.06.2011 and signed by the Chairman to:

- Sign all correspondence of the company before Governmental and Local Departments;
- Complete legal transactions on behalf of the company in accordance with the company's policies and procedures;
- Address, send and receive notices and warnings on behalf of the company;
- Visit all Federal or Local Departments and establishments for completing and signing all the administrative, legal and judicial requirements of the company's business;
- Sign all bids, tenders, supply contracts and projects contracts executed by the company or on its behalf via subcontracting; and
- Sign sale contracts for selling some materials, vehicles or metals that the company wishes to dispose of and sell to third parties.

3.7. Dealing with Other Concerned Parties

The below table provides the detail of dealings by NMDC with its subsidiary company and with companies related to the members of the board. All transactions with such related parties were carried out in the normal course of business and as per established policies and procedures.

Name of Company	Nature of Transactions	Transactions in 2014 (AED)
Emarat Europe - Fast Building Technology Systems Factory	Supplies	23,991,767
Al Khazna Insurance Company	Insurance Services	12,470,067
Abu Dhabi Engineering Company	Inter Company Services	6,413,207
Al Jazeera Capital Real Estate Investment LLC	Sponsorships	4,166,667
Agthia Group	Supplies	1,200,894
Al Jazira Sports and Cultural Club	Services	508,250
Electromechanical Company	Services	10,128



3.8. Executive Management

The CEO, supported by the management team, is responsible for the day-to-day management of the company's businesses. The table below details the current executive management team at NMDC along with their respective positions, date of appointment and the salaries, allowances and bonuses paid to them for the financial year 2014:

Position	Date of Appointment in current position	Total Salaries & Allowances paid for 2014 (AED)	Bonus for 2014 (AED)
Chief Executive Officer	01-01-2010	2,455,068	Note 1
Chief Operations Officer	18-11-2014	126,284	Note 1
Chief Financial Officer	04-08-2009	1,147,118	Note 1
Chief Projects Officer	13-09-2012 Note 2	1,092,148	Note 1
Chief Technical Officer	13-09-2012 Note 3	1,107,329	Note 1
Chief Organization Development Officer	16-12-2010 Note 4	743,340	Note 1
Chief Supporting Officer	16-12-2010 Note 5	1,223,051	Note 5

Note 1: The Company's Board of Director's have decided that no bonus will be paid to any employees including Executive Management for the year 2014.

Note 2: The Chief Projects Officer resigned from the company effective 31 December, 2014. No bonus would be paid to the Ex- Chief Projects Officer in line with company's policy not to pay bonus to employees who had resigned during 2014.

Note 3: The Chief Technical Officer has been re-designated as Senior Technical Director effective 23 November 2014.

Note 4: The Chief Organizational Officer has been re-designated as Business Advisor effective 01 May 2014.

Note 5: The Chief Supporting Officer has been transferred to one of the Subsidiaries, Emarat Europe Fast Building Technologies LLC as its General Manager effective 30 November 2014. He will not be entitled in the Bonus scheme of the Company.



4. EXTERNAL AUDITORS

4.1. Appointment of External Auditors

The company's external auditor for the year 2014 is KPMG – a global network of professional firm providing Audit, Tax and Advisory services. KPMG has been auditors of NMDC since the financial year 2008.

The Audit Committee, after consideration and evaluation of the various proposals submitted by the professional audit firms had recommended appointment of KPMG as the external auditors for 2014. The recommendations were primarily based on the continuance with the experience of the external auditors and to avoid any potential conflict of interest with the other audit firm (who had recently provided other advisory services to the company). Additionally, the fees quoted by KPMG were evaluated to be the most cost efficient for the company.

KPMG was appointed as the company's auditor by a shareholders' resolution at the company's 2014 Annual General Meeting (held on 29-04-2014).

4.2. External Auditors Independence

The company adopts a policy on external auditors' independence by which the external auditor may not, while assuming the auditing of the company's financial statements, perform any technical, administrative or consultation services or works in connection with its assumed duties that may affect its decisions and independence or any services or works that, in the discretion of SCA, may not be rendered by the external auditor.

The company's policy includes measures to ensure the external auditors' independence, including the following:

- The board nominates the external auditor, generally upon the recommendation of the Audit Committee;
- The appointment of the external auditor is made by a resolution of the company's Annual General Meeting, for a period of one year renewable; and
- The external auditor should be independent from the company and its board and may not be a partner, agent or a relative, even of the fourth degree, of any founder or director of the company.

Management obtains comfort on the independence of the appointed external audit firm through direct inquiry of the firm on the independence of the external audit engagement team.



4.3. External Auditors Fees

External auditors were paid fees for the year 2014 as detailed below.

Name of External Auditors	KPMG Lower Gulf
Years spend as External Auditor for Company	7 years
Fees for review / Audit of financial statements of the Company for 2014 in AED	120,750
Fees for review / Audit of financial statements of the Subsidiaries for 2014 in AED	179,250
Fees for other services except Audit of Financial statement in AED	122,029
Details of any other type of service than audit	Professional Services for issuance of bonds to Tasameem, tax and agreed upon procedures in India and Middle East

During the financial year 2014, no other advisory services were rendered by the external auditors, KPMG.

4.4. Services received from other External Audit Firms

Services received from other external audit firms include:

Service Provider	Nature of Service	Value of Service (AED)
Price Waterhouse Cooper	Fraud Scenario Assessment	939,525
Price Waterhouse Cooper	CEO Consultation	216,742
Deloitte & Touch	Growth Strategy	166,931
Price Waterhouse Cooper (Qatar)	Tax and Custom Advice	73,986
Price Waterhouse Cooper	Professional Fee For Establishing Internal Whistle Blowing System	38,921
Price Waterhouse Cooper (India)	Tax and Regulatory Services in India	33,338
Deloitte & Touch	Training for Revenue	4,776



5. BOARD COMMITTEES

The following board committees have been established by a resolution of the board, and comprise of non-executive/ independent board members:

Name of Board Committee	Members
Audit Committee (AC)	Mr. Mohamed Ahmed Al Qamzi (Chairman) Mr. Mohamed Rashed Mubarak Al Kitbi (Member) Mr. Ahmed Omar Salem Al Kourbi (Member)
Nomination & Remuneration Committee (N&RC)	Mr. Abdul Ghaffar Abdul Khaleq A Khouri (Chairman) Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy (Member) Mr Mohamed Rashed Mubarak Al Kitbi (Member)
Technical Committee (TC)	Mr. Ahmed Saeed Al Mureikhi (Chairman) Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy (Member) Mr. Abdul Ghaffar Abdul Khaleq A Khouri (Member)
Strategic Committee (SC)	Mr. Mohamed Ahmed Al Qamzi (Chairman) Mr. Ahmed Saeed Al Mureikhi (Member) Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy (Member) Mr. Abdul Ghaffar Abdul Khaleq A Khouri (Member)

The company has adopted formal Terms of Reference (charters) for each of these board committees, which deals with the composition, duties, and responsibilities of each committee, amongst other things. These Terms of Reference comply with the requirements of the Corporate Governance Code.

The following governs the relationship between the board and its committees as per the company's Corporate Governance Manual:

- **Reporting to the Board:** Each committee will report regularly to the board about their activities and the exercise of their powers - this includes updating the board at each board meeting of all decisions and resolutions passed by the committees since the last board meeting;
- **Annual Evaluation:** Each committee will evaluate its workings under its relevant Terms of Reference on an annual basis, with a view to improving the workings of the relevant committee or its relationship with the board; and
- **Board Follow-up:** The board will follow up the operations of the committees to ensure that they are adhering to their Terms of Reference.



5.1. Audit Committee

The duties and responsibilities of the Audit Committee according to its approved Terms of Reference are consistent with the governance rules set forth in the Corporate Governance Code. In particular, the Audit Committee has the following key duties and responsibilities:

- Overseeing the integrity of and reviewing the company's financial statements including quarterly and annual reports;
- Developing and applying the policy for selection of external auditors, and following up and overseeing the qualifications, independence and performance of the external auditor;
- Overseeing the qualifications, independence and performance of the company's internal audit staff, and approving the annual audit plan prepared by the internal auditors;
- Reviewing the external and internal auditors' management letters, reports and recommendations, and management responses, and overseeing the implementation of action plans recommended by the Audit Committee;
- Reviewing the company's financial control, internal control and risk management systems;
- Overseeing the scope of the company's compliance with its Code of Conduct and its various legal and regulatory obligations; and
- To review or investigate any allegations of fraud or theft which are brought to the Audit Committee's attention, which are made by or against employees or directors and make appropriate recommendations to the board.

The Audit Committee held eight (8) meetings during the year 2014 to discharge the duties as entrusted to the Audit Committee by the board and the Corporate Governance Code. Following are the details of the Audit Committee meeting held during 2014:

Name	Meeting Dates							
	10/02/ 14	24/03/ 14	22/06/ 14	24/07/ 14	01/09/ 14	28/09/ 14	24/11/ 14	18/12/ 14
Mr. Mohamed Ahmed Al Qamzi (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Khalifa Mohamed Abdul Aziz Rubaya Al Muhairy	×	✓	×	Note 1	Note 1	Note 1	Note 1	Note 1
Mr. Ahmed Omar Salem Al Kourbi	✓	×	✓	✓	✓	✓	✓	✓
Mr Mohamed Rashed Mubarak Al Kitbi	Note 1	Note 1	Note 1	✓	×	✓	✓	✓

✓ refers to attendance

× refers to absence

Note 1: During the Board Meeting on July 15, 2014, the board accepted the resignation from Audit Committee by Mr. Khalifa Mohamed Abdul Aziz Rubaya Al Muhairy and appointed Mr Mohamed Rashed Mubarak Al Kitbi as the new member of the Audit Committee.



The Audit Committee has submitted its Annual Report to the board on the activities that were carried out by the Audit Committee during the year 2014 to discharge the responsibilities entrusted to the Audit Committee.

5.2. Nomination & Remuneration Committee

The duties and responsibilities of the Nomination and Remuneration Committee according to its approved Terms of Reference are consistent with the governance rules set forth in the Corporate Governance Code. In particular, the Nomination and Remuneration Committee has the following key duties and responsibilities:

- Organizing and following up the board nomination procedures in line with the requirements of applicable laws and regulations and of the SCA Corporate Governance Code, in addition to determining the company's needs for qualified staff at the level of senior management and the basis for their selection;
- Verifying the continued independence of independent board members;
- Reviewing and approving, in consultation with the Chairman of the board and/or the Chief Executive Officer, the terms and conditions of the service contracts of executive directors and senior management employees;
- Reviewing at least annually the remuneration (comprising basic salary, other allowances, and any performance-related element of salary or bonus) of the company's employees including the senior management team, and remuneration proposed to be paid to the board directors; and
- Preparing a succession plan for the board and its committees, the Chief Executive Officer, and key members of management.

The Nomination and Remuneration Committee meets as often as required. The Nomination and Remuneration Committee did not meet during the year 2014.

5.3. Technical Committee

The Technical Committee acts on behalf of the board usually when timing is critical, and is authorized by the board to fulfill the objects set out in the company's Memorandum and Articles of Association, including the authorization and negotiation of and entry into legally binding agreements on behalf of the company, in connection with any of the following as per its approved Terms of Reference and the board delegated authorities set therein:

- Entering into share or asset purchase or disposal agreements;
- Entering into or terminating any joint venture arrangements or shareholder agreements with another company or legal entity;
- Entering into any limited or general partnership as a general partner;
- Obtaining commitments to fund;



- Entering into or terminating any financing under which the company accepts a funding commitment in favour of a party outside the company's group;
- Restructuring of the company financing;
- Entering into leasing or licensing agreements; and
- Establishing of special purpose vehicles in appropriate jurisdictions through which the company may conduct its business;

The Technical Committee held three (3) meetings during the year 2014 as detailed hereunder:

Name	Meeting No. 1	Meeting No. 2	Meeting No. 3
	09/01/14	20/11/14	18/12/14
Mr. Ahmed Saeed Al Mureikhi (Chairman)	✓	✓	✓
Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy	✓	✓	✗
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri	✗	✓	✓

✓ refers to attendance

✗ refers to absence

5.4. Strategic Committee

The Strategic Committee is responsible for assisting the NMDC board in fulfilling its oversight responsibilities relating to company's strategic plan and initiatives in support of the strategic plan. The Strategic Committee will assist the board in its oversight responsibilities in relation to the implementation of company's strategy and related transformation and more particularly, the committee shall, without limitation:

- Review and evaluate the company's implementation plan on a periodic basis;
- Review and evaluate the company's operational plans in support of the company's strategic plan, including expansion strategy and acquisition strategy;
- Review and evaluate major unbudgeted expenditure including those relating to contractual arrangements with consultants and advisors;
- Review and assess responses to external developments and factors, such as changes in the economy, industry trends, competition and technology, which may impact the company's strategic plan; and
- Appointment, retirement and redeployment of senior staff resulting from transformational changes.



The Strategic Committee held four (4) meetings during the year 2014 as detailed hereunder:

Name	Meeting No. 1	Meeting No. 2	Meeting No. 3	Meeting No. 4
	14/01/14	09/02/14	20/11/14	18/12/14
Mr. Mohamed Ahmed Al Qamzi (Chairman)	✓	✓	✓	✓
Mr. Ahmed Saeed Al Mureikhi	✓	✓	✓	✓
Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy	✓	✓	✓	✗
Mr. Abdul Ghaffar Abdul Khaleq A Khouri	✓	✓	✓	✓

✓ refers to attendance

✗ refers to absence



6. INTERNAL CONTROL SYSTEM

6.1. System of Internal Control at NMDC

The company's internal control system is established to ensure that the board and management are able to achieve their business objectives in a prudent manner, safeguarding the interests of the company's shareholders and other stakeholders, whilst at the same time minimizing key risks such as fraud, unauthorized business activity, misleading financial statements, un-informed risk-taking, or breach of legal or contractual obligations and also ensuring highest quality achieved in a safe and sustainable environment.

As per the approved Corporate Governance Manual, the board is responsible for ensuring that the company applies a precise internal control system that covers the following key functions being managed by respective heads as detailed hereunder:

Internal Control Function	Head of Department and Designation	Date of Appointment	Qualification	Experience
Internal Audit	Manish Bucha (Head of Internal Audit)	27.05.12	Chartered Accountant Certified Internal Auditor Certificate in Risk Management Assurance Certificate in Corporate Governance, Bachelor of Commerce	Over 15 years of professional experience in the fields of Internal Audit, Risk Assessment and Business Process reviews.
Ethics and Compliance	Hafedh Saif (Ethics & Compliance Officer)	02.12.12	Bachelor of Commerce	Over 25 years of experience in the Finance and Accounting function including development of Policies & Procedures.
Risk Management	Muna Ali Mansoor (Corporate Organization Development Manager)	01.11.2014	Master in strategic Management & Leadership	17 years of experience in Strategy Management and Corporate Performance Management.
Quality, Health Safety and Environment	Ehab Murad (QHSE Director)	19.11.09	Civil Engineer ISO Certifications	Over 20 years of experience in Quality, HSE and Constructions.

Management is responsible for ensuring that adequate internal controls (both financial and operational) are in place and applied to safeguard and manage the assets of the company in an effective and efficient manner.

The board will conduct an annual review of the efficiency of the company's internal control system and the scope of the company's compliance with that system.

6.2. Independent Assessment of Internal Control System

Internal control is designed to mitigate, not eliminate, significant risks faced. It is recognized that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the company through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, and



assurance and control functions such as External Audit, Internal Audit, Ethics and Compliance and Quality, Health, Safety and Environment function. These ongoing processes, which comply with leading practices and the Corporate Governance Code, were in place throughout the year under review and up to the date of approval of the annual report and financial statements.

During the year 2014, the company was subject to the following independent assessments of its internal control system:

- Annual external audit and interim reviews of NMDC consolidated financial statements through KPMG, a professional services firm (latest available interim review is for the third Quarter 2014 ended 30 September 2014, and latest available external audit report is for the year ended 31 December 2013). The external audit work covers assessment of internal controls over financial reporting, although the same does not entail expressing an opinion on the effectiveness of the company's internal control.
- Internal Audit of NMDC business processes and functions through the Internal Audit Department, according to an Internal Audit Plan approved by the Audit Committee. The scope of internal audit for the year 2014 covered both core and support processes at NMDC and were prioritized in accordance with Risk Analysis Methodology.
- Independent external assessment of the Internal Audit Function was carried out in April – May 2014 by the Institute of Internal Auditors (IIA), Florida, USA.

The internal audit procedures are designed on the assumption that the responsibility for a sound system of internal controls rests with management and work performed by internal audit might not lead to identifying all strengths and weaknesses that may exist, but so that any material irregularity has a reasonable probability of discovery. The internal audit procedures also focus on areas as identified by management as being of greatest risk and significance, and the internal audit plan therein is subject to the approval of the Audit Committee.

The internal audit department reports directly to the Audit Committee. Internal audit reports on any control recommendations to senior management and the Audit Committee. The internal audit function considers and includes focus areas for audit in the annual audit plan. Material incidents and losses and significant breaches of systems and controls are reported to the Audit Committee.

External audit function discusses their management letter with the Audit Committee highlighting control deficiencies, if any. Appropriate processes, including review by the audit function, ensure that timely corrective action is taken on matters raised by external audit. Action plan is obtained from the management to remediate the gaps and improve internal controls to avoid similar instances in the future, Internal audit regularly follows up on the implementation of the action plan and reports to the audit committee if not implemented by the due date.

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the board through the Audit Committee and are independently assessed by the internal audit and the compliance functions. Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken. NMDC finance and investor relations coordinate, review and comment on the monthly financial and regulatory reports, and facilitate the interim and annual financial reporting process, including the independent audit process.



All internal control weaknesses noted during the year were discussed with Management and Audit Committee for corrective action. Material internal control deficiencies noted and discussed during the year were in relation to reducing margins from projects and its impact on the profitability of the organization, status of outstanding receivables and the collection efforts being made by the company, status of unbilled amount and the challenges regarding sorting the issues, delays in finalization of financial statements and the consequent delays in submission of the same with the Stock Exchange and the resultant impact on NMDC share trading being suspended by the Stock Exchange.

6.3. Risk Management

The company considers risk management as a core competency throughout the organization. It is committed to maintaining risk management systems and enhancing the organization's ability to manage uncertainty by protecting its assets and safeguarding shareholders' interests whilst ensuring compliance with the applicable laws and regulations.

The company's enterprise risk management framework (ERM) was updated in 2013. The ERM framework has been designed to ensure consistency in the application of ERM in identifying, assessing, monitoring and reporting risks across the organization. In addition, a corporate risk assessment is undertaken annually with the CEO and management committee to determine and evaluate the material exposures facing the company; ensuring risk management is closely aligned to the company's strategic and business objectives.

During the year 2014, a number of workshops were held to identify, assess and rate key risks facing the organization. Based on the outcome of the workshops, detailed risk registers at organizational, departmental and activity level has been formulated. These risk registers captures definition of the identified risks, controls to mitigate the risk, residual risks and action plan to remediate the gaps. Identified risks are reported to the Audit Committee.

The board, through its Audit Committee, also assesses the effectiveness of the overall process for identifying and assessing risks and providing its view to the CEO and management committee.

6.4. Ethics and Compliance

The Company has a designated employee as the Ethics and Compliance Officer. The role of the Ethics and Compliance Officer is to investigate and address any suspected wrongdoings as identified from the whistle blowing system and to verify compliance by the company and its officers and employees with the applicable legal and regulatory requirements (including the resolutions issued by SCA and ADX), the company's internal policies and procedures, and commitments made to third parties (including the company's lenders and counterparties).

The company, in 2013, has developed and implemented policies and procedures on Fraud Control, Whistle Blowing and Investigation. These policies have been formulated to provide employees an opportunity to report in good faith in case they observe any unethical or improper practices in the company. Responsibility for overseeing and implementing the policy has been delegated to the Ethics and Compliance Officer. The company's management also has specific responsibility for facilitating the operation of the policy. A number of workshops were held to spread awareness on fraud control and whistle blowing system to the employees of the company. Incidents reported during the year through the whistle blowing system were adequately investigated and appropriately resolved.



6.5. Quality, Health, Safety and Environment

In addition to above internal control activities, the Quality and HSE functions of the company annually plans and conduct regular audits on Quality and HSE compliance and improvement opportunities. Root causes are identified for issues noted during the audits and reported with corrective and preventive remediation measures. Quality and HSE issues reported are monitored and followed by the function to ensure timely closure of the issues. Periodic summary reports are presented to the executive management on the gaps identified and the remediation measures taken.

The company is also subject to external Quality and HSE audits such as ISO 9001, ISO 14001, ISO 18001 and ISM (International Safety Management).

The Quality function has implemented an Electronic Document Management System (EDMS) as part of document control.



7. COMPANY'S CONTRIBUTION

NMDC recognizes that organizations should not solely focus in making profits; instead there are broader social and environmental considerations that are equally important. In 2014, NMDC has taken numerous initiatives to incorporate social and environmental values into its business and the community it serves. NMDC encourages its managers and employees to be more socially and environmentally responsible.

7.1. Contribution in the Local Community Development

The various initiatives and activities by NMDC to contribute in the development of local community include:

- A partnership with The Abu Dhabi Centre for Technical and Vocational Education and Training (ACTVET); to provide training, guidance and assistance to hire Emiratis in rewarding positions within NMDC and contribute effectively to perform in the UAE workforce.
- Participation by NMDC in the recruitment exhibitions and Tawteen programs to promote Emiratisation.
- Coordination with Abu Dhabi Health Authority (SEHA) through organizing health awareness programs such as blood donations, cancer society and health campaigns
- Visiting and donations to rehabilitation centres catering to the needs of orphans, elderly and the disabled.
- NMDC Hajj program, through which a number of NMDC employees are sent on an all-expenses paid trip for the Hajj.
- Organizing social events during Ramadan Iftar, Eid Al Adha and National Day.
- Official sponsor of the National Day Golf Tournament.
- Organizing of various NMDC family social gathering and sport activities

7.2. Contribution in Environment Protection

The various initiatives and activities carried out by NMDC to protect the environment include:

- Compliance with Abu Dhabi Environmental Agency (EAD) and ANDOC regulations in terms of environmental studies, monitoring, implementation of environmental protection measures, auditing, inspection and reporting of conformances as well as gaps/corrective actions of environmental conditions. These activities were applicable to NMDC base and projects.
- Compliance to requirements of Abu Dhabi Center of Waste Management (CWM) by submitting an annual Waste Reduction Plan to reflect adherence to their New Tariff System and minimizing waste quantities.



- Conducting environmental assessment for each project and continuous monitoring during execution of projects.
- Environmental awareness campaigns (internal as well as external) which include topics on waste management, water and electricity saving measures etc.
- NMDC contributes and celebrates in environment days such as paperless day, earth hour etc. organized by the Environment Agency Abu Dhabi (EAD).
- Use of environmental friendly techniques of recycling and waste management in NMDC's business. Establishment of environmental and health certifications and Environmental Management System in NMDC including ISO 14001 certification.



8. GENERAL INFORMATION

8.1. Monthly Price of the Company's share as compared to General and Sector Index

Statement of company's share price in the market (closing price, highest price and lowest price), General Market Index and Sector Index at the end of each month during 2014:

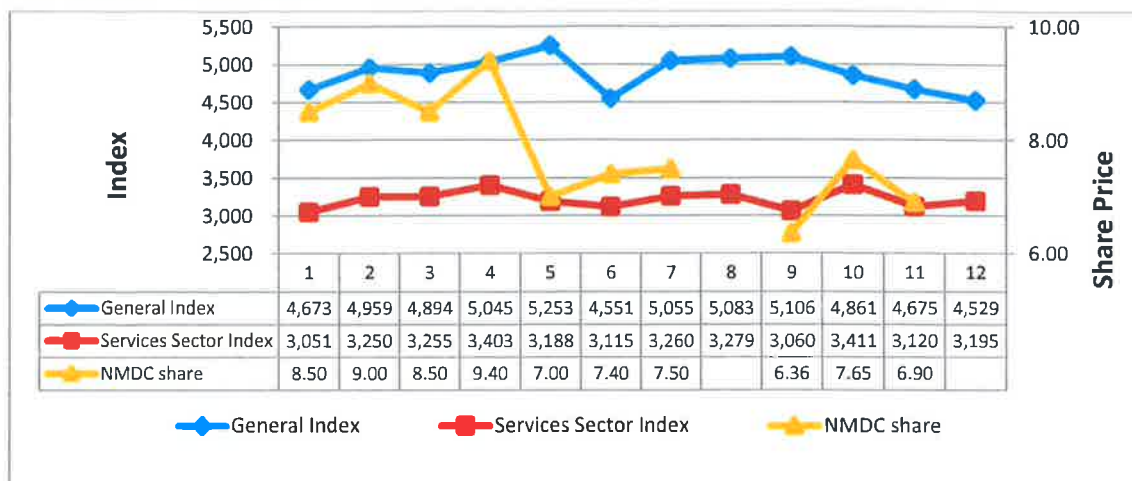
Month	Highest price	Lowest price	Closing price	Services Sector Index	General Index
January	8.5	8.4	8.5	3,050.66	4,673.07
February	9.89	9.00	9.00	3,250.46	4,958.66
March	8.50	8.49	8.50	3,255.49	4,894.42
April	9.40	9.40	9.40	3,402.91	5,044.62
May	7.01	7.00	7.00	3,188.03	5,253.41
June	7.90	7.40	7.40	3,115.33	4,551.02
July	7.50	7.50	7.50	3,260.44	5,054.95
August	-	-	-	3,278.76	5,082.72
September	6.36	6.36	6.36	3,059.66	5,106.29
October	7.65	7.65	7.65	3,410.88	4,861.45
November	6.90	6.90	6.90	3,119.50	4,675.00
December	-	-	-	3,195.08	4,528.93

Note: Trading in NMDC share trading was suspended by the stock exchange w.e.f 16 Aug 2014 owing to non-filing of the Q2 Financial Statement within the due date. Share trading has been resumed w.e.f. 15 Sep 2014 after filing of the Q2 financial statements.

Similarly, trading in NMDC share trading was suspended by the stock exchange w.e.f 16 Nov 2014 owing to non-filing of the Q3 Financial Statement within the due date.



8.2. Chart of the comparative performance of the company share with General Index and Company's Sector Index



8.3. Breakdown of Ownership of NMDC Shares by Nationality and by Category as at 31 December 2014

Shareholding (Nationality)	Individuals Shares	Companies Shares	Government Shares	Total Shares
Locals	85,978,922	80,942,342	79,999,999	246,921,263
GCC	8,179	34,075		42,254
Arabs (Other than GCC)	18,713	-	-	18,713
Foreigners	28,070	2,989,700	-	3,017,770
Total	86,033,884	83,966,117	79,999,999	250,000,000
Percentage	34.41%	33.59%	32%	100%

8.4. Statement of the Company's Shareholders who own 5% or more of the Company's Capital

Shareholder	Number of Shares	Percentage
Abu Dhabi Government – Finance Department	79,999,999	32%
Abu Dhabi United Group For Development and Investment	50,000,000	20.00%
Al Khazna Insurance Company	17,787,316	7.11%

8.5. Statement of significant events encountered by the Company during 2014

During the year 2014, the Company was awarded the prestigious Suez Canal Expansion Project. This project is being carried out by a Joint Venture between NMDC and three of the largest dredging companies in the world. NMDC is the leader of this Joint Venture.

Owing to postponement of certain projects, the Company did not have much project works during the first half of the year. Resultantly, the company suffered losses in the first two quarters of the



year. In the subsequent two quarters good recoveries were made by the Company enabling it to recover the previous losses and ensuring that the company remains profitable for the overall year.

There company encountered certain difficulties in timely closing its financial books during Q2 and Q3. This resulted in delay in consolidation, audit and submission of the audited financial statement with the Stock Exchange. Due to the delays in submission of the Financial Statements with the Stock Exchange, trading in the Company's stock was suspended by the Stock Exchange on two occasions.

8.6. Detail of Violations during 2014

The board met seven (7) times during the financial year 2014 but did not comply with the requirement to conduct a board meeting every two month during the financial year 2014.

The Company delayed submitting its Q2, Q3 and annual financial results with the stock exchange by the due date resulting in its share trading being suspended by the stock exchange for the period 16 August to 14 September and subsequently has been under suspension from 16 November following the delay in submission of Q3 and annual financial statement.

The company has strengthened its procedures in connection with this requirement, and will ensure that such a violation does not occur in future.

Except for above violation, there were no other violations committed during 2014.

Mohamed Thani Murshed Al Rumaithi

Chairman of the Company

