



National Finance

Co. SAOG

Partners in Progress

National Finance Co. SAOG

P.O. Box 1706, Ruwi, PC 112, Muscat, Sultanate of Oman

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www.nationalfinance.co.om

RIGHTS ISSUE PROSPECTUS

Increase of share capital through a Rights Issue of 217,600,000 Shares, at a price of Bzs 127 per Share
(With nominal value of each share being Bzs 100, share premium of Bzs 25 per Share and the issue expenses being Bzs 2 per Share)

Financial Advisor and Issue Manager



Ubhar Capital SAOC

PO Box 1137, CPO, PC 111, Muscat, Sultanate of Oman

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RIGHTS TRADING PERIOD

Trading Opening Date: 01 February, 2018

Trading Closing Date: 13 February, 2018

RIGHTS SUBSCRIPTION PERIOD

Subscription Opening Date: 04 February, 2018

Subscription Closing Date: 19 February, 2018

Legal Advisor



Curtis, Mallet-Prevost, Colt & Mosle LLP

PO Box 1803, PC 114, Muscat

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Collecting Bank



Oman Arab Bank

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This Prospectus has been prepared in accordance with the requirements as prescribed by the Capital Market Authority (the "CMA"). This is an unofficial English translation of the original Prospectus prepared in Arabic and approved by the CMA in accordance with Administrative Decision no. KH/6/2018 dated 17 January 2018. The Capital Market Authority assumes no responsibility for the accuracy and adequacy of the statements and information contained in this Prospectus nor will it have any liability for any damage or loss resulting from the reliance upon or use of any part of the same by any person.

IMPORTANT NOTICE TO INVESTORS

All investors are advised to read this notice

The aim of this Prospectus is to present material information that may assist investors to make an appropriate decision as to whether or not to invest in the shares of National Finance Co. SAOG (“National Finance” or “the Company”) offered hereunder (the “Offer Shares”).

This Prospectus contains all material information and data and does not contain any misleading information or omit any material information that would have positive or negative impact on an investor’s decision as to whether or not to invest in the Offer Shares.

The directors of the Company are jointly and severally responsible for the integrity and adequacy of the information contained in this Prospectus and confirm that to their knowledge appropriate due diligence has been carried out in the preparation of this Prospectus and further confirm that no material information has been omitted, the omission of which would render this Prospectus misleading.

All investors should examine and carefully review this Prospectus in order to decide whether it would be appropriate to invest in the Offer Shares by taking into consideration all the information contained in this Prospectus. Investors should not consider this Prospectus a recommendation by the Company, the Board, Financial Advisor and Issue Manager or the Legal Advisor to subscribe for the Offer Shares. Each investor shall bear the responsibility of obtaining independent professional advice on the investment in the Offer Shares and should conduct an independent evaluation of the information and assumptions contained herein using whatsoever analysis or projections he/she sees fit as to whether or not to invest in the Offer Shares.

It is noteworthy that no person has been authorized to make any statements or provide information on the Company or the Offer Shares other than the persons whose names are indicated in this Prospectus. Where any other person makes any statement or provides information in this Prospectus, it should not be taken as authorized by the Company, Financial Advisor and Issue Manager or the Legal Advisor.



FORWARD-LOOKING STATEMENTS

This Prospectus contains statements that constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward-looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to materially differ from the way implicitly portrayed within this Prospectus. The use of any of the words “aim”, “anticipate”, “continue”, “estimate”, “objective”, “plan”, “schedule”, “intend”, “expect”, “may”, “will”, “project”, “propose”, “should”, “believe”, “will continue”, “will pursue” and similar expressions are intended to identify forward-looking statements. These forward-looking statements are not historical facts but reflect current expectations regarding future results or events and are based on various estimates, factors and assumptions. The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct.

Moreover, forward-looking statements involve inherent risks and uncertainties and speak only as at the date they are made and should not be relied upon as representing the Company’s estimates as of any subsequent date.

The Company cautions investors that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements. These factors include, but are not limited to, the following:

- the level of demand for the Company’s products and services;
- the competitive environment;
- regulatory, legal and fiscal developments;
- any fluctuations in foreign exchange rates, equity prices or other rates or prices;
- the inability to estimate future performance;
- the performance of the Omani economy; and
- other factors described in Chapter 11 of this Prospectus (“Risk Factors and Mitigants”).

The Company cannot provide any assurance that forward-looking statements will materialize. The Company, the Legal Advisor, the Financial Advisor and Issue Manager and any of their respective affiliates, disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless required by securities laws. For a description of material factors that could cause the Company’s actual results to differ materially from the forward-looking statements in this Prospectus, see Chapter 11 (“Risk Factors and Mitigants”) of this Prospectus. The risk factors described in this Prospectus are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the forward-looking statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Data: The Financial Advisor and Issue Manager has not independently verified any of the financial and other data presented by the Company. The financial results have been provided by the Company and is responsible for the same. Please see Chapter 11 (“Risk Factors and Mitigants”).

The Company’s Financial Year commences on January 1 and ends on December 31 of each year.

Currency of Presentation: All references to “Rials” or “RO” or “OMR” are to Omani Rials, the official currency of Oman. The Omani Rial is pegged to the U.S. Dollar and the pegged exchange rate is 1 US\$ = 0.385 Omani Rial. 1 Omani Rial is comprised of 1000 Bzs.

Summary or Extracts of Documents: Any summaries of documents or extracts of documents contained in the Prospectus should not be relied upon as being comprehensive statements in respect of such documents.





ADDITIONAL POINTS TO BE NOTED

Scope of information: The information contained in this Prospectus is intended to provide a prospective Applicant with adequate information relating to the investment opportunity and background information on the Rights Issue. However, this Prospectus does not necessarily contain all the information that a prospective applicant may consider material. The content of this Prospectus is not to be construed as legal, business or tax advice. Each prospective applicant should consult his own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any subscription, purchase or proposed subscription or purchase of the Offer Shares.

Investor due diligence: Prior to making any decision as to whether to subscribe for the Offer Shares, prospective applicants should read this Prospectus in its entirety. In making an investment decision, prospective applicants must rely upon their own examination of the terms of this Prospectus and the risks involved in making an investment.

Equity risk: All equity investments carry market risks to varying degrees. The value of any security can fall as well as rise depending on the market conditions. Potential investors should read the Chapter 11 ("Risk Factors and Mitigants") of this Prospectus.

Restrictions on distribution of this Prospectus: The distribution of this Prospectus and the Offer Shares may, in certain jurisdictions, be restricted by law or may be subject to prior regulatory approvals. This Prospectus does not constitute an offer to sell or an invitation by or on behalf of the Company to subscribe to any of the Offer Shares in any jurisdiction outside of Oman where such offer or invitation would be unlawful. This Prospectus may not be distributed in any jurisdiction where such distribution is, or may be, unlawful. The Company, Financial Advisor and Issue Manager, the Legal Advisor and the Collecting Bank require persons into whose possession this Prospectus comes, to inform themselves of and observe, all such restrictions. None of the Company, the Financial Advisor and Issue Manager, the Legal Advisors or the Collecting Bank accept any legal responsibility for any violation of any such restrictions on the sale, offer to sell or solicitation to subscribe for the Offer Shares by any person, whether or not a prospective applicant, in any jurisdiction outside Oman where such sale, offer to sell or solicitation to subscribe would be unlawful.

Restrictions on use of information contained in this Prospectus: The information contained in this Prospectus may not be published, duplicated, copied or disclosed in whole or in part or otherwise used for any purpose other than in connection with the Rights Issue, without the prior written approval of the Company, the Financial Advisor and Issue Manager.

Disclaimer of implied warranties: Except as required under applicable law and regulations, no representation or warranty, express or implied, is given by the Company, the Financial Advisor and Issue Manager, the Legal Advisor or the Collecting Bank, or any of their respective directors, managers, accountants, lawyers, employees or any other person as to the completeness of the contents of this Prospectus; or of the projections included within it; or of any other document or information supplied at any time in connection with the Offer; or that any such document has remained unchanged after the issue thereof.





TABLE OF CONTENTS

Important Notice to Investors-----	2
Forward-looking Statements -----	3
Presentation of Financial and Other Information -----	4
Additional points to be noted -----	5
Definitions and Abbreviations -----	8
CHAPTER 1 - General Information on the Issue and the Issuer -----	11
CHAPTER 2 - Objective of the Issue and Use of Proceeds -----	15
CHAPTER 3 - Company's Objects and Approvals -----	17
CHAPTER 4 - Shareholding Details-----	22
CHAPTER 5 - Oman Economic Outlook-----	23
CHAPTER 6 - Description of the Company and Business Overview -----	29
CHAPTER 7 - Financial Highlights-----	45
CHAPTER 8 - Share Price Movement and Dividend Policy -----	47
CHAPTER 9 - Price Justification-----	49
CHAPTER 10 - Related Party Transactions-----	51
CHAPTER 11 - Risk Factors and Mitigants -----	52
CHAPTER 12 - Corporate Governance, Organization & Management of the Company ---	60
CHAPTER 13 - Audited Financial Statements for 2016 -----	70
CHAPTER 14 - Unaudited Financial Statements For Nine Months ended 30 th Sep 2017 --	78
CHAPTER 15 - Rights and Liabilities of Shareholders-----	82
CHAPTER 16 - Subscription Conditions and Procedures -----	85
CHAPTER 17 - Time Table -----	93
CHAPTER 18 - Undertakings -----	95

DEFINITIONS AND ABBREVIATIONS

Additional Shares	Additional Offer Shares applied for by a Shareholder in addition to such Shareholder's rights entitlement.
Allotment Date	The date on which the Financial Advisor and Issue Manager completes the allotment of the Offer Shares to the Applicants, in consultation with CMA.
Applicant / Subscriber	Shareholders who are eligible as at the Record Date for subscription to the Rights Issue or a person who has purchased a rights entitlement through the MSM and who submits their completed Application Form to the Subscription Bank on or before the issue closing date.
Application Form	The application form required to be completed by an Applicant.
Articles of Association	The articles of association of the Company, as approved by CMA and MOCI.
Board / Board of Directors	The board of directors of the Company as elected, from time to time, by the Shareholders in accordance with the provisions of the Articles of Association, the CCL and the applicable rules and regulations issued by the CBO and the CMA.
BVS	Book Value per share
Bzs	Baizas, 1000 Baizas in a RO.
CAGR	Compounded annual growth rate.
CBO	The Central Bank of Oman.
CCL / Commercial Companies Law	The Commercial Companies Law of the Sultanate of Oman promulgated by Royal Decree Number 4/74, as amended.
CMA	The Capital Market Authority of Oman.
Code	The CMA code of corporate governance for public joint stock companies issued by circular 4/2015 in June 2015.
Collecting Bank / Subscription Bank	Oman Arab Bank



Commercial Register	Commercial Register, maintained by the MOCI pursuant to the Commercial Register Law (Royal Decree 3/74).
Company/Issuer/ National Finance	National Finance Co. SAOG
EPS	Earnings per share.
Executive Regulations	Executive Regulations of The Capital Market Law issued by Decision No. 1/2009.
Extraordinary General Meeting or EGM	An extraordinary general meeting of the Shareholders held in accordance with the provisions of Articles 123 and 124 of the CCL.
Extra Ordinary General Meeting Resolution	The resolution passed by the Shareholders in the Extra Ordinary General Meeting held on December 14, 2017 approving the Rights Issue.
Financial Advisor and Issue Manager	Ubhar Capital SAOC
FY / Financial Year	The financial year of the Company which commences on the 1 st of January and ends on the 31 st of December of the same year.
GCC	The Gulf Cooperation Council.
General Meeting	An OGM or an EGM.
Government	The Government of Oman.
MCDC	The Muscat Clearing & Depository Company (SAOC).
MOCI	The Ministry of Commerce and Industry of Oman.
MSM	The Muscat Securities Market of Oman.
OCCI	The Oman Chamber of Commerce and Industry.
Offer Shares	The Shares that are the subject of the Rights Issue.
Oman/ the Sultanate	Means the Sultanate of Oman.
OOLC	Oman Orix Leasing Company SAOG
Ordinary General Meeting or OGM	Means a general meeting of the Shareholders other than an EGM.

Prospectus	This prospectus of the Rights Issue, as approved by the CMA.
QoQ	Quarter on Quarter
Record Date	Means 25 th January, 2018, being the date as on which the shareholders whose names are registered in the MCDC records will be eligible to subscribe to the Rights Issue.
Rial Omani / RO / OMR	Means the lawful currency of Oman.
Rights Issue	The rights issue of the Offer Shares, the purpose of which and the terms and conditions of which are set out in this Prospectus.
Shares	The ordinary shares of the Company with a nominal value of RO 0.100.
SME	Small and medium-sized enterprises
Shareholders	The shareholders of the Company.
Subscription Price	The subscription price per Offer Share payable by an Applicant as stated in this Prospectus.
US\$ / US Dollar	United States Dollars, the lawful currency of the United States of America.
YoY	Year on Year
9M2017	Nine (09) month period elapsed from Jan 1, 2017 to Sep 30, 2017



CHAPTER 1 - GENERAL INFORMATION ON THE ISSUE AND THE ISSUER

Name of the Issuer	National Finance Co. SAOG
Commercial Registration No	1263366
Principal place of Business	Postal Address: P.O. Box 1706, Ruwi 112, Oman
Company's Duration	Unlimited
Financial Year	Financial year commences on 1st January and ends on 31st December of the same year
Ordinary Shares	Equity shares carrying the right to a single vote per share at General Meeting (OGM and EGM) of the Company
Authorized Share Capital	The authorized share capital of the Company is RO 75,000,000 divided into 750,000,000 Shares of Bzs 100 each.
Issued & Paid up Capital (prior to the Rights Issue)	The issued and fully paid up share capital of the Company is RO 27,925,912.600 divided into 279,259,126 Shares of Bzs 100 each.
Issued and Paid up Share Capital of the Company (Post Rights Issue)	The issued and fully paid up share capital of the Company shall be RO 49,685,912.600 divided into 496,859,126 Shares of Bzs 100 each after the Rights Issue, assuming full subscription of the Rights Issue.
Nominal Value of the Shares	Bzs 100 per Share.
Total Number of Shares offered for Subscription	217,600,000 Shares at the Subscription Price of 127 Bzs per share (including nominal value of 100 Bzs per share, share premium of 25 Bzs per share and issue expenses of 2 Bzs per share) as of the Record Date, aggregating RO 27,635,200 (Omani Rial Twenty Seven Million Six Hundred Thirty Five Thousand Two Hundred Only).

Unsubscribed Shares	<p>Offer Shares that are not subscribed for by Shareholders will be allotted to Shareholders that have applied for Additional Shares in accordance with the provisions of this Prospectus titled "Subscription Conditions and Procedures". If the total Additional Shares applied for by the Applicants is less than the extent of under-subscription in the Rights Issue, all eligible Applicants will receive an allotment to the full extent of Additional Shares applied for by them and the Board of Directors shall reduce the increase in share capital equivalent to the value of the Offer Shares that remain unsubscribed.</p>
Issue Expenses	<p>An amount of 2 Bzs per Offer Share is payable by an applicant towards issue expenses. The total issue expenses are estimated at RO 77,600/.</p>
Eligibility for Subscription	<p>Each Shareholder is entitled to subscribe for such number of Offer Shares that is equal to 779.205 Shares for every 1000 Shares (77.9205%) held by the Shareholder as at the Record Date duly rounded as per MCDC procedure. Subscription for the Rights Issue is open to the Shareholders appearing on the Company's register held by the MCDC as at the Record Date. Persons who purchase a rights entitlement on the MSM before the end of the rights trading closing date are also eligible to subscribe for the Offer Shares before the subscription closing date.</p>
Application for Additional Shares	<p>Shareholders as on the Record Date may apply for Additional Shares and shall fill in the required details in the Application Form and submit it to the Collecting Bank along with the requisite subscription amount.</p> <p>A Shareholder who does not subscribe to his full rights entitlement or sells his rights entitlement (either in part or in full) is <u>not eligible</u> to apply for Additional Shares.</p> <p>A person who is not a Shareholder as on the Record Date and has bought a rights entitlement is <u>not eligible</u> to apply for Additional Shares.</p> <p>Any allotment of Additional Shares shall be subject to availability and regulatory approvals and shall be on a pro-rata basis proportionate to the number of Additional Shares applied for. (Please refer Chapter 16 for full details).</p>



Record Date	25 th January 2018
Refund of rejected application money	The refund of rejected application amounts, if any, shall be made to the respective bank account of the Applicant, within 15 days of the closure of the Rights Issue.
Purpose for which the proceeds of the Subscription would be utilised	Issue proceeds will primarily be used to partially finance the cash buyout portion of the purchase consideration for the proposed merger with Oman Orix Leasing Company SAOG. Please refer to Chapter 2 (Objective of the Issue, Utilisation of Proceeds and Issue Proceeds) and Chapter 6 (Description of the Company and Business Overview) for further details.
Permissible Level of Foreign Shareholding	It is permissible for non-Omanis to own up to 70% of the Share Capital of the Company in accordance with the Articles of Association. GCC nationals and GCC owned companies shall be treated on par with Omani nationals in respect of ownership of and trading in shares and establishment of companies in Oman pursuant to Ministerial Decision 205/2007 dated 1 st December 2007.
Commencement Date for Trading of the Rights Shares	1 st February, 2018
Closing Date for Trading of the Rights Shares	13 th February, 2018
Subscription Opening Date	4 th February, 2018
Subscription Closing Date	19 th February, 2018
Listing	Since the Company is already listed on the MSM, the Offer Shares shall also be listed on the MSM.
Regulatory Approvals for the Rights Issue	<ul style="list-style-type: none"> Approval received from the CBO relating to Rights Issue vide letter Ref: BDD/IBS/NFC/2017/5750, Dated: December 14, 2017. Final approval received from the CBO relating to the merger vide letter Ref: BDD/IBS/NFC/2017/5691, Dated: December 14, 2017. Approvals received from the CMA vide CMA Administrative Decision No. KH/6/2018 Dated: January 17, 2018.

Allotment	<p>The Offer Shares shall be offered to the Shareholders as at the Record Date based on the number of Shares registered in their name(s) as of that date. The Offer Shares shall be allotted to the extent that such Shareholders have submitted valid Applications and to Applicant(s) who have acquired a rights entitlement to apply for the Offer Shares through transactions recorded at the MSM and who have made valid Applications. Allotment is subject to valid subscriptions, receipt of valid Application Forms and regulatory approvals.</p> <p>Offer Shares that are not subscribed for by Shareholders will be allotted to the Shareholders that have applied for Additional Shares in accordance with the provisions of Chapter 16 ("Subscription Conditions and Procedures").</p>
Financial Advisor & Issue Manager	<p>Ubhar Capital SAOC PO Box 1137, CPO, PC 111, Sultanate of Oman Ph: 24949000: Fax: 24949099 www.u-capital.net</p>
Statutory Auditors (from 2016)	<p>KPMG 4th Floor, HSBC Bank Building MBD, P.O. Box 641, P.C. 112, Sultanate of Oman Tel.: 24709181, Fax: 24700839 www.kpmg.com</p>
2012-2015	<p>PricewaterhouseCoopers LLC PO Box 3075, PC 112, Sultanate of Oman Ph.: +968 2455 9110; Fax: +968 2456 4408 www.pwc.com/me</p>
Internal Auditor	<p>Horwath Mak Ghazali LLC 8th Floor, Trade Centre Building, MBD East, Ruwi P.O.Box 971, PC 131, Sultanate of Oman Tel.: +968 2481 3989, Fax : +968 2481 3915 www.crowehorwath.net</p>
Legal Advisor to the Rights Issue	<p>Curtis, Mallet-Prevost, Colt & Mosle LLP P.O. Box 1803, P.C. 114, Muscat, Sultanate of Oman Tel: +968 2456 4495, Fax: +968 24 564 497 www.curtis.com</p>
Collecting Bank	<p>Oman Arab Bank PO Box 2010, PC 112, Muscat, Sultanate of Oman Ph.: +968 24754340: Fax: +968 24125128 www.oman-arabbank.com</p>



CHAPTER 2 - OBJECTIVE OF THE ISSUE AND USE OF PROCEEDS

2.1 Objective of the Rights Issue and Use of Proceeds

National Finance is in the process of acquiring Oman Orix Leasing Company SAOG (OOLC) through a proposed merger by incorporation. The merger is aimed at enhancing National Finance's presence through increase in customer reach, service and enable expansion through launch of new products. The existing shareholders of OOLC would be paid by way of either of following, at their option:

- (i) Shares in National Finance at a swap ratio which will be based on the book value per share of OOLC to the book value per share of National Finance in accordance with the audited financial statements as on 31st December 2017; or
- (ii) Cash payment equating to a price 1.20x the ending book value of OOLC as at 31st December 2017 net of adjustments, if any.

The purpose of the Rights Issue is to enable the Company to partially finance the purchase consideration for cash buyout portion of the merger. The Company aims to raise RO 45,835,200 (Rials Omani Forty Five Million Eight Hundred and Thirty Five Thousand and Two Hundred only) through a combination of Rights Issue of RO 27,635,200 (Omani Rial Twenty Seven Million Six Hundred Thirty Five Thousand Two Hundred Only) and Perpetual Bonds of RO 18,200,000 (Rial Omani Eighteen Million and Two Hundred Thousand Only). This Rights Issue will raise the share capital of National Finance to RO 49,685,912 (Rials Omani Forty Nine Million Six Hundred and Eighty Five Thousand Nine Hundred and Twelve only), assuming full subscription. To the extent that the cash buyout consideration exceeds RO 45,835,200, the shortfall will be met from the Company resources.

The Company expects over 88% of OOLC's shareholders to opt for the cash option.

2.2 The estimated cost of the Rights Issue

The cost of the Rights Issue is estimated to be RO 77,600/- (Rials Omani Seventy Seven Thousand and Six Hundred Only), which is equal to approximately 0.28% of the total gross proceeds of the Rights Issue, assuming full subscription. The issue expenses of the Rights Issue will be met from the amounts collected from applicants at 2 Bzs per Offer Share. To the extent that the issue expenses are less than the amounts collected from the Applicants, any surplus will be retained by the Company and credited to its legal reserve or a special reserve to be established pursuant to Article 106 of the CCL. The breakdown of the estimated costs and expenses of the Rights Issue is contained in the following table:

Particulars	Rial Omani
Financial Advisor, Issue Manager Fees	45,000
Collecting Bank Fees	5,000
Legal Fees	4,000
CMA	13,600
Marketing, Advertising, Printing & Publicity	5,000
Other Expenses including Processing, Postage	5,000
TOTAL	77,600*

**These are estimates and may change as per the actual*





CHAPTER 3 - COMPANY'S OBJECTS AND APPROVALS

3.1 Overview

National Finance Co. SAOG ("National Finance" or the "Company") is one of the leading finance and leasing Companies in Sultanate of Oman. Established as a joint stock company in 1987, National Finance is engaged in the business of lease finance, working capital loans and debt factoring services. National Finance is regulated by the Central Bank of Oman (CBO) and as a listed Company also governed by regulations of Capital Market Authority (CMA), Oman. The Company is listed on Muscat Securities Market (MSM).

For more information visit www.nationalfinance.co.om.

3.2 Objects of the Company

Under the Articles of Association, the objectives for which the Company is established are as stated below:

- (a) To carry on the business of leasing, hire purchase, lease and lease financing, lessors and licensors of movable, immovable and other assets and properties including industrial or all various properties including industrial or other plants, machinery, fittings and fixtures, tools, apparatus, utensils, materials and things for any purpose whatsoever including but not being limited to civil, industrial, commercial, agricultural and transportation equipment, medical and scientific apparatus, use of natural resources, whatsoever;
- (b) To acquire moveable and immoveable properties and assets for the purposes of lease, hire purchase, licence or sale, hire, let on hire on such terms, conditions, consideration or extent as may appear feasible and for the purposes to acquire right, title or interest in such manner or to such extent in the property or properties, asset or assets so also to acquire permanent or temporary rights in properties and assets or otherwise to obtain control of such property under various financing arrangements;
- (c) To generally operate as a lease, hire purchase and sale financing company and also carry on the functions of planning, promoting, development and organizing schemes for the establishment of industrial, commercial, trading, agricultural and mining services;
- (d) To advance or borrow money with or without security, upon such terms as may be arranged, and also to make advances or borrowings upon any securities or investments or on the security of any property whether movable or immovable or any interest therein, in the Sultanate of Oman or in any foreign country or state; and

- (e) Import, export, and act as agents and commercial representatives.
- (f) To act as insurance agent.

For achievement of its objects the Company shall have the right:-

- 1) To draw, make, accept, endorse, negotiate, discount and execute promissory notes, bills of exchange and other negotiable instruments and commercial or trading documents concerning the business of the Company;
- 2) To form, promote, organize and assist or aid in forming, promoting, subsidizing, organizing or aiding companies, syndicates or partnerships of all kinds for the purpose of acquiring, obtaining on lease, license or hire, the properties of the Company or any other company or of advancing directly or indirectly the objectives thereof or for any other purpose which the Company may think expedient and to take or otherwise acquire, hold and dispose of shares, debentures and other securities in or of any such company and to subsidize or otherwise assist any such company, without indulging in investment business;
- 3) To enter into any contract, agreement or arrangements with the Government of the Sultanate of Oman, or local authorities or any other person, which may seem conducive to the Company's objects or any of them and to obtain from any such Government, Authority or person any concessions, grants or decrees, rights or privileges whatsoever which the Company may think fit or which may seem to the Company capable or being turned to account and to comply with, work, develop, carry out, exercise and turn to account any such arrangements, concessions, grants, decrees, rights or privileges;
- 4) To guarantee, indemnify or become liable for the payment of money or for the performance of any obligation by any other company, firm or person and to give any kind of security for the payment of such money or the performance of such obligation by such other company, firm or person and generally to transact all kinds of guarantee business and counter-guarantee business and for the aforesaid purposes to enter into any contract or contracts of suretyship either alone or with co-sureties and in any such contract of suretyship to waive all or any of the privileges to which sureties are by law entitled, and to secure if necessary any obligation or obligations undertaken by the Company as guarantor or co-guarantor or otherwise by mortgage, charge, assignment or otherwise of the whole or any part of the undertaking, property, assets or revenue of the Company present or future;
- 5) To issue and deposit any securities which the Company has power to issue by way of mortgage, to secure any sum less than the nominal amount of such securities, and also by way of security for the performance of any contracts or obligations of the Company or of its customers or other persons or corporations having dealings with the Company or in whose business or undertakings the Company is interested, whether directly or indirectly;



- 6) To invest and deal with the monies of the Company not immediately required by the Company, in such manner as may from time to time be determined;
- 7) To sell, improve, manage, develop, exchange, lease, mortgage, enfranchise, dispose off, turn to account, or otherwise deal with, all or any part of the business or property or any rights of the Company either together or in portions, for such consideration as the Company may think fit;
- 8) To purchase or otherwise acquire or take on lease or licence land and buildings for the purposes of the Company and or to sublet, lease or sell the land and buildings so acquired and to provide any management services for any such land or buildings howsoever acquired;
- 9) To acquire shares in any other company whose objectives are related to those of this Company and to do any deed which may benefit the Company whether inside or outside the Sultanate of Oman;
- 10) To merge with or participate in any company or corporation of which some or all of its objects are related to the Company's objects or the Company has a commercial interest in the same and to purchase any company in order to acquire its business;
- 11) To develop and turn to account any land acquired by the Company or in which it is interested, and in particular by laying out and preparing the same for building purposes, constructing, altering, pulling down, decorating, painting, setting up and improving buildings and conveniences and by planting, paving, draining, farming, cultivating, letting out buildings on lease or rent, and by advancing money to and entering into contracts and arrangements of all kinds with builders, tenants and others;
- 12) To distribute amongst the members of the Company in specie any property of the Company and in particular any shares, debentures or securities of other Companies belonging to the Company or of which the Company may have the power to dispose;
- 13) To do all such other things as are incidental or conducive to the above objects or any of them;
- 14) In furtherance of the Company's objects to enter into contracts with individuals or companies within or outside the Sultanate of Oman for the management of all or part of its operations and activities, or for assistance in such management by local and foreign sources of expertise; and
- 15) In furtherance of the Company's objects to perform all acts, enter into all contracts and dealings and do all things necessary, suitable, convenient or proper for the accomplishment thereof which are permissible under the laws of the Sultanate of Oman in force from time to time.

3.3 Licenses

The Company presently holds the following material licenses:

Authority	Description	Issue Date	Expiry Date
MOCI	Commercial Registration Certificate Number: 1263366	14/9/1987	30/12/2020
CBO	Restricted Finance Company License	16/05/2005	Ongoing as per Banking Law of Oman (Royal Decree 114/2000)
OCCI	Membership Certificate Number 617	1/1/2018	31/12/2019

3.4 Corporate and other approvals obtained

3.4.1 EGM Approval

The following has been approved by the shareholders of the Company at the Extra Ordinary General Meeting held on 14th December 2017:

- merger by incorporation of OOLC into the Company in accordance with the provisions of the Commercial Companies Law.
- consideration for the merger as follows:
 - authorized the Board of Directors to issue additional shares of the Company within the limit of the authorized share capital of the Company to the shareholders of OOLC merging with National Finance, at a swap ratio which will be based on the book value per share of OOLC to the book value per share of National Finance in accordance with the audited financial statements as on 31st December 2017; or
 - payment of cash consideration to the shareholders of OOLC opting for cash equating to a price of 1.20x the ending book value of OOLC, as at 31st December 2017, net of adjustments, if any.
- authorized the Board of Directors to do all such acts and take decisions which may, in the Board's sole discretion be deemed necessary to complete the Merger, including but not limited to sign all documents, file and register any documents with any relevant authorities.
- increase in the authorized share capital of the Company from RO 30,000,000 to RO 75,000,000.
- increase in the issued share capital of the Company from RO 27,925,912 to RO 49,685,912 by issuing, on a rights issue basis, 217,600,000 new shares to the shareholders of the Company at a price of 127 baiza per share (including nominal value of 100 baiza, a share premium of 25 baiza and 2 baiza to cover



the issue expenses), subject to regulatory approval and authorized the Board of Directors to undertake all actions necessary to conclude this transaction including the appointment of the relevant advisors for the transaction.

3.4.2 Appointment of Advisors

The Company has appointed the following advisors for the Rights Issue:

- The Company has appointed Ubhar Capital SAOC as the Financial Advisor and Issue Manager
- The Company has appointed Curtis, Mallet-Prevost, Colt & Mosle LLP as the Legal Advisor

3.4.3 Board Approval

- On 15 January, 2018, approved to set record date for the Rights Issue as 25 January, 2018.
- On 15 January, 2018, authorized two directors to sign the Prospectus for the Rights Issue.

3.4.4 Regulatory Approvals

- The CBO granted its approval of the Rights Issue vide letter Ref: BDD/IBS/NFC/2017/5750, Dated: December 14, 2017.
- Final approval received from the CBO relating to the merger vide letter Ref: BDD/IBS/NFC/2017/5691, Dated: December 14, 2017.
- The CMA has approved the issue and the prospectus as per details stated on the first page.

3.5 Changes in Share Capital

The change in Company's equity capital during the last six years;

Year	Paid-up capital opening balance RO 000s	Distributions of bonus shares RO 000s	Rights Share Issue	Paid-up capital end of the year RO 000s
2017	27,113	813	-	27,926
2016	26,323	790	-	27,113
2015	25,681	642	-	26,323
2014	25,055	626	-	25,681
2013	25,055	-	-	25,055
2012	17,555	-	7,500	25,055

CHAPTER 4 - SHAREHOLDING DETAILS

The significant shareholders as at 30th September, 2017 owning 5% or more of the paid-up capital of the Company are as follows:

Name	Nationality	Class of Equity	Number of Shares	Percentage
Al Hilal Investment Co. LLC	Omani Company	Equity Shares	109,991,434	39.39%
Oman International Development and Investment Company SAOG	Omani Company	Equity Share	71,389,433	25.56%

4.1 Profile of Shareholders:

- **Al Hilal Investment Co. LLC**

Al Hilal Investment Co. LLC was incorporated in 1990 and is specialized arm of Zubair Corporation to play an important role in its investment activities. The Company monitors Corporation's core investments, trades in marketable investments, provides support to the Corporation for raising resources. Al Hilal has significant holdings in a number of publicly listed companies on the Muscat Securities Market.

Zubair Corporation is also ably assisted by Al Hilal with a variety of services including raising cash resources for various entities within the group analyzing investment proposals and providing recommendations, and maintaining a data bank for tracking investments. Al Hilal's major associates in Oman are Oman International Development and Investment Co. SAOG (Ominvest) and National Finance Co. SAOG.

- **Oman International Development and Investment Company SAOG (Ominvest)**

Ominvest is amongst the longest listed and established investment companies in Oman and Gulf region. It has built its success on the solid foundations of consistent performance from its portfolio of investments within and outside the Sultanate over the 30 years of its existence. The Company's current strategy consists of the following major categories of business: (i) Direct investment in Companies, (ii) Projects and Private Equity, (iii) Real estate investments, and (iv) Capital Market Investments.

Ominvest follows world class standards of corporate governance. The Company is consistently ranked amongst the top 20 businesses operating within the Sultanate of Oman according to the Sultanate's leading business publication, Oman Economic Review.



CHAPTER 5 - OMAN ECONOMIC OUTLOOK

5.1 Background

Strategically positioned at the crossroads of Asia and Europe, Oman has historically been a center of trade and commerce. With a population of 4.63 million as on December 2017, spread over a land area of 309,500 square km, Oman is a country with stable political, economic and social systems. The country has created a strong infrastructure, healthcare, communication, international trade network and advanced transportation systems on the backbone of a flourishing oil-based economy. The continued focus of the Government to diversify the economy and gradually reduce its dependence on oil, has witnessed a steady growth of the non-oil sectors. Currently, according to the data published by the National Centre for Statistics & Information, petroleum activities contributed about 33% of the Gross Domestic Product ("GDP") at current market prices as at June 2017. The Omani Rial is pegged to the U.S. Dollar at a fixed exchange rate of 1 RO = 2.6008 US\$.

5.2 Economy

IMF believes that upswing in economic activity is strengthening, with global growth projected to rise to 3.6% in 2017 and 3.7% in 2018. Broad-based upward revisions in the euro area, Japan, emerging Asia, emerging Europe, and Russia more than offset downward revisions for the United States and the United Kingdom. But the recovery is not complete: while the baseline outlook is strengthening, growth remains weak in many countries, and inflation is below target in most advanced economies.

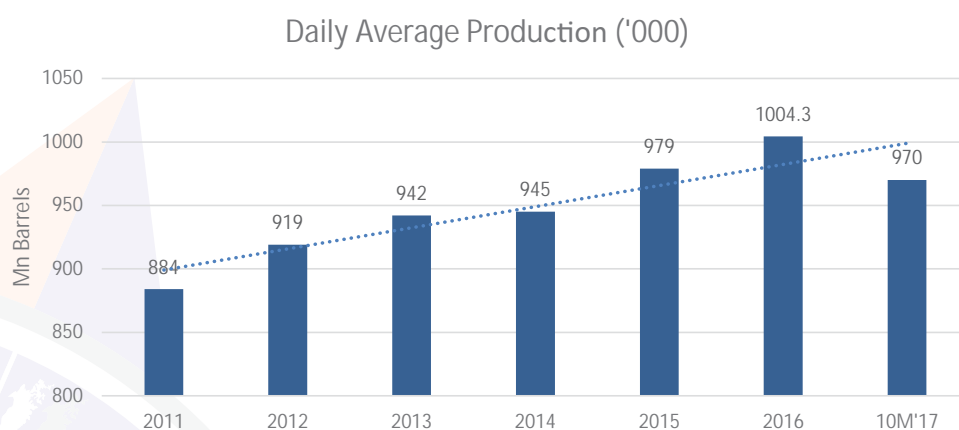
Oil prices remain the key driver of the outlook for MENA oil exporters given their high dependence on hydrocarbon budget revenues and exports. Having hit a 10-year low of less than \$30 a barrel in January 2016, oil prices have staged a credible recovery to about \$60 - \$65 a barrel. As per Bloomberg, oil prices averaged \$54.7 a barrel in 2017 and consensus estimates are in the range of \$58 - 62 a barrel for 2018. However, considerable uncertainty surrounds the oil price outlook on both the downside and upside, resulting from the global growth risks, sharp swings in the amount of oil supply outages, and ongoing consolidation and efficiency gains in the U.S. shale oil industry. Apart from oil prices, the region's economic growth has been adversely impacted by regional conflicts such as the ongoing wars in countries such as Syria, Iraq and Libya.

The sharp and sustained decline in oil prices since mid-2014 has put significant pressures on the economy of Oman. However, the economy has withstood the pressures without much damage. This has been possible because of the high fiscal buffers, high capital requirements with the commercial banks and low level of government debt. Nevertheless, the prevailing global economic conditions and diminished fiscal space in oil exporting countries including Oman are a cause of

some concern. As a result of the twin deficits (budget and current account) since 2015 and the subsequent rating downgrades, Oman has introduced fiscal reforms in order to consolidate its fiscal position in the medium term.

Oman's net Government debt is relatively small and remains manageable although the IMF predicts that this will deteriorate further in the coming years. This may require significant reduction in current spending, an increase in oil prices in the short to medium term, strengthening of the institutions and restructuring of the economy in the long run. The Government has taken some important steps to mitigate the adverse impact of the decline in oil revenue in previous years. These include cuts in subsidies, wages and benefits, defence and capital investments. Also, the government plans to introduce Value Added Tax in 2019. These measures along with the drawing down of reserves and additional borrowings both domestically and in the international market are expected to improve the financial stability of the country.

Oman Oil production and Oil prices

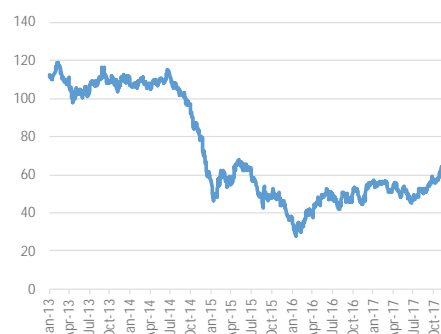


International Crude Oil Prices

WTI (NYMEX) Price \$60.42



Brent Crude Oil (ICE)- \$66.87



December 31, 2017

Source: Bloomberg



Oman economic performance

Low level of oil prices during the past couple of years raised several challenges to the Omani economy which impacted overall economic activity. Economic growth moderated in 2016 to about 3%, from 4.2% in 2015, with non-hydrocarbon growth slowing from 4.2% to 3.4% given the continued impact of low oil prices. IMF expect overall growth will remain flat in 2017, as the oil production cuts agreed with OPEC will fully offset the 2.5% growth in the non-hydrocarbon sector. Governments efforts to turn the goals of the 9th Development Plan into concrete actions through the Tanfeedh implementation process will aid in the development of non-hydrocarbon sector growth. Successful implementation of these initiatives will boost medium-term growth prospects. We expect non-hydrocarbon growth to average about 3.5% over the medium term. Improving the business environment, including by streamlining regulatory processes and increasing the level of vocational skills, will support efforts to increase private sector employment. While inflation is expected to increase in 2017 reflecting an expected increase in imported food prices and the continued impact of subsidy reforms, it should moderate subsequently.

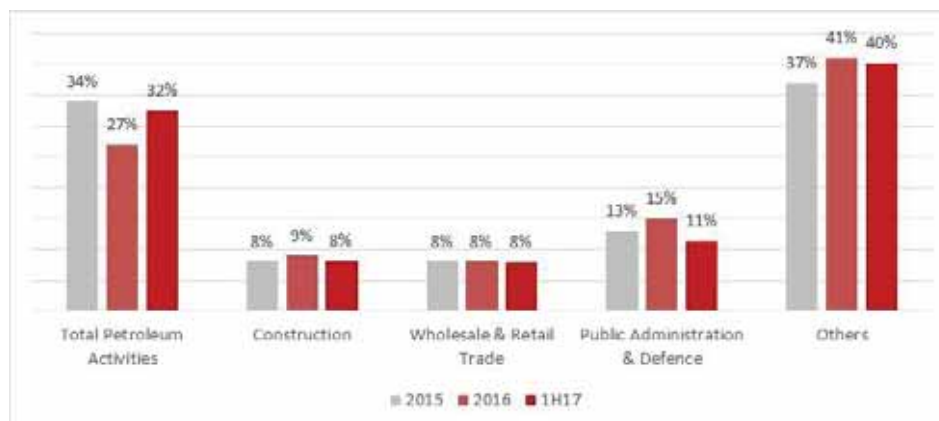
(Source: IMF Regional and Article IV Oman Report 2017)

Oman Public Finance for 10M'17 showed a deficit (before means of financing) of RO 3.2bn representing a decline of 33.4% (i.e. RO 1.6bn) on yearly basis as per the National Center for Statistics and Information. Post means of financing the remaining Surplus stood at RO 1.75bn compared with only RO 550.6mn in 10M'16. Net loans (not including net local loans) formed 82.9% of total loans compared with 62.8% in 10M'16 when financing from reserves had played a big role as it formed 28% of the total financing. Net oil revenues and gas revenues stood at RO 4.87bn, up by 26% on yearly basis and forming 74.2% of the total revenues which came at RO 6.57bn. Total expenditures were up by 5.6% to RO 9.4bn on higher current and investment expenditures. The latter formed 24.9% of total expenditure in 10M'17 compared to 22.6% for 10M'16. Current expenditures went up by 3.2% largely due to notable rise of Interest on Loans. Total oil and gas production expenditures (current and investment) saw a rise of 14% on yearly basis at RO 1.56bn during 10M'17.

The Omani crude oil price averaged US\$ 53.67 per barrel during 2017 as compared to US\$ 48.09 during 2016 and US\$ 56.5 per barrel during 2015. The daily average production of crude oil increased to 1,004.3 thousand barrels during 2016 from 979 thousand barrels in 2015 and 945 thousand barrels during 2014. Daily average crude production as of 10M2017 stand at 970 thousand barrels. Total petroleum activities as a percentage of GDP stood at about 33% as of June 2017 and accounted for about 71% of total Government revenues.

(Source: National Centre for Statistics & Information)

Structure of Gross Domestic Product



Oman has been taking major measures to strengthen its non-oil sectors, especially the industrial and mining sectors, as part of its diversification programmes. The country's national initiative for diversification - Tanfeedh - is also taking several major initiatives to attract both foreign and local private investment to sustain economic growth.

Oman Budget

After 2017, a year in which austerity was exercised, Oman this year came out with an expansionary budget giving the economy much needed stimulus and a push towards sustainable growth. The expansionary budget announcement met our expectation as we believed the sustainable recovery in oil price would energize the Sultanate in coming out with a budget which meets the anticipation of all the segments of the society. Sectors which witnessed increased allocation for the year included; subsidy (43%), health (6.7%) and public services (2.7%). We believe maintaining the same amount of deficit despite increase in expenditure, would serve both the purpose of increasing the economic activity and also appeasing the credit rating agencies.

Oman government expects to earn revenue of OMR9.5bn in 2018 which is 9.2% higher than the budgeted revenue last year, on account of 11% increase in the oil and gas revenue and 5.0% increase in the non-oil revenue. In terms of breakup, oil & gas constitutes majority of the earnings at 71.4% followed by revenue from non-oil sources at 28.6%.

Oman government has budgeted spending of OMR12.5bn in 2018 which is 6.8% higher than the budgeted spending of last year and 2% lower than the actual expenditure



of OMR12.7bn in 2017. According to the (preliminary) actual estimates, overall public spending totaled OMR12.7bn in 2017 compared to OMR11.7bn estimated in the budget, up by 9%. This was attributed to the rise in investment spending over development projects, oil and gas sector projects and electricity sector subsidy; as well as funding a number of budget items to meet necessary and urgent needs. In addition to high cost of public debt service as a result of increased borrowing. Despite the fact that the actual spending is higher than the estimated spending, the actual spending is, however, lower than actual spending recorded in 2016, by OMR208mn.

According to the preliminary final accounts, the actual fiscal deficit for FY17 is projected to be around OMR3.5bn. While the budget deficit for 2018 is estimated at OMR3bn i.e. 10% of GDP. Almost same set of arrangements have been planned as in 2017 to fund the deficit. Foreign borrowing of OMR 2.1bn would be arranged along with OMR 0.4bn borrowing from domestic sources and OMR 0.5bn would be taken from reserves. Government was pretty practical in taking up more than required borrowings in 2017 as it took into account the expected increase in the rate as signaled by Fed. As of October 2017 i.e. in 10M2017, government stands at surplus after means of financing at OMR 1.75bn.

(Source: U Capital Research)

Oman credit rating

Oman has a long term credit rating of “BB” by Standard & Poor’s with a stable outlook, “Baa2” with a negative outlook by Moody’s Investor Services and “BBB” with a negative outlook by Fitch.

Moody’s have downgraded Oman by a total of three notches during 2016 and once in 2017, reflecting the highly negative impact of the structural shift to lower oil prices on the country’s government finances, balance-of-payments position, and economic performance. Despite oil prices stabilizing at higher levels, Moody’s had expected that economic, fiscal and external challenges will persist over the coming 12 to 18 months.

S&P have downgraded Oman’s rating in Nov 2017, mainly due to the deficit in the general budget, which is largely financed through international debt and pressures on the country’s external balance sheet. Further according to S&P, Oman’s ratings are constrained by its dependence on the hydrocarbon sector, despite efforts to diversify.

5.3 Key Economic Indicators

	2012	2013	2014	2015	2016	1H'17
GDP at current price (RO billion)*	29.5	30.4	31.2	26.9	25.69	13
Population - mid year (million)	3.6	3.9	4	4.2	4.41	4.55
Oil production (million barrels)	336	344	344	358	367.5	175.3
Oil and gas sector as % of GDP	52%	51%	47%	33%	27%	33%
Share of Oil and Gas Revenues in Total Government Revenue	86%	84%	72%	79%	68%	71%
Annual Inflation (%)	2.90%	1.10%	1.00%	0.10%	1.10%	1.93%
MSM total market capitalization (RO billion)	11.7	14.2	14.6	15.8	17.3	17.6
MSM 30 Share Price Index	5,760.80	6,834.50	6,343.20	5,406.22	5,782.70	5,118.31

**GDP data for 2015-2016 is preliminary while 1H'17 is provisional*

Source: NCSI -Monthly Statistical Bulletins



CHAPTER 6 - DESCRIPTION OF THE COMPANY AND BUSINESS OVERVIEW

6.1 Overview of the Finance and Leasing sector in Oman

At present, there are six (06) listed Finance and Leasing Companies operating in Oman. These are regulated by CBO and as listed Companies also governed by regulations of Capital Market Authority (CMA), Oman. These are enlisted below:

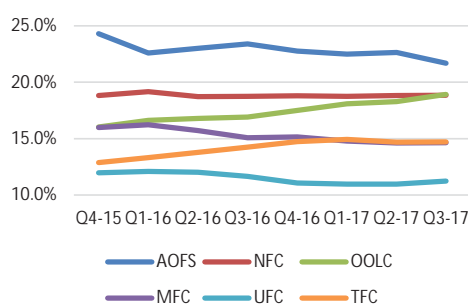
- Al Omaniya Financial Services SAOG ("AOFS")
- National Finance Co. SAOG ("National Finance" or "NFC")
- Orix Oman Leasing Company SAOG ("OOLC")
- Muscat Finance SAOG ("MFC")
- United Finance Company SAOG ("UFC")
- Taageer Finance Company SAOG ("TFC")

The main business segments of these companies include the following:

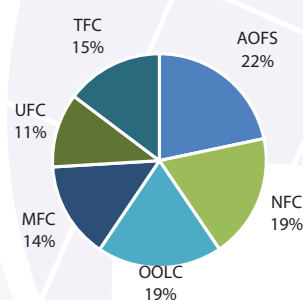
- Retail finance, which includes financing for purchase of vehicles and consumer equipment/ appliances to individuals;
- Equipment leasing which covers financing to SMEs for acquisition of equipment used by them for their business operations; and
- Providing Working Capital and Factoring facility to SMEs.

The total gross finance assets of the six listed finance and leasing companies reached RO 1.09billion (-1.2%QoQ; +0.2%YoY) as at the end of 9M2017. Their total net finance assets touched RO 1.02bn (-1.9%QoQ; -0.3%YoY). Amongst the finance and leasing companies, OOLC grew its gross finance asset at the strongest pace of 10.5%YoY in 9M2017, followed by TFC at 2.0%YoY. The remaining four leasing companies saw contraction of their gross finance asset at the end of 9M2017, with AOFS's asset declining by 8.4%YoY, UFC's gross finance asset declining by 4.8%YoY, MFC's gross finance asset declining by 4.2%YoY, and National Finance's asset declining by 0.7%YoY.

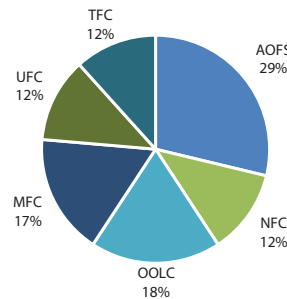
Gross Finance Asset Market Share Evolution



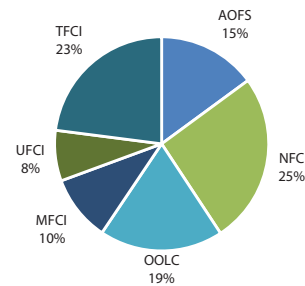
Net Finance Asset Market Share 9M2017



Corporate Market Share - 9M2017



Retail Market Share - 9M2017



Source: Company Financials, U Capital Research

Total net profit of the six companies declined by 14%YoY to reach RO 19.03 million as at the end of 9M2017. UFC's net profit halved from the previous year. AOFS's net profit declined by 15%YoY, followed by MFC at 10.8%YoY and National Finance at 10.2%YoY. TFC's net profit grew by 2.1%YoY and OOLC's net profit remained flat YoY (+0.5%YoY).

6.2 Sector Outlook

Low oil prices for a primarily oil-dependent economy along with Government's austerity measures continue to weigh down on Oman's economic growth outlook, hence constraining the performance of the Finance and Leasing Sector. However, growth is expected to pick up over the medium term following a boost in oil and gas, as OPEC production cuts taper off in 2018 (following which Oman's oil output is likely to increase), and from expected gains in the non-oil sector resulting from the government's economic diversification plan, mainly through Tanfeedh, VAT, and increased in other fees (e.g. visa fee) and electricity tariffs.

Furthermore, the World Bank expects economic growth to modestly recover over the medium term with 2018 real GDP growth reaching 3.4%. In 2018, a boost in the hydrocarbon sector is expected to drive the recovery as the Khazzan gas project expands production capacity. As the gradual recovery of oil prices improves confidence and encourages private sector investment, overall GDP growth is projected to rebound to 2.9% by 2019. The government's policy reform agenda remains focused on economic diversification and fiscal consolidation. The overall improvement in economic growth bodes well for the Finance and Leasing sector.

6.3 National Finance at a Glance

National Finance was granted license by CBO in 1987 as a Restricted Finance Company. National Finance became a public joint stock company through an IPO in December 1998. The Company is engaged in provision of lease financing, working capital loans and debt factoring services. National Finance ranks number 3 in portfolio size, accounting for 19% market share in Oman finance and leasing industry.



As one of the earliest entrants in the finance and leasing industry in the country, National Finance has financed a large number of clients, some of which have now become large corporate entities. Strong and loyal customer base, clear and transparent communications, strong service levels and expertise in the sector have been the hallmarks of the Company's growth.

6.4 Merger - Rationale and Key Milestones

a) Rationale

The Company is in the process of acquiring OOLC through a proposed merger by incorporation. The merger aims to create the largest finance and leasing company. The merger has been envisaged with the primary objective of creating a more efficient and effective business operation, offering a wider range of products and services and expanding geographical reach through pooling of resources. The merger would therefore result in several strategic advantages.

The combined resources of the merged entity is expected to result in synergies that includes scale related cost and efficiency advantages, removal of duplicated facilities or departments and enhancing the administrative and organizational efficiency resulting in a stronger balance sheet and more competitive funding options as well as increased ability to invest in future and to attract and retain the best people in the industry.

The synergy achieved by combining the relative strengths of the two entities seeks to improve income from services, better return on equity and improved lending policies that would benefit the customers as well as the shareholders.

b) Key Milestones

In the Board of Directors' meeting held on 26th October 2016, National Finance decided to write to OOLC to explore the possibility of strategic collaboration between the two organisations.

The Company formed a Joint Working Group along with OOLC. The Joint Working Group studied the options for strategic collaboration between the two companies and concluded its initial assessment. The Working Group recommended that the only viable option for a strategic collaboration between National Finance and OOLC could be in the form of a merger.

Based on the Working Group's recommendation, the Board of Directors of National Finance decided on 14th November 2016 to appoint (jointly with OOLC) an independent consultant to study the rationale for a potential merger between National Finance and OOLC. The merger rationale study was positive about the benefits of a merger.

Thereafter, National Finance Board of Directors met on 11th May 2017 and

agreed to offer a merger by incorporation of OOLC into National Finance with consideration in the form of either cash or shares to the Shareholders of OOLC.

The Board of Directors of OOLC agreed in-principle to the offer subject to: (i) approvals from the Shareholders of both National Finance and OOLC and (ii) approvals from the relevant regulatory authorities.

In-principle approval has been received from Central Bank of Oman subject to shareholders' approval and final approval from the regulatory authorities.

Financial Due Diligence and Legal Due Diligence on OOLC have also been carried out.

On November 21, 2017, the two companies signed a Framework Merger Agreement and Plan for Merger in order to proceed with the next steps of the merger by incorporation.

The final merger agreement between National Finance and OOLC has been signed on December 27, 2017. The implementation of the merger will be subject to the approval by the regulatory authorities.

6.5 Business Strategy Post Merger

As the largest Finance and Leasing Company in Oman post merger, the Company's business plan would be to expand its customer channels, offering more products to enable enhanced customer reach, integrate operations processes to provide best-in-class customer experience.

6.6 Financing the Merger

National Finance plans to finance the merger through a combination of Rights Issue of Equity Shares and Perpetual Bond Issue. The Company has already appointed Financial Advisor for the same and envisages the transaction closure in 1Q2018.

6.7 Main terms of the Merger Agreement

National Finance and OOLC have agreed that the merger will be by way of incorporation pursuant to Article 13 (4) (i) of the Companies Law. As a result of the merger, the assets and liabilities of OOLC will be incorporated into National Finance and then OOLC shall be dissolved and deregistered from the commercial register maintained at the MOCI and National Finance will be the continuing entity. The merger is conditional upon the Conditions Precedent (CP) being satisfied respectively by National Finance and OOLC. In the event of a failure to satisfy the conditions precedent, except in the case of either National Finance or OOLC failing to obtain regulatory approval, a break-fee of RO 900,000 will become payable by the party failing to satisfy its conditions precedent.



List of strategic CPs that are to be satisfied:

- 1) Approval of the shareholders/board of directors of National Finance and OOLC to the proposed merger
- 2) Approval from the MOCI - Shorter Notice Period for creditors of OOLC
- 3) Approval from CMA - Approval of the Merger Agreement and issuing the creditor notice publication
- 4) Final approval from CBO of the proposed Merger to be obtained by OOLC and National Finance
- 5) Licensing agreement for National Finance to be able to use the trade name and software post merger
- 6) No objection certificates, from secured lenders of OOLC to transfer the facility to National Finance and to restrict the security only over the receivables of National Finance
- 7) No objection certificates, from lenders of National Finance to create additional pari passu charge over the receivables of the Company
- 8) Statutory audit of accounts for the year ending 31st December 2017 and approval of statutory audited accounts by CBO

6.8 Indicative Timeline for the Merger

The indicative timeline for key milestones of the merger is as follows:

- Satisfaction of all the Conditions Precedent (CPs) relating to the merger agreement - 10th Feb 2018
- Payment of cash consideration to shareholders of OOLC, who opt for cash buyout - 1st week of Mar 2018
- Issuance of shares of National Finance to shareholders of OOLC, who opt for share Swap - 1st week of Mar 2018

6.9 Shareholding Structure Post - Rights Issue and Merger

The shareholding structure assuming full rights subscription as per the rights entitlement and assuming 88% of shareholders of OOLC opting for the cash buyout is presented below:

Shareholder Name	Number of Shares	Percentage
Al Hilal Investment Co. LLC	195,697,309	37.29%
Oman International Development and Investment Company SAOG	127,016,436	24.21%
Other existing shareholders of National Finance	174,145,486	33.19%
Former shareholders of OOLC opting for share swap	27,883,449	5.31%
Total	524,742,680	100%

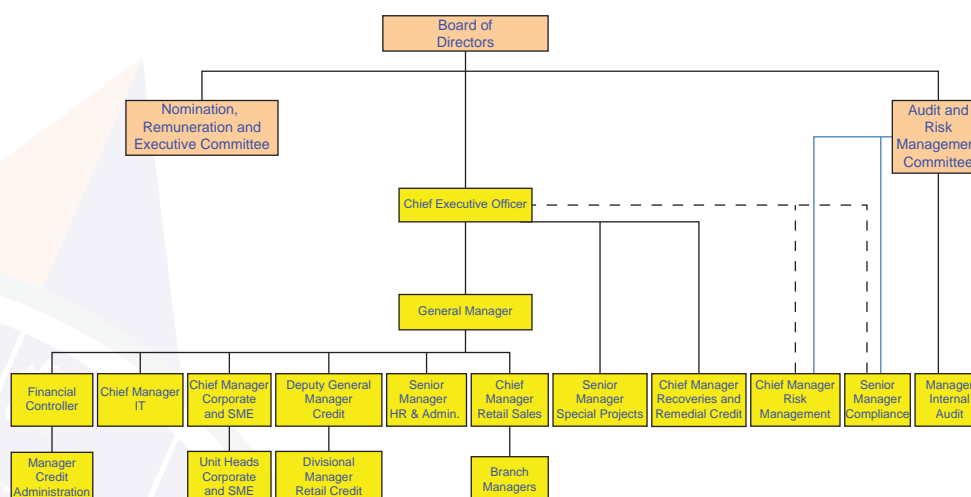
6.10 Description of the Company

The Company's core business activity is lease financing, working capital loans and debt factoring services. National Finance currently conducts its business from its headquarters in Muscat and eleven branches at Salalah, Sur, Sohar, Nizwa, Barka, Ibri, Ibra, Mabellah, Suwaiq, Samail and Jalan Bani Bu Ali.

National Finance's major strengths has always been its customer base, dealer relationships, strong business practices and experienced and committed work force. As one of the oldest players in the finance and leasing industry, the Company has a mature understanding of the market and has developed systems and processes which are constantly updated to meet market demands and to face the challenges posed by the changing business environments.

Over the years, the Company has gained substantial expertise in managing its business. The Company remains well positioned to grow its business and is in the process of entering into a merger with OOLC.

The organization chart of National Finance is presented below:



6.11 Performance and Key achievements

- National Finance has a market share of approximately 19% in terms of Net Finance Assets and ranks # 3 in terms of Asset Size (Source: U Capital Research)
- The lease portfolio of the Company has grown at a CAGR of about 11% during the period 2012 - 2016
- The Company has a proven track record of profitability which has grown consistently to reach RO 6.35 million for the year ended 2016. Net profit has grown at CAGR of 11.5% during the period 2012 - 2016

6.12 Product Portfolio

The products currently offered by National Finance are as follows:

- Finance lease
- Debt factoring
- Working capital finance

The products currently offered by OOLC are as follows:

- Finance lease
- Working capital finance

The product offering post merger would be as follows:

- Finance lease
- Debt factoring
- Working capital finance

Other new products will be developed post merger within the scope of permitted activities of Finance and Leasing Companies.

6.13 Customer segments

The Company extends financing for purchase of passenger cars, consumer goods, light and heavy commercial vehicles and equipment etc. to individuals and corporates. Besides, the Company also extends ancillary services like working capital loans and debt factoring for corporates.

As on 30th September, 2017, the distribution of advances across individual and corporate segments for National Finance was as follows:

Type of Advance	As on 30 th September 2017
Individual Segment	57.4%
Corporate Segment	42.6%

Contrastingly, as on 30th September, 2017, the distribution of advances across personal and corporate segments for OOLC was as follows:

Type of Advance	As on 30 th September 2017
Personal Segment	38.8%
Corporate Segment	61.2%

The post merger scenario for distribution of advances across Individual and Corporate segments is expected to be as follows:

Type of Advance	Post Merger
Individual Segment	48.1%
Corporate Segment	51.9%

6.14 Risk Management - Asset and liability management

The Company has an asset and liability management policy approved by the Board. The policy includes the following aspects of asset and liability management within the Company:

6.14.1 Liquidity Risk management

The Company has an approved liquidity risk policy and contingency funding plan. The liquidity position is monitored by the ALCO on a monthly basis including (i) day to day funding to ensure that daily requirements are met; (ii) monitoring liquidity gaps and ratios as per the documented liquidity risk policy guidelines; and (iii) monitoring, reviewing and reporting liquidity position in line with the Company's contingency funding plan. Availability of funds is ensured to honour the Company's credit commitments.

6.14.2 Interest risk management

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios the Company calculates the impact on its profit or loss. The simulation is presented to the ALCO on a monthly basis.

6.15 Management Process and Control

As required by law, the Company has Board approved comprehensive policies and procedures to measure, monitor and manage the risks to which the Company is exposed to. The company's policies and procedures manual specifies the authority limit for various activities for different delegates.

The risk management framework approved by the Board envisages the Company's risk manager oversees the day to day management of the Company's risks. The Audit and Risk Management Committee carries responsibility of overseeing the risk management function. For details of the powers and duties of the sub-committees of the Board, please refer to Chapter 12.

6.16 Credit Risk and Control

As the Company's core business is lease financing, credit risk constitutes the major risk to which the Company is exposed. The Company employs a range of policies and practices to manage limit and control concentration of credit risk to individual counter parties, groups and industries with respect to its lease receivables. The level of credit risk in relation to each individual counterparty and its associates is structured by placing a maximum ceiling on exposure levels for each grade. Such risks are monitored on a regular basis and review reports are placed before the Audit and Risk Management Committee and Board of Directors.



In case of the portfolio of exposure to SMEs, the credit risk for individual counterparties are assessed at inception of the lease through a grading methodology tailored to various categories of counterparties. These have been developed internally and the customers are rated on certain predefined financial and non financial parameters. The grading takes into account the customers experience in similar business, management quality, net worth, availability of audited financials, key performance indicators and vital ratios, trade references, industry in which the customer operates and its vulnerability to economic downturn and customer's past track record with the Company (in case of existing clients), etc. The grading parameters are reviewed periodically and amended as considered appropriate in line with the Company's assessment of market risk trends.

Credit risk in the case of the retail portfolio at the inception of the lease is assessed on the basis of the net disposable income of the counterparty, stability of employment in case of salaried clients and income levels from business /other sources for other categories of customers.

6.16.1 Credit risk control and mitigation policies

The Company's portfolio comprises lease of vehicles and equipment wherein the lending is collateralised by the assets financed. The Company holds collateral in respect of lease receivable exposure in the form of joint title to the vehicles and equipment financed. The values against these collaterals are written down on a yearly basis based on the estimated useful life of these assets and considering guidelines issued by the CBO. In addition to these collaterals, the Company also holds additional security in the form of property collaterals for certain leases in order to strengthen its risk position.

In order to minimise credit loss, wherever deemed necessary, additional credit enhancements in the form of charges on immoveable and moveable assets, personal guarantees of the major shareholders, corporate guarantee of the parent company in case of group exposures, key man life insurance, assignment of contract proceeds, etc. are obtained.

The Company's credit policy identifies certain category of customers as "negative customers" and they are not considered for financial exposure. These include, for example, known defaulters, customers with poor market standing etc.

Repayments are primarily through post dated cheques. Dishonoured cheques are monitored closely and follow-up is ensured.

The Company has clear policies in place to identify early warning signals and to initiate appropriate and timely remedial actions. Some of the early warning indicators are listed below:

- frequent dishonour of cheques
- inability to reach the customer over phone or in person
- lack of response to written communications
- utilised limits in excess of authorised limits as disclosed by Banking Credit and Statistical Bureau (BCSB) data
- inability to obtain current financials
- adverse market feedback

6.16.2 Maturity Profile of the Installment Finance Debtors as at 30 September 2017 and 30 September 2016

At 30 September 2017	Up to 1 month	> 1 month to 1 year	> 1 year	Total
	RO'000	RO'000	RO'000	RO'000
Net investment in finance leases	6,098	76,354	108,519	190,971
At 30 September 2016	Up to 1 month	> 1 month to 1 year	> 1 year	Total
	RO'000	RO'000	RO'000	RO'000
Net investment in finance leases	5,832	69,587	117,358	192,777

Maturity Profile of the Company's bank borrowings and deposits as at 30 September 2017 and 30 September 2016

At 30 September 2017	Up to 1 month	> 1 month to 1 year	> 1 year	Total
	RO'000	RO'000	RO'000	RO'000
Bank borrowings and fixed deposit	21,140	98,883	25,234	145,257
At 30 September 2016	Up to 1 month	> 1 month to 1 year	> 1 year	Total
	RO'000	RO'000	RO'000	RO'000
Bank borrowings and fixed deposit	26,012	79,891	43,866	149,769



6.17 Sources of Financing and Debt Equity Ratio

The main sources for financing are shareholders' equity, bank borrowings, deposits from corporate and dealer credit.

6.17.1 Sources of Financing

Statement	Value as on 30-09-2017 RO'000	Value as on 30-09-2016 RO'000
Short Term Loan		
Short Term Loans	52,479	48,047
Total Short Term Loans	52,479	48,047
Long Term Loans		
Long Term Loan including current portion of long-term loans	74,203	86,575
Total Long Term Loans	74,203	86,575
Fixed Deposits	18,575	15,147
Creditors and others	7,395	7,273
Total Liabilities	152,652	157,042
Share Capital	27,926	27,113
Revaluation reserve	847	873
Legal reserve	4,793	4,158
Retained earnings	12,109	11,408
Total Equity	45,675	43,552
Gearing Ratio - times (x)	3.34	3.61

The Company maintains gearing ratio within the limits prescribed by the CBO. As at 30 Sep 2017, the gearing ratio was 3.34x (Sep 2016: 3.61x), this is compliant with the maximum gearing limit of 5x, as stipulated by CBO.

6.17.2 Key terms for Bank Borrowings:

- During the period Sep 30, 2017, interest was charged on bank borrowings at rates ranging between 3.3% and 5.5% per annum with tenures ranging from 90 days to 4 years (Dec 2016: 2.65% and 5.5% per annum).
- The borrowings are secured by pari-passu charge on receivables of the Company.
- Leverage ratio of not more than 5.0 times

6.17.3 Key Terms for Fixed Deposits:

- As at Sep 30, 2017, the Company has fixed deposits from corporate entities based in Oman amounting to RO 18.6 million, (Dec 2016: RO 15.9 million) with tenures ranging from 6 months to 5 years.
- These deposits carry interest rates between 2.7 % to 5.2% per annum (Dec 2016 between 2.7% and 5.2% per annum).

6.17.4 Other Key Requirement:

- Leverage of not more than 5.0 times.
- Minimum Non-Performing Loan provision as per CBO guidelines.

6.18 CBO guidelines for Capital Requirements and Company Policy

The Minimum Capital Requirement for finance and leasing companies is paid up capital of not less than Rial Omani 25,000,000 (Rials Omani Twenty Five Million), as stipulated by CBO. National Finance is in compliance with the minimum capital requirement since 2012, following the rights issue at that time.

6.19 Provision Policy

The provision policy of the Company is guided by the CBO guidelines and norms which are as follows:

- The installments not received for 90 days and above are classified as Non-Performing Assets and no interest is booked/ accounted on these loans.
- Installments due between 90-179 days are classified as specially mentioned category, for which 5% provision is maintained on the entire receivable from the customer.
- Installments which are pending from 180 days to 269 days are classified as substandard assets and 25% provision is maintained on the entire receivable from the customer.
- Installments pending between 270 - 364 days are classified as doubtful debts and 50% provision is maintained on the entire receivable from the customer.
- Installments pending for 365 days and above are considered as loss and 100% provision is maintained on the entire receivable from the customer.
- In case of doubtful and loss accounts, a minimum of 25% cash provision on the net amount outstanding is maintained. The value of assets financed and collaterals, if any, as per written down values specified by CBO are considered for determining the remaining provisions for Doubtful and Loss accounts.



6.20 Non-Performing Assets

The Company assesses at each balance sheet date where there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- Significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Company would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group; or national or local economic conditions that correlate with defaults on the assets in the group.

	Sep 30, 2017	2016	2015
	RO'000	RO'000	RO'000
Neither past due nor impaired	155,293	162,083	158,996
Past due not impaired	31,183	31,215	28,383
Impaired	18,547	11,243	9,952
Provision for Impairment of Lease receivable	12,787	11,088	10,885
Provision Coverage - times (x)	0.69x	0.99x	1.09x

**Please note that the provision coverage for OOLC for Sep 30, 2017 is 0.73x (Dec 2016: 0.95x, Dec 2015: 1.5x)*

6.21 CBO Examination Report

The Company's operations are supervised by the CBO. The CBO conducts an examination every year. The last examination was conducted during February 2016. The following areas were covered by CBO examination:

- 1) Capital
- 2) Asset Quality
- 3) Risk Management
- 4) Earnings
- 5) Liquidity
- 6) Corporate Governance
- 7) Business Strategy
- 8) Operational Controls

The matters pointed out by the CBO which are in the nature of strengthening operational processes and modification of control process have been taken on board and fully addressed by the Company.

6.22 Statutory Deposit

As at Sep 30, 2017, the Company has maintained a deposit of RO 250,000 (Dec 2016: RO 250,000) with the Central Bank of Oman (CBO) in accordance with the applicable licensing requirements. During the period, the deposit earned interest at the rate of 1% per annum (2016: 1% per annum).

6.23 Property Interests of the Company

Description	Location	Freehold / Leasehold
Land measuring 1153 Sq. Meters with Building measuring 1805.944 Sq. Meters	Al Khuwair	Freehold
Land measuring 405 Sq. Meters	Salalah	Freehold

6.24 Contingent Liabilities

In its ordinary course of business, the Company has arranged for the following in favour of its customers.

Description	Sep 2017 RO'000	2016 RO'000	2015 RO'000
Bank Guarantees	917	1,113	1,154



6.25 Corporate Social Responsibility (CSR)

National Finance has been a regular contributor of financial aid either directly or indirectly through welfare organisations like Dar Al Atta , Oman Association for Hearing impaired, Oman Bahjaj Orphan Society , Oman Autism Society and Oman Charitable Organisation out of the amount approved by the shareholders for distribution to charities.

During the current year, the Company in co-ordination with Sharakah is organizing workshops across Oman to train the existing and prospective entrepreneurs in the area of financial planning. Sharakah, officially known as Fund for Development of Youth Projects was established by a Royal Decree in 1998 for the sole purpose of supporting Small and Medium Enterprises (SMEs). These workshops are aimed at improving the skill levels of the existing/prospective SME entrepreneurs and the participants include final year college students ,start-up units, individuals already owning a business etc.

6.26 Credit rating

Capital Intelligence Ratings (CI Ratings or CI), the international credit rating agency, has assigned Corporate Ratings on the Oman National Scale of 'omBBB' Long-Term and 'omA3' Short-Term to the Company on October 05, 2017. The Outlook on the ratings is 'Stable'.

6.27 Tax status

National Finance is a taxable entity, income tax rate is applicable at the rate of 15% on taxable profits. Tax assessment upto the year 2012 is complete.

6.28 Internal Audit

There were no major adverse observations pointed out by the Internal Auditor of the Company during the Financial Year ending 31st December 2016.

6.29 Employee Details

As of September 30, 2017, the Company employed 162 employees, comprising 134 Omani nationals (83%) and 28 expatriates (17%). As per the directives issued by the CBO, all Finance and Leasing Companies are required to have an overall Omanisation ratio of 80%. The Company is in compliance with this stipulation.

Upon merger, the Company's headcount will approximately double. It is expected that the process of streamlining and consolidation of operations will result in more people being redeployed from back end operations to customer facing areas. This is expected to substantially enhance the Company's business and customer service over the medium term.

6.30 Legal Proceedings

The Company does not have any major/material disputes, claims or legal proceedings pending in a court of law in Oman or outside, either instituted by, or against the Company, other than a few normal cases filed by customers in the normal course of business. The cases filed by the Company against its borrowers are in the course of its normal business practice.

6.31 Due Diligence by National Finance's Consultants

The Board of Directors of National Finance engaged the services of Deloitte & Touche (M.E) & Co LLC, a renowned Global consultancy firm for carrying out an initial merger rationale analysis followed by financial due diligence. The following synergies were identified:

- 1) A top down estimation of the synergy potential of the two entities carried out by Deloitte & Touche reveals that the merged entity has the potential to achieve both cost synergies and revenue synergies which are recurring benefits.
- 2) As both entities operate in the same sector and geographies, there is a degree of staff duplication across all business functions. It is anticipated that there would be significant advantages from streamlining and eliminating duplicated roles with consolidating back office functions and redeployment of resources into improvement of customer service.
- 3) The combined entity will have the largest branch network in the Omani finance and leasing industry.
- 4) The merger will help build a stronger team to support the future growth plans into newer geographical markets.
- 5) The combined portfolio of the two entities would provide greater diversification across customer segments and industries.

In addition to the financial due diligence carried out by Deloitte & Touche (M.E) & Co LLC, a detailed legal due diligence was carried out by Curtis, Mallet-Prevost, Colt & Mosle LLP, an international legal advisory firm. Both the consultants have reported satisfactory results after their respective due diligence reviews and there were no material negative issues identified.



CHAPTER 7 - FINANCIAL HIGHLIGHTS

Details of historical financial data during the period 2014 - 9M2017 are provided below. For full financial statements of the Company, please visit the MSM on the link: www.msm.gov.om or the Company's website www.nationalfinance.co.om

PROFIT AND LOSS STATEMENT

	9M2017 (unaudited) RO '000	2016 (Audited) RO '000	2015 (Audited) RO '000	2014 (Audited) RO '000
Income from financing activities	12,733	17,211	15,879	15,094
Finance Cost	(4,280)	(5,062)	(3,728)	(4,034)
Net Finance income	8,453	12,149	12,151	11,060
Other Operating Income	944	1,100	903	817
Total Income	9,397	13,249	13,054	11,877
Operating Expenses				
General and administrative expenses	(3,532)	(4,497)	(4,431)	(4,047)
Depreciation	(214)	(168)	(127)	(306)
	(3,746)	(4,665)	(4,558)	(4,353)
Profit before impairment and tax	5,651	8,584	8,496	7,524
Net Impairment loss on lease receivables	(1,699)	(1,509)	(1,676)	(1,638)
Bad debts written back - net	324	138	12	54
Profit before tax	4,276	7,213	6,832	5,940
Income Tax Expense	(461)	(864)	(811)	(737)
Profit after Tax	3,815	6,349	6,021	5,203
Earnings per share basic and diluted (Rial Omani)	0.014	0.024	0.022	0.020

BALANCE SHEET

	9M2017 (Unaudited) RO '000	2016 (Audited) RO '000	2015 (Audited) RO '000	2014 (Audited) RO '000
ASSETS				
Cash and bank balances	3,091	2,347	806	1,328
Net Investment in financing activities	190,971	192,529	185,503	160,869
Advances and prepayments	1,365	1,569	1,604	1,648
Deferred tax	965	770	745	-
Property pending sale	-	-	84	131
Property and equipment	1,685	1,755	1,481	1,154
Statutory deposit	250	250	210	170
Total assets	198,327	199,220	190,433	165,300
EQUITY and LIABILITIES				
EQUITY				
Share capital	27,926	27,113	26,323	25,681
Revaluation reserve	847	867	893	651
Legal reserve	4,793	4,793	4,158	3,556
Retained earnings	12,109	12,882	11,090	8,859
Total equity	45,675	45,655	42,464	38,747
LIABILITIES				
Creditors and accruals	5,870	4,348	5,618	4,605
End of service benefits	618	620	583	542
Tax liabilities	907	1,113	1,029	321
Bank borrowings	126,682	131,626	126,877	101,317
Fixed deposits	18,575	15,858	13,862	19,768
Total liabilities	152,652	153,565	147,969	126,553
TOTAL EQUITY AND LIABILITIES	198,327	199,220	190,433	165,300
Net Assets per share (RO)	0.164	0.168	0.157	0.151

CHAPTER 8 - SHARE PRICE MOVEMENT AND DIVIDEND POLICY

The following table illustrates the movement in the share price of the Company for the period January 2012 to September 2017 as per the MSM.

8.1 Share Price Movement (Value in RO)

Financial year	Opening	High	Low	Closing
2012				
Q1	0.128	0.151	0.118	0.125
Q2	0.125	0.123	0.112	0.114
Q3	0.114	0.117	0.110	0.116
Q4	0.116	0.135	0.116	0.134
2013				
Q1	0.134	0.155	0.130	0.150
Q2	0.150	0.175	0.145	0.167
Q3	0.160	0.165	0.158	0.163
Q4	0.162	0.165	0.156	0.156
2014				
Q1	0.158	0.170	0.154	0.154
Q2	0.154	0.155	0.146	0.155
Q3	0.155	0.155	0.150	0.154
Q4	0.145	0.150	0.140	0.150
2015				
Q1	0.153	0.153	0.153	0.153
Q2	0.149	0.150	0.148	0.149
Q3	0.148	0.152	0.148	0.152
Q4	0.152	0.152	0.133	0.134
2016				
Q1	0.140	0.140	0.140	0.140
Q2	0.139	0.139	0.130	0.138
Q3	0.138	0.138	0.131	0.131
Q4	0.128	0.131	0.128	0.131
2017				
Q1	0.131	0.156	0.131	0.156
Q2	0.143	0.145	0.135	0.142
Q3	0.145	0.145	0.133	0.144

8.2 Dividend policy

The Company's dividend distribution policy aims at providing shareholders a reasonable return and to build reserves to achieve a strong capital base. Based on this, and subject to regulatory approvals, the Board recommends distribution of cash and stock dividend.

The dividend details of the Company for the past years are given below:

Dividend	Cash Dividend as % of paid-up capital	Stock Dividend as % of paid-up capital
2012	7.0%	0%
2013	10.0%	0%
2014	10.0%	2.5%
2015	10.0%	2.5%
2016	12.0%	3.0%
2017	14.0%	3.0%



CHAPTER 9 - PRICE JUSTIFICATION

The Company is a well-established and growing finance and leasing company in Oman with an established track record of operations and profits.

The assets of the Company were at RO 206.53 million as at December 31, 2017 while the net profit for the year ending 2017 was RO 7.02 million (as per initial, un-audited results). The Shares were trading on the MSM at 144 baiza per share as of November 26, 2017. The Company is offering Rights Shares at a price of 127 baiza per share.

Taking into account various qualitative and quantitative factors like market standing, market share, brand value, quality of the assets, business growth, current performance, profitability, future outlook of the leasing sector and the Company, the Company believes that the Rights Issue is in the best interest of the Company and the Shareholders.

9.1 Qualitative Factors

- i) The Company is one of the leading Finance and Leasing Companies in Oman.
- ii) It has a market share of approximately 19% in terms of Net Finance Assets (as at Sep 30, 2017).
- iii) The Company is managed by a professionally qualified and highly experienced management team.
- iv) The lease portfolio of the Company has grown at a CAGR of about 11% during the period 2012 - 2016.
- v) The Company has a proven track record of profitability which has grown consistently to reach RO 6.35 million for the year ended 2016.

9.2 Quantitative Factors

9.2.1 Average Share Price

Period ended Sep 30, 2017	Average Closing Price (baiza/share)	Discount of Rights Price to Avg closing price
1-month average closing price	144	13.4%
3-month average closing price	144	13.6%
6-month average closing price	144	13.4%
9-month average closing price	148	16.7%
1-year average closing price	146	15.3%

Note: Figures based on MSM data

The Subscription Price of 127 baiza per share is at a discount of 13.4% to the 1-month average closing price (144 baiza per share) and is at a higher discount of 15.3% to 1-year average closing price of 146 baiza per share. The discount to the market price as of November 26, 2017 (144 baiza per share) is 13.4%. In addition, the book value of the shares of the Company as on March 31, 2017 was 155 baiza per share (Sep 30, 2017 164 baiza per share). The Board of Directors of the Company have therefore agreed to offer the Rights Issue of shares to the shareholders of the Company at a discounted price of 127 baiza per share, which includes the nominal value of 100 baiza, a share premium of 25 baiza and 2 baiza to cover the issue expenses.

9.2.2 Historical Financial Performance of the Company (In RO Million unless otherwise stated)

	9M2017 (unaudited)	2016	2015	2014	2013
Net Investment in Financing Activities	190.97	192.53	185.50	160.87	145.96
Income from Financing Activities	12.73	17.21	15.88	15.09	13.97
Finance Cost	4.28	5.06	3.73	4.03	3.91
Total Income	9.40	13.25	13.05	11.88	10.62
Net Profit after Tax	3.82	6.35	6.02	5.20	4.79
EPS (RO)	0.014	0.024	0.022	0.020	0.019
Total Assets	198.33	199.22	190.43	165.30	151.12
Net Assets per Share (RO)	0.164	0.168	0.157	0.151	0.144

For the year 2016, the Company achieved a net profit of RO 6.35 million as compared to RO 6.02 million during the same period in the previous year, a growth of 5.5%. The Company aims to continue with its efforts for achieving sustainable and profitable growth. Over the period 2012-2016, the Company's net profit grew at CAGR of 11.5%. The Company posted net profit of RO 3.82 million in 9M2017, compared to RO 4.2mn in the same period last year, a decline of 10.2% Year-on-Year.

The Company's lease portfolio (Net Investment in Financing Activities) increased by 3.8% in 2016 to reach RO 192.53 million as the Company continues to penetrate its target market further. Over the period 2012-2016, the Company's lease portfolio grew at CAGR of 11%.



CHAPTER 10 - RELATED PARTY TRANSACTIONS

The Company has entered into transactions with entities over which certain directors are able to exert significant influence, and with the Directors and Senior Management. The significant related party transactions during the current Financial Year up to the third quarter ended 30 September 2017 and the years 2016 and 2015 were as follows:

Particulars	30 Sep 2017	2016	2015
	RO'000	RO'000	RO'000
Transaction with Group Company of major shareholders represented in board:			
General and administrative expenses	2	3	3
Sales incentive	114	127	184
Sale of Fixed Assets	-	149	-
Purchase of Fixed Assets	-	190	-
Transaction with Directors:			
Directors Sitting fee and Remuneration	149	200	200
Transaction with Management Staff:			
Salaries and benefits to key management staff	601	660	584

These transactions have taken place in accordance with the rules and regulation issued by the Capital Market Authority.

CHAPTER 11 - RISK FACTORS AND MITIGANTS

The following risk factors are not comprehensive or exhaustive, as additional risks and uncertainties not presently known or that the Company currently believes not to be of significance may also have material adverse effect on the Company and its proposed operations. The actual risks and the impact of such risks could be materially different from those mentioned herein. If any of these uncertainties develop into an actual event, the Company's proposed operations and results could be adversely impacted. It should also be noted that the Company intends to undertake steps and/or measures necessary in order to mitigate the risks referred to below apart from those that may be caused by factors that are beyond the Company's control, including, in particular, factors of political and economic nature. It is to be noted that past performance is not indicative of future results.

Subscribers should consider carefully whether an investment in the offered shares is suitable for them in light of the information in this Prospectus and their personal circumstances.

11.1 Economic Growth:

The Company's performance and prospects are directly linked to economic growth and outlook. Oman's economic growth is significantly influenced by the price of oil and the buoyant oil price over the past years led to sustained growth of the economy. This has helped most sectors and businesses in Oman, including the leasing sector. However, the sharp decline in the oil price during the last two years has adversely affected the sector.

The Company has a well diversified geographical spread inside Oman, coupled with a diversified product profile. These plans will help the Company in achieving growth and protecting it against the impacts of instability in economy.

11.2 Credit Risk:

The earnings of the Company are heavily dependent upon the effectiveness of maintaining proper credit quality and risk concentrations as well as adequacy of allowances for loan losses. If the assumptions or estimates prove inaccurate or not predictive of actual results, the Company may suffer from higher than anticipated losses. This may in turn affect the credit rating as well as borrowing costs. Credit risk is that which arises when one party to a financial instrument fails to discharge an obligation causing the other party to incur a financial loss.

Well defined policies and processes are in place at both the business units and corporate level that are intended to ensure that risks are assessed and properly approved and monitored. Formal credit limits are applied at the individual transaction, counter party, and portfolio levels. Overall exposures are also evaluated to ensure a broad diversification of credit risk.



The credit management process involves the monitoring of concentrations by product, industry, single obligator, risk grade and geography. The Company attempts to control credit risk through continuously reviewing and improving its credit policies to meet the demanding needs of market, setting and monitoring credit exposures, limiting transactions with specific counter parties and assessing their creditworthiness and restricting exposure to any particular industry or individuals or groups of customers in a particular region / location.

In addition to mitigating the risk of unforeseen eventualities, adequate security cover is maintained over the assets of the borrowers. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

11.3 Liquidity Risk:

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. Liquidity risks could arise from the inability of the Company to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on the Company's ability to meet its obligations when they fall due.

The Company has established its own network of relations with banks, to mitigate this risk. Furthermore, the Company's conservative liability management policies are designed to ensure that even in adverse situations the Company should be in a position to meet its obligations. The objective is to ensure that there are sufficient funds available not only to meet current financial commitments but also to facilitate business expansion. The objectives are met through the application of prudent liquidity controls.

11.4 Asset Liability Mismatch Risk:

Since National Finance is in the business of borrowing and lending money, it is exposed to the risk of mismatch in the tenors and other key terms of its borrowings and advances e.g. short term funding used for funding long term advances.

The Company's Asset and Liability Risk is monitored by the ALCO on a monthly basis to ensure that they are as per Company's documented policy guidelines.

11.5 Concentration Risk:

The Company faces the risk that its liabilities might be concentrated from a few sources. As at Sep 30, 2017, approximately 83% of liabilities of National Finance are constituted of bank borrowings. In the event, the bank(s) withdraw the facilities or do not renew them upon maturity, the Company will face a liquidity crunch and

operations of the Company might be effected. Additionally, a few large customers might account for a substantial portion of credit exposure, this poses substantial concentration risk and any material adverse event affecting these customers might have significant impact on the financial position of National Finance.

The Company remains current on its obligations and has developed strong relationships with its bankers. As such, the possibility of banks withdrawing their facilities or not renewing the facilities at maturity is minimal. Furthermore, top 30 customers account for 16.5% of Net Finance assets, which mitigates concentration risk from customers.

11.6 Interest Rate Risk:

Interest rate risk arises from the possibility of changes in interest rates and mismatches or gaps in the amount of assets and liabilities that mature or re-price in a given period. As the Company has significant interest-bearing financial assets and liabilities, the Company's income and operating cash flows are substantially dependent on market interest rates. The net profit of the Company decreased by 10.2% in 9M2017, compared to the same period last year, on account of reduction in interest rate spread.

The Company's finance lease receivables and deposits from corporate entities carry fixed interest rates. The interests on these items are fixed at the inception. Accordingly, any changes in applicable market rates would not expose the Company to interest rate risk.

However, the Company's bank borrowings carry variable interest rates which expose the Company to interest rate risk. The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios the Company calculates the impact on its profit or loss of interest rate increase. The simulation is presented to the Asset and Liability Committee (ALCO) on a monthly basis. This regular monitoring mitigates the interest rate risk.

11.7 Foreign Currency Risk:

Foreign currency risk is the risk that arises from assets or liabilities denominated in a currency that is not the entity's functional currency.

The majority of the company's transactions are denominated in the local currency (Omani Rials). Foreign currency transactions of the Company are restricted to US Dollar denominated borrowings. Since the Rial is pegged to the US Dollar, foreign exchange risk is considered low. When deemed appropriate, we cover our US Dollar loan exposure through three month rolling forward cover.



11.8 Competition Risk:

The products and services that the Company provides are subject to competitive pressures from the other leasing companies and banks. Further liberalization of the Omani financial sector could lead to a greater presence or entry of new competitors, which would increase the competitive pressure.

The Company, through adoption of firm marketing strategy, supported by wide geographical spread and efficient services, managed to take hold of a large share of the installment purchase finance market. The Company has also built up a standard practice system and maintains excellent relationship with the customers.

11.9 Operational Risk:

Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorizations, failure to comply with regulatory requirements and business rules, failure of internal systems, equipment and external systems (for instance, those of the Company's counterparties or vendors) and the occurrence of natural disasters. Although the Company has implemented risk controls and loss mitigation strategies and substantial resources have been devoted to developing efficient procedures, it is not possible to eliminate in their entirety any of these or any other operational risks.

The Company already has in place appropriate risk management policies and procedures to address these issues so that these do not have a material adverse impact on the Company's operations should the risks materialize.

11.10 Legal and Regulatory Risk:

National Finance is in the business of lending due to which it is subject to greater legal and regulatory supervision and regulation. As such, it has to act under constraints which affect the business. Additionally, any new law or regulation coming into existence may impact the business.

The Company works in a less restrictive environment than the banking companies. The Company does not currently anticipate any radical changes in the rules, therefore, the impact of changes in the rules remain limited.

11.11 Information Risk relating to customers:

The decision to extend credit or enter into transactions with customers and counterparties depends on the reliance on information furnished to the Company by or on behalf of customers and counterparties, including financial statements and other financial information. The Company also has to rely on certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors.

In case these reports do not capture all the information accurately, the Company can be negatively affected by relying on them.

The Company has online connectivity to the CBO's record through which it can access the aggregate local credit history of the customer and it has a strong credit division to carry out rigorous profiling of the prospective customers. Furthermore, National Finance has detailed credit policies and procedures manual that standardises the process of credit approval and the approval authorities are at various levels depending on the credit size.

11.12 Non-Performing Advances Risk:

Any increase in the portfolio of the non-performing advances will have a material adverse effect on the financial condition and results of operations. Various factors like a rise in unemployment, advent of recessionary conditions, developments in the Omani economy, a rise in interest rates could also affect the level of non-performing advances. The non-performing advances for National Finance amounted to RO 9.9 million in Dec 2015, RO 11.2 million in Dec 2016, sharply increasing to RO 18.5 million in Sep 2017 (un-audited). The Company attributes this to sustained lower oil prices, decreased project investment and delay in releasing payments by main contractors. Consequently, the Non-Performing Advances provision coverage has decreased from 1.09x in Dec 2015 to 0.99x in Dec 2016 and further to 0.69x in Sep 2017. Similarly, Non-performing Advances provision coverage for OOLC has decreased from 1.5x in Dec 2015 to 0.95x in Dec 2016 to 0.73x in Sep 2017.

The Company follows prudent credit policies and processes through which it reviews the credit-worthiness of customers and restricts its exposure to any particular industry or individuals or groups of customers in a particular location/region. To mitigate the risk of unforeseen eventualities, adequate security cover is maintained over the assets of borrowers. Furthermore, despite decrease in provision coverage over time, the Company maintains adequate provision coverage as required by CBO.

11.13 Talent Attraction and Retention Risk:

The Company is dependent upon key management and board personnel for business performance. Attracting and retaining talented professionals is a key element and a significant source of competitive advantage. The Company is required to comply with the stipulated Omanisation requirements, any failure to do so may result in fines and penalties.

The Company offers a defined career path and attractive remuneration to its employees. It strives to provide its employees a rewarding and challenging work environment and adequate training programmes to enhance the skills continually to increase the leadership base. It empowers executives at different levels to give a sense of autonomy and responsibility which make the employees feel important.



It provides the employees with a pre-defined career path to keep them motivated. The Company is presently in compliance with the stipulated Omanisation requirement.

11.14 Reputational Risk:

Any negative publicity or reduction in consumer confidence in the finance and leasing industry generally or loss of confidence in the Company, could result in a loss of existing clients and business and might result in the inability to retain qualified employees, which would have a material adverse effect on the Company's business, financial conditions and prospects.

The Company mitigates the risk through planned and systematic interaction, with the media and the regulatory authorities, for any dissemination of Company related information.

11.15 Increase in Taxes or Introduction of New Taxes:

Any increase in corporate tax rate or imposition of new taxes or levies (such as Value Added Tax, Withholding Tax, which is reported to be introduced in the near future) could have an adverse impact on the Company's business and performance.

The Company would have to absorb any direct taxes, while the indirect taxes would have to be assessed, based on market competitiveness, whether the same can be passed on to the customers.

11.16 Tax Assessment Risk:

National Finance's tax assessment have been done upto 2012, however the assessment for 2013 - 2016 have not been done, which potentially exposes the Company to additional taxes, in respect of open tax assessments relating to 2013 - 2016, and this may impact the financial position of the Company.

The Directors of National Finance are of the opinion that the additional taxes assessed in respect of open tax assessments, if any, would not materially affect the financial position of the Company.

11.17 Corporate Governance Risk:

As a SAOG Company, National Finance is subject to significant corporate governance requirements. Any default in compliance could lead to regulatory action and / or penalties.

The Company has in place a compliance policy and procedure which ensures compliance with regulatory requirements.

11.18 Litigation and Disputes:

The Company may have to pay high compensation, as a result of litigation and disputes with its customers. This could impact the Company's operating results and profits.

The Company does not have any major/material disputes, claims or legal proceedings pending in a court of law in Oman or outside, either instituted by, or against the Company, other than a few normal cases filed by customers in the normal course of business.

11.19 Customer Retention Risk:

National Finance is subject to the risk that the existing customers of OOLC may not continue with the merged entity and this may impact the realization of envisaged synergies from the merger, thus, significantly impacting the financial performance of National Finance.

National Finance constant strives to improve the quality of service offered to its customers and further, it has also established a post-merger integration team tasked to ensure efficiencies are optimized following the merger.

11.20 Use of Estimates, Policies and applicable Standards:

The Company prepares its financial information using judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The Company uses various applicable accounting standards in preparation of its financial statement, any changes in the applicable accounting standards, may impact the financial statements.

The management believes that judgements, estimates and assumptions used are reasonable and in line with industry practices. As much, the chances of actuals deviating from these assumptions is very minimal. Furthermore, the accounting standards used by the Company are industry norm and any changes in the standards will impact other Finance and Leasing Companies as well.

11.21 Merger Risk:

The outcome of the merger with OOLC will impact the operations, financials and share price of the combined entity. As such, there are several unknown variables relating to the merger that pose risks which are outlined below:

- Post-merger integration
- Materialization of envisaged synergies
- Final capital after consummation of right issues and perpetual bonds not known in advance
- Legal and financial liabilities that might be uncovered at a later stage



- Timeline of fund raising that may impact the payment timeline to that shareholder opting for cash buyout

National Finance believes that the top four (04) shareholders (accounting for approximately 88% of shares amounting to approximately RO 44.84 million) will opt for cash buyout, which substantially reduces the uncertainty about the final capital, following the Right Issue and Perpetual Bond transaction.

Additionally, a detailed financial and legal due diligence has been carried out by professional advisors, mitigating the risk of any liability surfacing at a later stage.

Moreover, National Finance has been proactively engaging with all the stakeholders including OOLC, Regulators and Advisors to ensure timely completion of the transaction.

11.22 Risk Factors Relating to the Offer Shares:

No trading history: The Offer Shares will be listed on the MSM as per the timetable given in this Prospectus. There is no prior history of trading in the Shares.

Share price fluctuation: After listing of the Offer Shares on the MSM, the price of the Offer Shares may fluctuate for various reasons and may go below the Offer Price.

Liquidity: There are no guarantees that an active market will exist in the Offer Shares subsequent to the listing on the MSM. To that extent Applicants face the risk of holding Offer Shares that may not be actively traded.

Future increase of equity capital: The Company may in the future increase its equity capital through further issues of shares. Such capital increases could impact the price of the Offer Shares on the MSM.

Market fluctuations: Market fluctuations and other factors may adversely affect the trading price of the Offer Shares regardless of the actual operating performance of the Company. All equity investments carry market risks to varying degrees. The value of any security can fall as well as rise depending on market conditions.

Dividend policy: Dividend payments are not guaranteed and the Board may decide, in its absolute discretion, at any time and for any reason, not to pay dividends. Any payment of future dividends will be made taking into account the sufficiency of distributable reserves and liquidity in order to ensure the Company's operational needs and/or business growth are not limited by the unavailability of funds, as well as the Company's known contingencies and compliance with any funding facility covenants. Further, the regulator may place restrictions on the extent of dividends that may be distributed.

Further, any dividend policy, to the extent implemented, will significantly restrict the Company's cash reserves and may adversely affect its ability to fund business requirements. As a result, the Company may be required to borrow additional money or raise capital by issuing equity securities, which may not be possible on attractive terms or at all.

CHAPTER 12 - CORPORATE GOVERNANCE, ORGANIZATION & MANAGEMENT OF THE COMPANY

This section summarises the Company's corporate structure effective as at the date of this Prospectus and the Articles of Association. The description provided hereafter does not purport to give a complete overview of the Articles, nor of relevant provisions of Omani law or the CMA circulars; neither should it be considered as legal advice regarding these matters. A copy of the Articles of National Finance Co. SAOG is available from the registered office of the Company.

12.1 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 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 Regulations of the Capital Market Law, dealing with disclosures to be made by issuers of securities and insider trading.

12.2 The Board

12.2.1 Role of the Board

The Board of Directors play 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.

12.2.2 Responsibilities and Functions of the Board

The Board of Directors shall be responsible for the following:

- Election of Chairman and Dy Chairman
- Investing of surplus funds in long term investments
- Establishing Branches/agencies or representative offices
- Appointing Secretary of the Board
- Approving the business and financial policy of the Company to meet the objectives of the business and to maximize the shareholders' value and to review them periodically
- Ensuring that all the risks to which the Company is exposed to are identified and to ensure that the required people, policies, procedure, systems and methodologies are in place to address the risks. The board is mainly responsible for the following significant risk management activities:



- 1) Ensuring implementation of a Risk Management Framework and maintaining adequate and capable infrastructure to support the framework.
 - 2) Reviewing and approving the risk management policies and communicating the same to all concerned Company personnel
 - 3) Reviewing regularly any significant risk issues highlighted by its relevant committee and business divisions to amend and update the risk management strategies and policies
- Reviewing and approving the Company's compliance policy to ensure strict adherence to the regulatory and statutory guidelines.
 - Reviewing and approving the Company's financial objectives, strategic plan of the Company and reviews it on an annual basis along with the budget.
 - Approving the internal regulations of the Company regarding routine activities and specifying the responsibilities and the authorities of the executive management.
 - Approving the delegation of power to the executive management.
 - Reviewing the Company's performance to evaluate whether the business is properly managed according to the Company's objective and ensuring compliance with the laws and regulations through proper internal control systems.
 - Approving the transactions with the related party, which are in the ordinary course of business prior to execution.
 - Reviewing material transactions with the related party, which are not in the ordinary course of business prior to the same being brought before the general meeting of the Company.
 - Approving and implementing the disclosure policy of the Company and monitoring its compliance with the regulatory requirements.
 - Reviewing the Company's performance to evaluate whether the business is properly managed.
 - Nominating the members of the sub-committees and specifying their roles, responsibilities and power
 - Selecting the CEO/General Manager/Head of Internal Audit/ Compliance Officer and other Key executives and specifying their roles, responsibilities and power.
 - Evaluating, atleast annually, the functions of the sub committees, CEO and key employees.
 - Approving quarterly and annual financial statements.

- Introducing new policies and amending the existing policies of the Company.
- Purchase and disposal of (1) Land and Buildings and (2) Fixed assets other than the approved budget.
- Reporting to the shareholders, in the annual report, about the going concern status of the Company with supporting assumptions and qualifications as necessary.
- Amendments to Company's Articles of Association to be presented for approval at the Extra-Ordinary General Meeting
- All other activities vested under the Articles of Association.
- Approving and presenting information accurately and timely to shareholders according to disclosure requirements issued by the Capital Market Authority.
- To ensure that after the constitution of the board, an induction programme to introduce new directors to the business and operations of the Company, especially the financial and legal aspects thereof, if necessary.

12.2.3 Composition of the Board

The Board currently consists of 7 directors, including the Chairman and Deputy Chairman. The present members of the current Board were elected on 29 March 2017 and a brief profile of the directors is provided below.

Upon completion of the merger, the Board of Directors will be increased from 7 to 9 members, for which the shareholders' approval has been obtained. The process for appointment of Directors will be as per the CBO and CMA regulations.

12.2.4 Brief profile of directors

Mr. Taya Jandal Ali (Independent Member), 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 Nomination, Remuneration and Executive Committee since 2000. He is currently also a Director on the Board of Oman International Development and Investment Co. 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 (Independent Member) 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 Corporation LLC, one of the leading private sector groups in the Sultanate of Oman with diverse business interests. He has



extensive knowledge and experience in financial, investment and business management areas. He also holds the position of Chairman in the 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 (Independent Member) 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 (Independent Member) 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. He is also a Director in Omani Packaging Co. SAOG.

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 with Salim International Investment Holding LLC since 2005.

Mr. K. Balaji (Non-Independent Member) has been a Director with effect from 5th January 2013 and Member of the Nomination, Remuneration and 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 28 years in the field of Finance and Management. He is currently working as General Manager - Group Finance in Zubair Automotive Group and has been associated with this organization for about 20 years.

Mr. AbdulAziz Mohammed Al Balushi (Non-Independent Member) has been the Group CEO of Oman International Development and Investment Company SAOG (OMINVEST) since January 2014.

With experience of more than 30 years, Mr. AbdulAziz has extensive in-depth knowledge of global financial services industry. At OMINVEST, Mr. AbdulAziz

was the key driver behind the merger of Ominvest and ONIC Holding, which has created the largest publicly listed investment company in Oman.

Before joining OMINVEST, 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. He has held positions of increasing responsibility in all major areas of Banking. He started his career with Oman International Bank and prior to joining Ahlibank, he was Deputy CEO of National Bank of Oman.

Mr. 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 including, London Business School, INSEAD Business School and Strathclyde University Business School. In November 2012, he was ranked as the “Second Best CEO in the Arab Banking World” by Forbes Magazine.

Mr. AbdulAziz is the Chairman of Board of Directors at Oman Electricity Transmission Company SAOC (a wholly government-owned entity), Oman Real Estate Investment and Services SAOC, Oman National Investment Corporation SAOC and Ubhar Capital SAOC. He is also a Board member at the following organizations

- i) Oman Arab Bank SAOC,
- ii) National Finance Co. SAOG and
- iii) National Life and General Insurance Company SAOC.

Additionally, he is a member of Oman American Business Center, an organization formed to foster the development of commercial activity between the United States of America and the Sultanate of Oman.

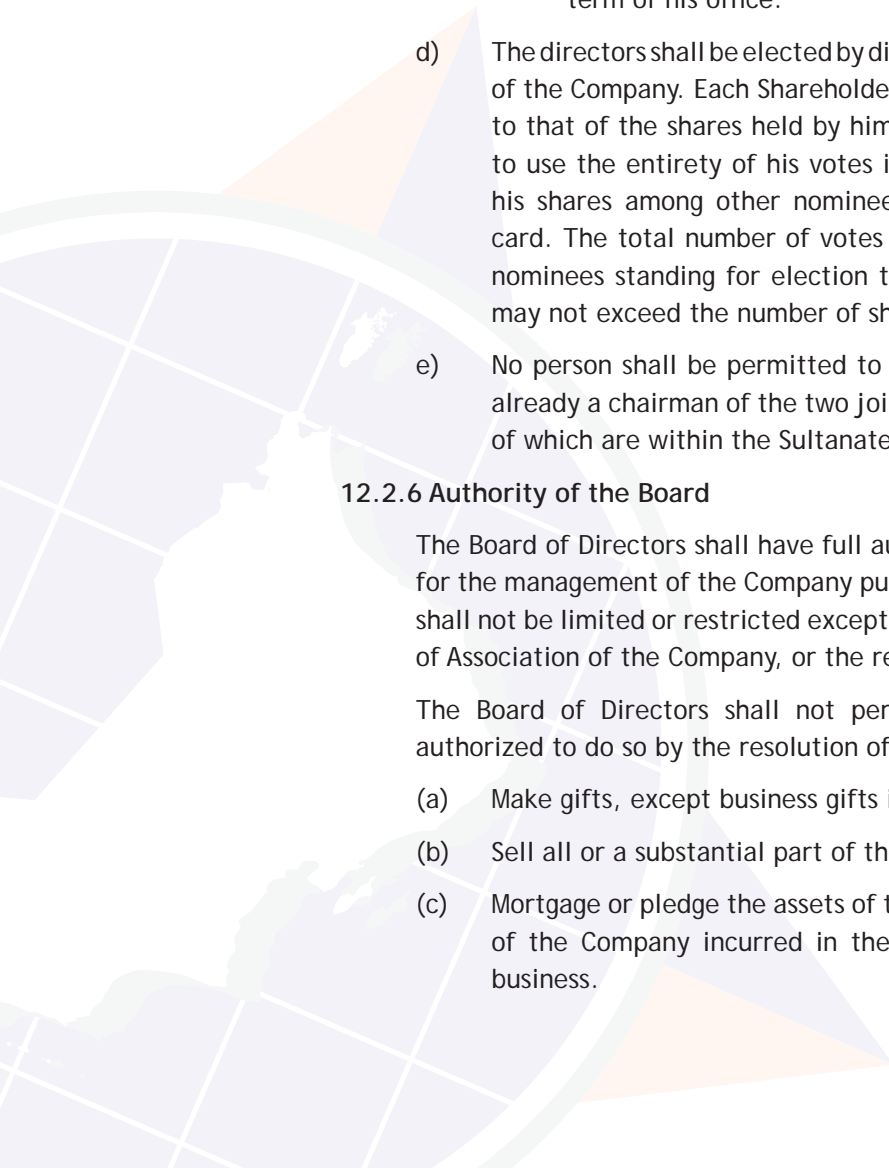
Mr. K. Palanivelu (Independent Member) is a Graduate and a Member of the Institute of Chartered Accountants of India. Mr. Palanivelu has an overall experience of 29 years in the field of finance and banking. Prior to joining the Zubair Group he was employed with a large conglomerate of petrochemicals, pharmaceuticals and shipping in India for about 15 years. He has held various positions with that group in India and Jordan. Mr. Palanivelu joined the Zubair Group in 2004 as Manager - Group Treasury and was promoted to Head of the Group Treasury before being elevated to the position of Chief Financial Officer of The Zubair Corporation Group. He has handled large financing and acquisition transactions for the Group.



12.2.5 Rules and Conditions for Election of Directors

The following are the main provision set out in the Company's Articles of Association, concerning the nomination and election of the Board of Directors:

- a) The Company shall be managed by a Board of Directors consisting of 7 members elected by the General Meeting from amongst the shareholders or non-shareholders, provided that the elected member if he is a shareholder shall continue maintaining the title of at least 200,000 shares. Upon completion of the merger, the Board of Directors will be increased from 7 to 9 members, for which the shareholders' approval has been obtained.
- b) The period of the membership of the board of directors shall be for a maximum period of three (03) years. The board member may be re-nominated for other similar period
- c) Subject to the provisions of the Commercial Companies Law and the amendments thereto, when the Company's board of directors is formed the following provisions shall be complied with for formation of the Board of Directors:
 - 1) The majority of the Board Members must be Non-executives.
 - 2) A minimum of one third (1/3) of the Board Members must be independent directors as per the code of corporate governance.
 - 3) A juristic person shall not be represented on the Board by more than one director. In case a juristic person's representative has been elected as a member of the Board of Directors such juristic person may from time to time replace the elected member with another member by written notice to be submitted to the Company. The newly appointed member shall abide by the provisions of these Articles of Association and provide the Company with such other information as may be required in accordance with the Law. The new member shall occupy the office of membership for the remaining period of his predecessor
 - 4) Chief Executive / General Manager and Chairman shall not be held by one member
 - 5) Be of good conduct and sound reputation
 - 6) Be at least 25 years old
 - 7) Not be unable to settle their indebtedness to the Company
 - 8) Not be declared insolvent or bankrupt unless the state of insolvency or bankruptcy has ceased pursuant to the laws of Oman.

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- 9) Not be convicted of a felony or a dishonorable crime unless he has been rehabilitated.
 - 10) Not be a member or represent a juristic person, on the boards of more than four public joint stock companies based in the Sultanate of Oman once appointed to the Board of the Company.
 - 11) Be authorized to nominate himself to the membership of the Board of Directors by the juristic person if he is nominated by a juristic entity.
 - 12) Not be a member of the board of directors of a public or closed joint stock company which is based in the Sultanate of Oman and which is carrying on commercial activities similar to those of the Company; and
 - 13) Present an acknowledgement which contains a statement of the number of his shares, if he is a shareholder, with an undertaking that he will not dispose of such shares to the extent that he shall cease to be a shareholder in the Company, throughout the term of his office.
- d) The directors shall be elected by direct secret ballot by the Shareholders of the Company. Each Shareholder shall have a number of votes equal to that of the shares held by him. A Shareholder shall have the right to use the entirety of his votes in support of one nominee or divide his shares among other nominees of his choice through the voting card. The total number of votes cast by a Shareholder in support of nominees standing for election to the Company's board of directors may not exceed the number of shares owned by such Shareholder.
- e) No person shall be permitted to be a chairman of the board if he is already a chairman of the two joint stock companies, the head offices of which are within the Sultanate of Oman.

12.2.6 Authority of the Board

The Board of Directors shall have full authority to perform all acts required for the management of the Company pursuant to its objects. Such authority shall not be limited or restricted except as provided by law or by the Articles of Association of the Company, or the resolution of the General Meeting.

The Board of Directors shall not perform the following acts except if authorized to do so by the resolution of a General Meeting:

- (a) Make gifts, except business gifts in small and customary amounts.
- (b) Sell all or a substantial part of the Company's assets.
- (c) Mortgage or pledge the assets of the Company, except to secure debts of the Company incurred in the ordinary course of the Company's business.



- (d) Guarantee debts of third parties, except guarantees made in the ordinary course of business pursuant to the Company's objects.

12.3 Brief profile of senior management

Mr. Robert Pancras, Chief Executive Officer, joined the Company in May 2005. He has over 27 years of experience in banking and financial services, including more than 16 years 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 Masters in Business Administration (PGDM) from Indian Institute of Management, Bangalore and a Bachelor of Engineering degree from College of Engineering, Madras.

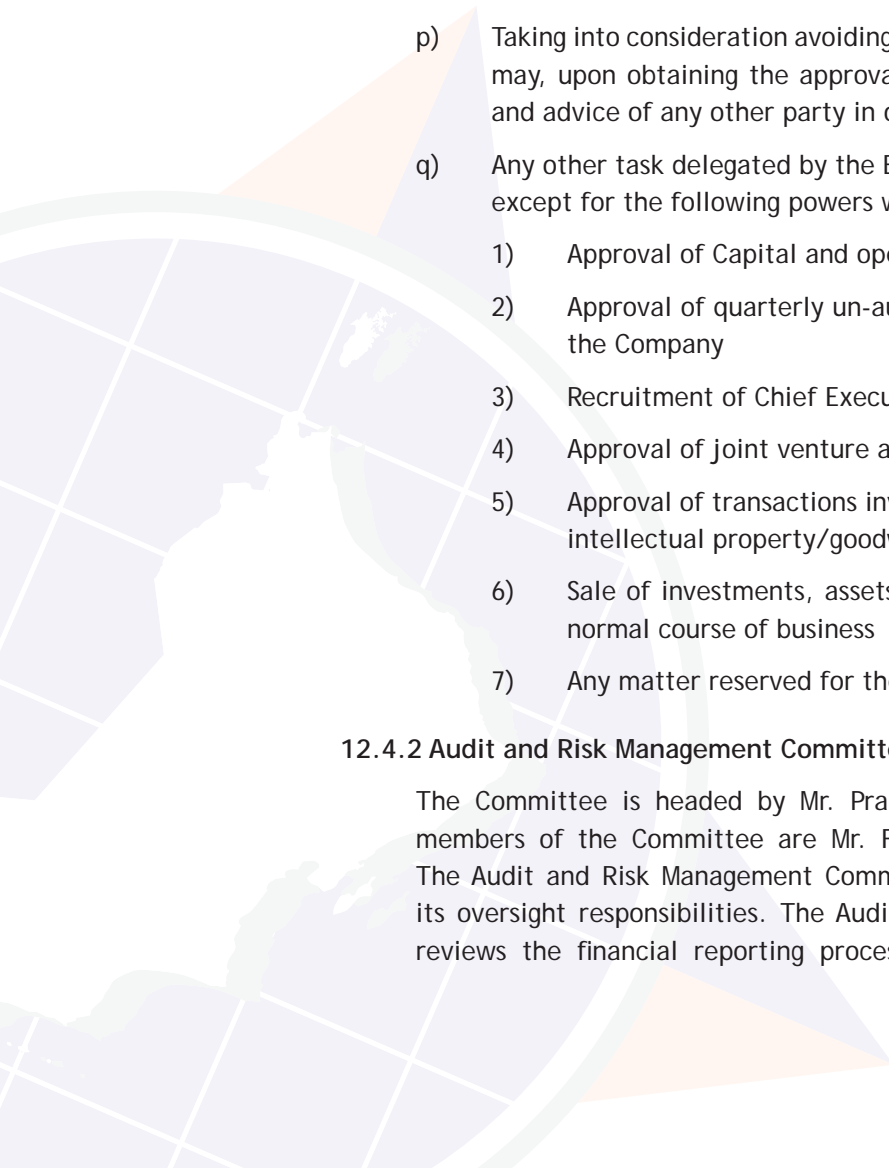
Mr. Ali Abdullah Saleh Al Tamimi, General Manager, started his career as a banker with British Bank of Middle East. He is a former Chairman of Oman Refinery Company and has been on the Board of Oman Arab Bank, PDO, Oman Oil, Oman LNG, Oman Mining and Occidental during his tenure in the Government. He 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.

12.4 Board Sub-Committees

12.4.1. Nomination, Remuneration and Executive Committee

The Nomination, Remuneration and Executive Committee comprises of three (03) Directors and is headed by the Company's Chairman, Mr. Taya Bin Jandal Bin Ali. The other members of the Committee are Mr. AbdulAziz Al Balushi and Mr. K Balaji. In addition, the CEO will also be an invitee to the committee meetings. The committee is responsible for the following as per the Administrative Policy approved by the Board of Directors of the Company on July 20, 2016.

- a) Nomination of proficient directors and electing the most fit
- b) Preparation of job descriptions of the role and responsibilities of directors including the chairperson
- c) Identification and nomination of qualified persons to act as interim directors on the board in the event of a seat becomes vacant
- d) Assisting the board in selecting the appropriate and necessary executives for the executive management
- e) Provide succession planning for the executive management
- f) Identification and nomination of qualified persons to assume senior executive positions, as required or directed by the board

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- g) Preparation of bonus, allowances and incentive policy for the executive management
 - h) Review such policies periodically, taking into account market conditions and Company performance
 - i) Submit an annual plan of action to the Board
 - j) Appointment of bankers, approval of banking facilities for Company's business and
 - k) Appointment of authorized signatories for banking operations
 - l) Approval of proposal for write off of bad debts as per the authority limits prescribed in the Policies and Procedures Manual
 - m) Approval of cumulative exposure per lessee as per the authority limits prescribed in the Policies and Procedures Manual
 - n) Appointment of Consultants as per the authority limits prescribed in the Policies and Procedures Manual
 - o) Award of annual increment to Management Committee members
 - p) Taking into consideration avoiding conflict of interests, the committee may, upon obtaining the approval of the board, seek the assistance and advice of any other party in order to better deliver its tasks
 - q) Any other task delegated by the Board of Directors from time to time except for the following powers which cannot be delegated
 - 1) Approval of Capital and operating budgets
 - 2) Approval of quarterly un-audited and annual audited results of the Company
 - 3) Recruitment of Chief Executive Officer and General Manager
 - 4) Approval of joint venture agreements
 - 5) Approval of transactions involving substantial payment towards intellectual property/goodwill/brand equity
 - 6) Sale of investments, assets and divisions which are not in the normal course of business
 - 7) Any matter reserved for the Board by regulation

12.4.2 Audit and Risk Management Committee

The Committee is headed by Mr. Pramod G. Karajgikar. The other two members of the Committee are Mr. Francis Pinto and Mr. K Palanivelu. 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

and management of Risks, the audit process, the Company's process for monitoring compliance with laws and regulations and its own Code of business conduct.

12.5 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 internal audit function is outsourced to Horwath Mak Ghazali LLC. The Company's in-house internal auditor is Mr. Hussain Abdulaziz Al Raisi. The internal audit reports are reviewed by the Audit and Risk Management Committee and the findings are placed before the Board of Directors, where necessary. 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.

12.6 Compliance with Regulatory and Control Requirements

The Board is not aware of any instances of material non-compliance by the Company of its regulatory requirements. The Company has also complied with all provisions of the Code.

12.7 Shareholders Channels of Contact with Shareholders and investors

The financials of the Company are available in digital form at the MSM website viz., 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 at www.nationalfinance.co.om.

CHAPTER 13 - AUDITED FINANCIAL STATEMENTS FOR 2016

Detailed Financial Statements are available on www.msm.gov.om and on Company's website www.nationalfinance.co.om



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Independent auditors' report to the Shareholders of National Finance Company SAOG

Report on the audit of the financial statements

Opinion

We have audited the financial statements of National Finance Company SAOG ("the Company") set out on pages to which comprise the statement of financial position as at 31 December 2016, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Credit risk and impairment of lease receivables

For a better understanding of the accounting policies and amounts please refer to note 2.4 (a) on pages to and 3.1.2 and 3.1.3 on pages and and note 12 on pages and to the financial statements.



Impairment is a subjective area due to the level of judgement applied by the management in determining the impairment allowance. Due to the significance of lease receivables (representing 97% of total assets) and the related estimation uncertainty, this is considered a key audit matter.

Judgement is applied to determine appropriate parameters and assumptions used to calculate impairment. Key judgement include the probability of default, the valuation of collateral for secured lending and the future cash flows arising from customers who have defaulted. In addition, we also focused on individually significant exposures that either continued to be, have become, or were at risk of being individually impaired.

Our response

Our audit procedures included:

- assessing controls over monitoring of leases and evaluating the methodologies, inputs and assumptions used by the Company in calculating collectively assessed impairments, and assessing the adequacy of impairment allowances for individually assessed leases by reviewing individually significant leases.
- testing operation of key controls over the credit grading and monitoring process, to assess if the risk grades allocated to counterparties were appropriately identified, on a timely basis.
- challenging appropriateness of the key management assumptions used in the impairment calculations for lease receivables, which included performing credit assessments for selected lease receivables and assessing the reasonableness of the realisation of collateral and other possible sources of repayment;
- comparing key assumptions to progress against business plans and our own understanding of the relevant industries and business environment. We also compared them, where significant, to externally derived evidence such as audited accounts of the leases and carrying value of assets leased, for assessing the appropriateness of the collateral values held by the Company; and
- assessing whether financial statement disclosures appropriately reflect the Company's exposure to credit risk.

Other Matter

The financial statements of the Company for the year ended 31 December 2015, were audited by another auditor who expressed an unmodified opinion on those financial statements dated 10 March 2016.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form or assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the relevant disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of 1974, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on regulatory requirements

We report that the financial statements of the Company as at and for the year ended 31 December 2016, in all material respects, comply with the:

- relevant disclosure requirements of the Capital Market Authority; and
- applicable provisions of Commercial Companies Law of 1974, as amended.

9 March 2017



Paul Callaghan

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Note	2016 Rial '000	2015 Rial '000
ASSETS			
Cash and bank balances	10	2,347	806
Net investment in financing activities	12	192,529	185,503
Advances and prepayments		1,569	1,604
Deferred tax	14	770	745
Property pending sale	13	-	84
Property and equipment	15	1,755	1,481
Statutory deposit	11	250	210
Total assets		199,220	190,433
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	16	27,113	26,323
Revaluation reserve		867	893
Legal reserve	17	4,793	4,158
Retained earnings		12,882	11,090
Total equity		45,655	42,464
LIABILITIES			
Creditors and accruals	18	4,348	5,618
End of service benefits	19	620	583
Tax liabilities	14	1,113	1,029
Bank borrowings	20	131,626	126,877
Fixed deposits	21	15,858	13,862
Total liabilities		153,565	147,969
Total equity and liabilities		199,220	190,433
Net assets per share (Rial)	9	0.168	0.157



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 Rial '000	2015 Rial '000
Income from financing activities		17,211	15,879
Finance cost		(5,062)	(3,728)
Net finance income		12,149	12,151
Other operating income	6	1,100	903
Total income		13,249	13,054
Operating expenses			
General and administrative expenses	7	(4,497)	(4,431)
Depreciation	15	(168)	(127)
		(4,665)	(4,558)
Profit before impairment and tax		8,584	8,496
Net impairment loss on lease receivables	12	(1,509)	(1,676)
Bad debts written back - net		138	12
Profit before tax		7,213	6,832
Income tax expense	8	(864)	(811)
Profit after tax		6,349	6,021
Other comprehensive income Items that will never be reclassified to profit or loss			
Gain on revaluation of building - net of tax	15	-	264
Incremental depreciation - net of tax	15	26	22
Total comprehensive income		6,375	6,307
Basic and diluted earnings per share (Rial)- restated	9	0.024	0.022

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital Rial '000	Revaluation reserve Rial '000	Legal reserve Rial '000	Retained earnings Rial '000	Total Rial '000
1 January 2016	26,323	893	4,158	11,090	42,464
Total comprehensive income:					
Profit for the year	-	-	-	6,349	6,349
Other comprehensive income					
Incremental depreciation - net of tax (note 15)	-	(26)	-	26	-
Total Comprehensive income	-	(26)	-	6,375	6,349
Transactions with owners:					
Stock dividend (note 22)	790	-	-	(790)	-
Cash dividend paid (note 22)	-	-	-	(3,158)	(3,158)
Total transactions with owners	790	-	-	(3,948)	(3,158)
Transfer to legal reserve (note 17)	-	-	635	(635)	-
31 December 2016	27,113	867	4,793	12,882	45,655

	Share capital Rial '000	Revaluation reserve Rial '000	Legal reserve Rial '000	Retained earnings Rial '000	Total Rial '000
1 January 2015	25,681	651	3,556	8,859	38,747
Total comprehensive income:					
Profit for the year	-	-	-	6,021	6,021
Other comprehensive income					
Incremental depreciation - net of tax (note 15)	-	(22)	-	22	-
Total Comprehensive income	-	(22)	-	6,045	6,021
Gain on revaluation of building - net of tax (note 15)	-	264	-	-	264
Transactions with owners:					
Stock dividend (note 22)	642	-	-	(642)	-
Cash dividend paid (note 22)	-	-	-	(2,568)	(2,568)
Total transactions with owners	642	-	-	(3,210)	(2,568)
Transfer to legal reserve (note 17)	-	-	602	(602)	-
31 December 2015	26,323	893	4,158	11,090	42,464



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 Rial '000	2015 Rial '000
Cash flows from operating activities			
Profit before tax		7,213	6,832
Adjustments for:			
Depreciation	15	168	127
End of service benefits	19	99	134
Impairment on lease receivables		1,509	1,676
(Profit)/Loss on sale of property pending sale		(24)	10
(Profit)/Loss on sale of assets		(35)	-
Bad debts written back - net		(138)	(12)
Finance cost		5,062	3,728
		<u>13,854</u>	<u>12,495</u>
End of service paid	19	(62)	(93)
Changes in:			
Investment in financing activities		(8,397)	(26,298)
Advances and prepayments		35	44
Creditors and accruals		(1,270)	1,013
Interest paid		(4,877)	(3,725)
Income tax paid	14 (c)	(805)	(881)
Net cash used in operating activities		<u>(1,522)</u>	<u>(17,445)</u>
Cash flows from investing activities			
Proceeds from sale of vehicles and property pending sale		143	37
Purchase of property and equipment	15	(443)	(154)
Net cash used in investing activities		<u>(300)</u>	<u>(117)</u>
Cash flows from financing activities			
Proceeds from bank borrowings		5,655	24,930
Proceeds / (repayments) from / of fixed deposits		1,959	(5,855)
Statutory deposit		(40)	(40)
Dividend paid	22	(3,158)	(2,568)
Net cash generated from financing activities		<u>4,416</u>	<u>16,467</u>
Net change in cash and cash equivalents		<u>2,594</u>	<u>(1,095)</u>
Cash and cash equivalents at the beginning of the year		(247)	848
Cash and cash equivalents at the end of the year	23	<u><u>2,347</u></u>	<u><u>(247)</u></u>

CHAPTER 14 - UNAUDITED FINANCIAL STATEMENTS FOR NINE MONTHS ENDED 30TH SEPTEMBER 2017

Detailed Financial Statements are available on www.msm.gov.om and on Company's website www.nationalfinance.co.om.

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

		30 September 2017	30 September 2016
	Note	Rial '000 Unaudited	Rial '000 Unaudited
ASSETS			
Cash and bank balances	19	3,091	3,345
Statutory deposit	12	250	210
Net investment in financing activities	13	190,971	192,777
Deferred tax	10	965	770
Advances and prepayments		1,365	1,976
Property and equipment	14	1,685	1,516
Total assets		198,327	200,594
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	27,926	27,113
Revaluation reserve		847	873
Legal reserve		4,793	4,158
Retained earnings		12,109	11,408
Total equity		45,675	43,552
LIABILITIES			
Creditors and accruals	16	5,870	5,809
Staff terminal benefits		618	628
Tax liabilities	10	907	836
Bank borrowings	17	126,682	134,662
Fixed deposits	18	18,575	15,147
Total liabilities		152,652	157,042
Total equity and liabilities		198,327	200,594
Net assets per share (Rial)		0.164	0.161



Interim Statement of Comprehensive Income For nine months ended 30 September 2017

		Nine months ended 30 September 2017	Nine months ended 30 September 2016
	Note	Rial '000	Rial '000
Income from financing activities		12,733	12,675
Finance cost		(4,280)	(3,633)
Net finance income		8,453	9,042
Other income	8	944	782
Total income		9,397	9,824
 Operating expenses	9	 (3,532)	 (3,430)
General and administrative expenses	15	(214)	(121)
Depreciation		5,651	6,273
Profit before impairment and tax	13(b)	(1,699)	(1,610)
Net impairment loss on lease receivables		324	169
Bad debts written back - net		4,276	4,832
Profit before tax	10	(461)	(586)
Income tax expense		3,815	4,246
Profit after tax			
 Other comprehensive income Items that will never be reclassified to profit or loss		 20	 20
Movement in revaluation reserve - net of tax		3,835	4,266
Total comprehensive income for the period Earning per share (Rial)	11	0.014	0.016

Interim Statement of Changes In Equity

For nine months ended 30 September 2017

	Share capital Rial '000	Revaluation reserve Rial '000	Legal reserve Rial '000	Retained earnings Rial '000	Total Rial '000
1 January 2017	27,113	867	4,793	12,882	45,655
Total comprehensive income:					
Profit for the period	-	-	-	3,815	3,815
Other comprehensive income					
Incremental depreciation - net of tax	-	(20)	-	20	-
Total Comprehensive income	-	(20)	-	3,835	3,815
Transactions with owners:					
Stock dividend	813	-	-	(813)	-
Dividend declared	-	-	-	(3,795)	(3,795)
Total transactions with owners	813	-	-	(4,608)	(3,795)
30 September 2017 (Unaudited)	<u>27,926</u>	<u>847</u>	<u>4,793</u>	<u>12,109</u>	<u>45,675</u>
1 January 2016	26,323	893	4,158	11,090	42,464
Total comprehensive income:					
Profit for the period	-	-	-	4,246	4,246
Other comprehensive income					
Incremental depreciation - net of tax	-	(20)	-	20	-
Total Comprehensive income	-	(20)	-	4,266	4,246
Transactions with owners:					
Dividend declared	-	-	-	(3,158)	(3,158)
Stock dividend	790	-	-	(790)	-
Total transactions with owners	790	-	-	(3,948)	(3,158)
30 September 2016 (Unaudited)	<u>27,113</u>	<u>873</u>	<u>4,158</u>	<u>11,408</u>	<u>43,552</u>
1 January 2016	26,323	893	4,158	11,090	42,464
Total comprehensive income:					
Profit for the year	-	-	-	6,349	6,349
Other comprehensive income					
Incremental depreciation - net of tax	-	(26)	-	26	-
Total Comprehensive income	-	(26)	-	6,375	6,349
Transactions with owners:					
Stock dividend	790	-	-	(790)	-
Dividend declared	-	-	-	(3,158)	(3,158)
Total transactions with owners	790	-	-	(3,948)	(3,158)
Transfer to legal reserve (note 17)	-	-	635	(635)	-
31 December 2016 (Audited)	<u>27,113</u>	<u>867</u>	<u>4,793</u>	<u>12,882</u>	<u>45,655</u>



Interim Statement of Cash Flows For nine months ended 30 September 2017

		30 September 2017 Rial '000	30 September 2016 Rial '000
	Note		
Cash flows from operating activities			
Profit before tax		4,276	4,832
Adjustments for:			
Depreciation		214	121
End of service benefits		62	101
Impairment on lease receivables		1,699	1,610
Profit on sale of property pending sale		-	(24)
Bad debts written back - net		(324)	(169)
Finance cost	18	4,280	3,633
		<u>10,207</u>	<u>10,104</u>
End of service paid			
Changes in:		(64)	(56)
Net investment in financing activities		183	(8,715)
Advances and prepayments		204	372))
Creditors and accruals		1,522	191
Interest paid		(3,912)	(3,441)
Income tax paid		(863)	(804)
Net cash from / (used in) operating activities		<u>7,277</u>	<u>(3,093)</u>
Cash flows from investing activities			
Proceeds from sale of property pending sale		-	108
Purchase of property and equipment		(144)	(156)
Net cash used in investing activities		<u>(144)</u>	<u>(48)</u>
Cash flows from financing activities			
Proceeds / (repayments) from / of bank borrowings	19	(7,501)	7,115
Proceeds / (repayments) from / of fixed deposits	19	2,336	1,175
Dividend paid		(3,795)	(3,158)
Net cash generated from financing activities		<u>(8,960)</u>	<u>5,132</u>
Net change in cash and cash equivalents during the period		<u>(1,827)</u>	<u>1,991</u>
Cash and cash equivalents at the beginning of the period		2,347	(247)
Cash and cash equivalents at the end of the period	19	<u>520</u>	<u>1,744</u>

CHAPTER 15 - RIGHTS AND LIABILITIES OF SHAREHOLDERS

This section summarizes the rights and liabilities of shareholders in an Omani joint stock company, effective as at the date of this Prospectus and the Articles of Association. The description provided hereafter is only a summary and neither purports to give a complete overview of the rights and liabilities of shareholders nor of relevant provisions of Omani law or the CMA circulars. Additionally, this section should not be considered as legal advice regarding these matters. A copy of the Articles of Association is available from the corporate office of the Company.

15.1 Shareholders' Liability

The liability of the shareholder shall be limited to the payment of the value of the Shares he subscribes and he shall not be responsible for the debts of the Company except within the limits of the par/nominal value of the Shares he subscribes for.

In case new Shares are issued without stipulating the full payment of the value on subscription, payment of the remainder of each Share's value shall be effected at the time and in the manner to be determined by the Board of Directors, provided that each Shareholder shall receive at least fourteen days notice specifying the time and place of payment.

The Shareholder shall pay the amount called on his Shares at the time and place as specified, otherwise he shall pay interest on the sum called at the current rate as from the day appointed for payment thereof to the time of actual payment. The Board of Directors shall be at liberty to waive payment of such interest wholly or in part.

If a Shareholder fails to pay any installment when due, as set forth in the subscription document, the Company may, after sending a notice to the Shareholder at his address listed in the Shareholders' register and allowing him at least fourteen days from the day on which the notice is sent to make the payment, offer his Shares for sale in the MSM in accordance with the rules and regulations of the CMA.

The Company shall have priority over all creditors to recover from the proceeds of sale the full amount unpaid on the Shares, with interest at the prevailing rate, and expenses, and the balance shall be paid to the Shareholder. Should the proceeds of the sale be insufficient, the Company shall have recourse against the Shareholder's property for the balance.



15.2 Shareholders' Rights

All the Shares shall enjoy equal and inherent (attached) rights in the ownership thereof which in accordance with the CCL are:

- i) the right to receive dividends declared by the general meeting;
- ii) the preferential right of subscription for new Shares;
- iii) the right to share in the distribution of the Company's assets upon liquidation;
- iv) the right to transfer Shares in accordance with the applicable law;
- v) the right to inspect the Company's balance sheet, profit and loss statement and register of Shareholders;
- vi) the right to receive notice of and the right to participate and vote in all general meetings in person or by proxy (each Shareholder will have one vote for each ordinary share owned);
- vii) the right to apply for annulment of any resolution made by the general meetings or the Board of Directors, which is contrary to law or the Articles of Association or other internal regulations of the Company;
- viii) the right to institute actions against the Directors and auditors of the Company on behalf of the shareholders or on behalf of the Company pursuant to Article 110 of the CCL;
- ix) the right to approach the CMA (provided that the move is supported by Shareholders who own at least 5% of the Shares), to exercise its authority to suspend resolutions of the general meeting which are passed in favour of or against any category of Shareholders or in the interests of the members of the Board or others.

15.3 Ownership and Transfer of Shares

Ownership of Shares shall be entered in the registers of the MCDC. The transfer of ownership shall also be entered into the Shareholders' register kept by the Company which shall list the name and nationality of each Shareholder as well as his place of residence, the quantity of Shares he holds and their numbers. In the case of death of a Shareholder the person whose name stands next in the register, where the deceased was a joint holder, shall be deemed by the Company to be the representative of the joint owners of the Shares. If the deceased was a sole holder, his legal personal representatives shall be the only persons recognized by the Company as having any title to his Shares, but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been held jointly by him with other persons.

15.4 Reports and Statements to be sent to the Shareholders

Within two months from the end of the financial year, the Board of Directors shall prepare the balance sheet of the Company and a statement containing the Company's profit and loss account after they have been audited by the Company's auditors. The statement shall also prepare a report on the Company's operations during the expired year and on the net profits proposed to be distributed. Copies of all the above mentioned statements shall be sent to the CMA two weeks, at least, prior to the meeting of the ordinary annual general meeting. A copy of the balance sheet, the report of the Board of Directors and the report of the auditors shall, likewise, be sent to each shareholder together with the invitation to attend the meeting of the ordinary annual general meeting. The annual financial statements will also be disclosed through the electronic transmission system hosted on the MSM website.

The Board of Directors will also prepare unaudited quarterly financial statements for the first, second and third quarter of each Financial Year. These statements will also be disclosed through the electronic transmission system hosted on the MSM website.

The Company will also have the un-audited quarterly financial statements published.





CHAPTER 16 - SUBSCRIPTION CONDITIONS AND PROCEDURES

16.1 Eligibility for the subscription of the Offer Shares

The subscription for the Rights Issue is open to the Shareholders appearing on the Company's register with the MCDC as at the Record Date and to those persons who have bought rights through the MSM. Every Shareholder is entitled to subscribe to the Rights Issue provided they own Shares as at the Record Date and/or they have purchased rights through the MSM. It is pertinent to mention here that it is permissible for foreign individuals/corporates to own Shares to an extent of 70% of the total Share of the Company, in accordance with the Articles of Association and the law.

Every Shareholder may subscribe for a number of Offer Shares that is equal to 779.205 Offer Shares for every 1000 Shares currently held by the Shareholder as at the Record Date. The rights entitlement will be listed on the MSM and can be sold or purchased through the MSM.

16.2 Subscription for Additional Shares

Shareholders as at the Record Date are eligible to apply for Additional Shares.

A Shareholder who does not subscribe to his full rights entitlement or sells his rights entitlement (either partially or in full) is not eligible to apply for Additional Shares.

A person who is not a shareholder as on the Record Date and has bought a rights entitlement is not eligible to apply for Additional Shares.

16.3 Unsubscribed Offer Shares

Shareholders can apply for Additional Shares out of the unsubscribed portion, if any, of the Rights Issue subject to the previous paragraph.

The following are the terms and conditions and procedure to be followed in the event of an under-subscription of Offer Shares:

16.3.1 Terms and conditions for subscription of Additional Shares

Shareholders as at the Record Date will be offered the option to apply for Additional Shares, subject to the terms and conditions detailed below:

1. Shareholders subscribing to their full entitlement of Offer Shares will have the option to apply for Additional Shares;
2. Additional Shares can be applied for by submitting an Application Form by specifying the number of Additional Shares applied for and making immediate payment for such Additional Shares; and

3. The Additional Shares, if applicable, will be allotted to all eligible applicants simultaneously with the Offer Shares after CMA approval as per the procedure described in 16.3.2.

16.3.2 Procedures to be followed for subscription of Additional Shares

1. Shareholders who have opted to apply for Additional Shares shall be required to indicate in the Application Form the number of Additional Shares they wish to apply for and make the required payment to the Subscription Bank;
2. In the event the total Additional Shares applied for is more than those available in the Rights Issue, each Applicant will be allotted Additional Shares on a pro-rata basis proportionate to the number of Additional Shares applied for, and the balance will be refunded;

The following is a working example using fictitious numbers to elaborate the allotment of Additional Shares:

Particulars	Shares
Right Issue Offer	100,000,000
Subscription	90,000,000
Unsubscribed	10,000,000
Additional Shares Applications Received	15,000,000
Allotment of unsubscribed shares on pro-rata basis based on applications received for Additional Shares Percentage allotment of Additional Shares (10,000,000/15,000,000=66.67%)	10,000,000
Refund of amount for unallocated shares to Shareholders equivalent to	5,000,000

As per this example a person applying for 3,000 Additional Shares will be allocated 2,000 Shares.

3. If the total Additional Shares applied for by the Applicants is less than the extent of under-subscription in the Rights Issue, all eligible Applicants will receive an allotment to the full extent of Additional Shares applied for by them and the Board of Directors shall reduce the increase in share capital equivalent to the value of the Offer Shares that remain unsubscribed.

16.4 Subscription on behalf of Minor Children

- 1) For the purpose of this Rights Issue, any person born after 4th February 2000.



- 2) Only a father may or a legal guardian subscribe on behalf of his minor child(ren).
- 3) If a Subscription is made on behalf of a minor by any person other than the minor's father, the person submitting the Subscription shall be required to attach a valid Sharia (Legal) Power of Attorney issued by the competent authorities authorizing him to deal in the funds of the minor through sale, purchase and investment.

16.5 Subscription Period

The subscription shall commence on 4th February 2018 and end on 19th February 2018 with the end of official working hours of the Collecting Bank. The entitlement to the Rights Issue will lapse if a valid subscription is not made in the subscription period.

16.6 Particulars of the Bank Account

- 1) Each Applicant is required to furnish the particulars of his bank account, which must be registered in the Applicant's name. The Applicant must not use the bank account number of any other person except in the case of minor children, which may contain the father's bank account details.
- 2) If the Bank account of the Applicant is registered with a bank other than the one receiving the subscription, he shall be required to submit a document evidencing correct bank account particulars as provided for in the Application Form. This can be done by submitting any document from the bank of the Subscriber furnishing therein the number and name of the account holder like the upper portion of the account statement issued by the Bank containing these particulars, a letter or any document issued by the said bank containing the said information or copy of the Bank card (ATM/ Debit) where such particulars are clearly stated. The Applicant shall ensure that the evidence submitted is readable in a clear manner, containing the number and full name of the account holder. The Subscriber is not required to submit any evidence with regard to correctness of his bank account if he is subscribing through the Bank wherein he is maintaining his account. In this case, the Bank shall be required to verify and confirm the correctness of the Applicant's account through its specific system and procedure or through the evidence submitted to it by the Applicant.
- 3) In accordance with the instructions issued by the CMA, the particulars of the Bank account referred to above shall be recorded in the registers of the MCDC. This shall be used for the transfer of excess funds of the subscription and distribution of any dividends payable to the Shareholder. Whereas, with regard to the Subscribers who have their bank accounts registered presently with the registers of the MCDC, the Bank account number provided for in the Application Form for the subscription would be utilized only for the purpose of transfer of the excess sums.

- 4) An Application containing the Bank account number of a person other than the Subscriber shall be rejected, with the exception of the Applications made on behalf of minor children that contain bank account particulars of their fathers.

16.7 Documentation Required

- 1) Submission of the duly completed and signed Rights Issue Application Form.
- 2) Submission of a document confirming correctness of the Bank account number as provided for in the Application Form for subscription in one case only, being subscription through a bank other than the one with whom the Applicant has his account.
- 3) Copy of a valid power of attorney duly endorsed by the competent legal authorities in the event the subscription is on behalf of another person (with the exception of the subscription made by a father on behalf of his minor children).

16.8 Mode of subscription

- 1) The Applicant shall be responsible for furnishing all his particulars, ensuring correctness and validity of the information provided for in the Application Form. While emphasizing on it, the Bank receiving the subscription has been instructed to accept the applications for subscription that comply with all the requirements as provided for in the Application Form and this Prospectus.
- 2) The Applicant shall be required, before filling the Application, to peruse the Prospectus and read the conditions and procedures governing the subscription with care and importance.
- 3) Only the original application form (with preprinted details) sent to eligible Shareholders should be used. Photocopies of Application Forms will not be accepted. If any eligible Shareholder does not receive the Application Form, such person must contact the Financial Advisor and Issue Manager sufficiently in advance of the Subscription Closing Date to obtain a duplicate Application Form duly stamped by the Financial Advisor and Issue Manager.
- 4) Those who validly purchase the rights entitlement in the MSM during the rights trading period should contact the Financial Advisor and Issue Manager and submit a copy of their purchase invoice issued by their broker or statement of account issued by MCDC showing their holding of the rights entitlement. The Financial Advisor and Issue Manager will issue the Application Form to such Applicants. Only the Application Form issued by the Financial Advisor and Issue Manager should be used by such Applicants.
- 5) The Applicants are required to fill in the Application Form for the subscription and furnish all their particulars including the shareholder number available with MCDC, civil number/passport number, date of birth in case of minor children and contact phone number.



- 6) Applicants are required to confirm on the details provided by signing off the Application Form. In case of minor children, only the father or legal guardian may sign on the Application Form, on behalf of his minor children.
- 7) The Applicant shall submit the Application Form to the Collecting Bank and make the full payment towards the Offer Shares applied (including Additional Shares, if any) as specified in the Prospectus and ensure that the documents in support of the information furnished (referred to above) are enclosed.
- 8) If any overseas investor or Shareholder wishes to subscribe to the Rights Issue, he has to pay in the currency of the Sultanate of Oman, i.e. Rial Omani, in the form of cheque only.
- 9) In case of payment of the value of the subscription by cheque, it shall be in favor of 'National Finance Rights Issue'.
- 10) In case of payment through bank transfer, the Applicant is responsible for ensuring the successful transfer of the subscription amount to the Collecting Bank within the subscription period and transfer acknowledgement copy has to be attached with the Application Form.

16.9 Bank receiving the subscription

The Applications shall be accepted by the Collecting Bank during its official working hours only.

The Collecting Bank shall be required to accept the Application after confirmation of compliance of the procedures and requirements as provided for in the Prospectus.

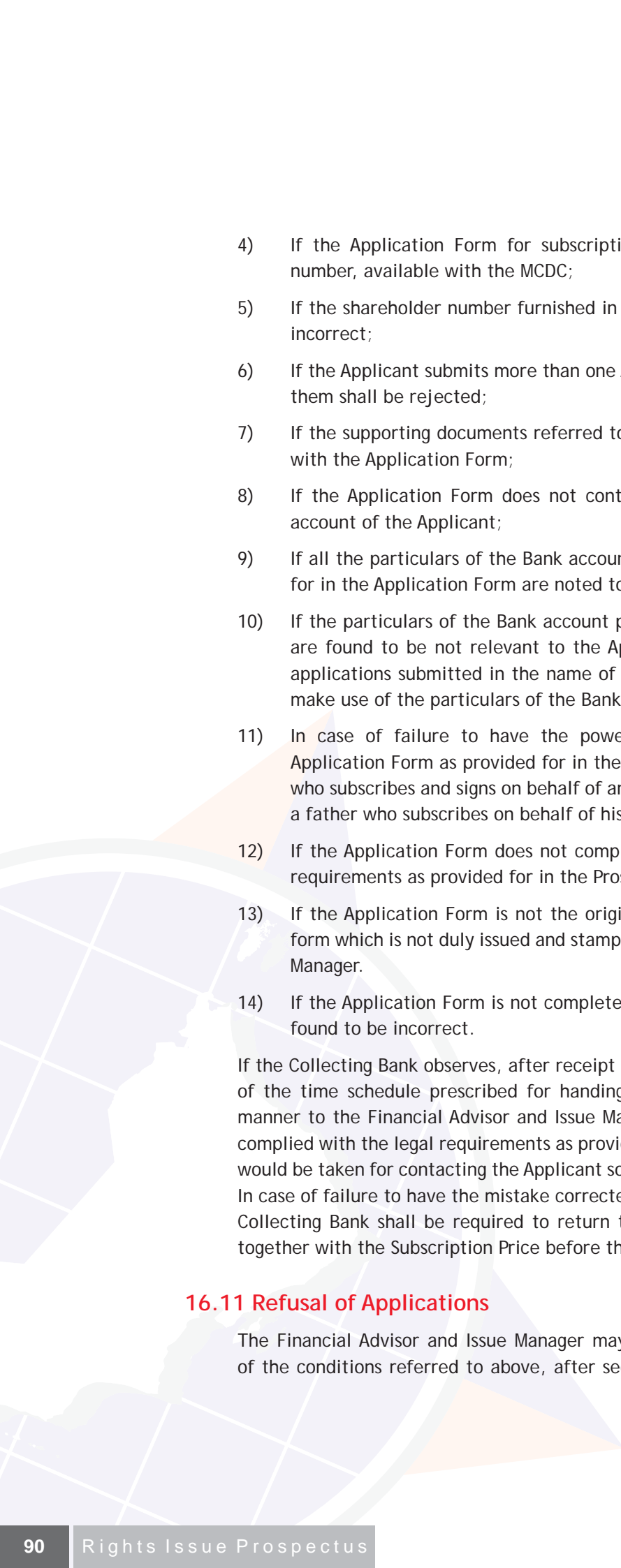
The Collecting Bank must instruct the Applicants to comply and fulfill any requirements that appear in the Application Form before submission.

The Applicant shall be responsible for submission of his Application with full payment to the Collecting Bank before the Subscription Closing Date. In this regard, the Collecting Bank shall have the right not to accept any Application that reaches it after the official working hours on the Subscription Closing Date.

16.10 Acceptance of the Applications for subscription

The Collecting Bank shall neither receive nor accept the Application Forms for subscriptions under the following circumstances:

- 1) If the Application Form does not bear the signature of the Applicant with the exception of fathers or legal guardians who subscribe and sign on behalf of their minor children;
- 2) In the event of a failure to pay the value of the Offer Shares (including Additional Shares applied for) subscribed in accordance with the conditions provided for in the Prospectus;
- 3) If the value of the Offer Shares subscribed is paid through cheque and if the same is dishonored for whatever be the reason;

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- 4) If the Application Form for subscription does not bear the Shareholder number, available with the MCDC;
 - 5) If the shareholder number furnished in the Application Form is noted to be incorrect;
 - 6) If the Applicant submits more than one Application in the same name, all of them shall be rejected;
 - 7) If the supporting documents referred to in the Prospectus are not enclosed with the Application Form;
 - 8) If the Application Form does not contain all the particulars of the Bank account of the Applicant;
 - 9) If all the particulars of the Bank account held by the Applicant as provided for in the Application Form are noted to be incorrect;
 - 10) If the particulars of the Bank account provided for in the Application Form are found to be not relevant to the Applicant, with the exception of the applications submitted in the name of minor children, who are allowed to make use of the particulars of the Bank accounts held by their father;
 - 11) In case of failure to have the powers of attorney attached with the Application Form as provided for in the Prospectus in respect of the person who subscribes and signs on behalf of another person (with the exception of a father who subscribes on behalf of his minor children);
 - 12) If the Application Form does not comply with the legal and organizational requirements as provided for in the Prospectus; or
 - 13) If the Application Form is not the original form sent by the Company or a form which is not duly issued and stamped by the Financial Advisor and Issue Manager.
 - 14) If the Application Form is not complete or any information provided in it is found to be incorrect.

If the Collecting Bank observes, after receipt of the application and before expiry of the time schedule prescribed for handing over of the Application in a final manner to the Financial Advisor and Issue Manager, that the Application has not complied with the legal requirements as provided for in the Prospectus, due effort would be taken for contacting the Applicant so as to correct the mistake detected. In case of failure to have the mistake corrected within the period referred to, the Collecting Bank shall be required to return the application for the subscription together with the Subscription Price before the Subscription Closing Date.

16.11 Refusal of Applications

The Financial Advisor and Issue Manager may reject the Applications under any of the conditions referred to above, after securing the approval of the CMA and



submission of a comprehensive report furnishing the details of the Applications that are required to be rejected and reasons behind such rejection. If it is observed, from the register of the final subscribers submitted by the Collecting Bank, that there are Applications which bear the same shareholder number or same civil number or same bank account number (with the exception of minor children), all such Applications shall be rejected for belonging to the same Applicant.

16.12 Enquiry and Complaints

The Applicants who intend to seek clarification or file complaints with regard to the issues related to the allotment or rejected Applications or refund of the funds in excess of the subscription may contact the branch of the Collecting Bank. In case of refunds, it shall be done net of the Bank charges and as per the foreign exchange rate between the RO and the currency of the respective country. In case of absence of any response from the Branch, the Subscriber may contact the person concerned as hereunder:



Ubhar Capital SAOC

Person (s) in charge: **Ms. Sahar Al-Zagha**

Address: PO Box 1137, PC 111, CPO, Sultanate of Oman

Phone: +968 24949007, Fax: +968 24949099

E-Mail: s.zagha@u-capital.net

If the Collecting Bank receiving the subscription fails to arrive at a solution or settlement with the person who has subscribed for the Offer Shares, it shall refer the subject matter to Financial Advisor and Issue Manager and keep the Subscriber posted of the progress and development in respect of the subject matter of the issue. The Subscriber shall also keep in touch with the Bank receiving the subscription only so as to know the decisions arrived at.

16.13 CBO Restrictions on Shareholding in Licensed Finance and Leasing Companies

Shareholders are required to comply with directives issued by the CBO from time to time regarding limits on shareholding in Finance and Leasing Companies. Allotment of the Offer Shares through this Rights Issue will be in compliance with CBO directives. Any Shareholder whose shareholding is found to be in breach of the limits imposed by CBO will not be allotted any Offer Shares to that extent and the subscription money will be refunded accordingly.

16.14 Payments for Additional Shares

If the Applicant fails to pay for any Additional Shares pursuant to the Application Form, the application for the Additional Shares will be rejected.

16.15 Allotment and Refund of Surplus Funds

The Offer Shares shall be allotted and the funds shall be refunded (if required) within [15] days from the Subscription Closing Date. The Applicant, upon the announcement of the allotment in the MSM, shall ensure that the Offer Shares and any Additional Shares are allotted to him/her from the MCDC. If applicable, the Applicant should check if the refunded money, if any, is received in the Applicant's bank account. In case of any discrepancy, they should immediately contact the Collecting Bank / Financial Advisor and Issue Manager.

16.16 Responsibilities of Shareholders/ Applicants in Rights Issue

- i) A Shareholder who wants to sell his Rights Issue entitlement through the MSM will lose his right to subscribe to the Offer Shares to that extent. Further, such Shareholders cannot apply for Additional Shares.
- ii) An investor who buys the rights listed in the MSM should exercise his right to subscribe to the Offer Shares through submitting his application (which is obtained from the Financial Advisor and Issue Manager as set out in Para 16.8(4)) to the Collecting Bank before the Subscription Closing Date. Such investors are not eligible to subscribe for Additional Shares.

16.17 Responsibilities and liabilities

The responsibilities and the liabilities of the Financial Advisor and Issue Manager, Collecting Bank and MCDC shall be in accordance with the responsibilities as specified by the CMA. They should also comply with other responsibilities of the agreement entered into between them and the Company issuing the shares. If appropriate, all responsible parties shall compensate others for damages resulting from any negligence in performing their duties. The Financial Advisor and Issue Manager shall coordinate with the regulatory authorities in order to take all necessary actions and procedures in this regard.



CHAPTER 17 - TIME TABLE

The following table shows expected time schedule for completion of the Rights Issue:

Milestone	Date
CMA approval of the Prospectus	17 th January 2018
Date of publication of announcement: After approval of the Prospectus, at least five working days before the Record Date, the Issuer must publish an advertisement approved by CMA in two daily newspapers, at least one of them to be an Arabic daily, for two consecutive days, notifying the shareholders and other investors of the Rights Issue. The advertisement must include a summary of the Prospectus including the volume and ratio of the increase in the capital, issue price, the Record Date, Collecting Bank, subscription period and the period for the trading of the rights entitlement.	18 th and 19 th January 2018
Record Date: Shareholders registered in MCDC records as at this date are eligible for subscription to the Rights Issue as holders of the rights.	25 th January 2018
Service of Notices on the shareholders: At least three days before the date set for the exercise of the rights, the Issue Manager shall send written notices to each shareholder at the address recorded in the shareholders record advising of the Rights Issue together with an approved copy of the Prospectus and an application form. The notice must specify the number of shares that may be subscribed, the period of subscription under such Right or the assignment of the rights which period shall not be less than fifteen days from the date of publication as provided for by Article 83 of the Commercial Companies Law.	31 st January 2018
Listing of the rights entitlement: The Issuer and the Issue Manager in collaboration with MCDC and MSM carry out the procedures for listing of the rights for trading on MSM within five working days from the date of Record date. A record of holders of the rights shall be prepared for the purposes of the trading of the rights within the specified period. The rights shall be separated from the shares and shall be traded separately.	1 st February 2018

Milestone	Date
Date of commencement of subscription (Issue Open Date): This date shall not be less than fifteen days from the date of publication of the notice of the Rights Issue. Application forms will be issued directly to the shareholders, but duplicate application forms may be obtained from the Collecting Bank or Issue Manager.	4 th February 2018
End of trading of the rights	13 th February 2018
End of subscription period (Issue Close Date): After this date, the Issue Manager shall collect the list of subscription from the Collecting Bank, verify the subscription list, match it with the rights holders' record and process the allotment of shares.	19 th February 2018
Listing and allotment: The new shares shall be allotted and the listed on the MSM within 15 business days of the Issue Closing Date.	28 th February 2018





CHAPTER 18 - UNDERTAKINGS

18.1 Issuer : National Finance Co. SAOG

The directors of the Company jointly and severally confirm that, to the best of their knowledge:

- 1) The information provided in this Prospectus is complete, correct and sound and reasonable care has been taken so as to avoid omission of any important facts or information that would have made the expressions in the Prospectus misleading.
- 2) To abide by all the provisions set out in the Capital Market Law, CCL and the rules and regulations issued pursuant to them.

Signed on behalf of the Board of Directors:

Name	Signature
AbdulAziz Mohammed Al Balushi	Sd/-
Francis Pinto	Sd/-

18.2 Financial Advisor and Issue Manager: Ubhar Capital SAOC

In accordance with the responsibilities assigned to us pursuant to the provisions laid down in Article 7 of the Executive Regulations of the Capital Market Law issued under Administrative Decision No. 1/2009 and instructions issued by the CMA, we have reviewed all the relevant documents and other material required for the preparation of the Prospectus pertaining to the Rights Issue of National Finance Co. SAOG.

The board of directors of the Company shall bear the responsibility with regard to the correctness of the information provided for in the Prospectus, and it has confirmed that, to the best of their knowledge, no material information has been omitted from it, the omission of which would have made the Prospectus misleading.

We do confirm that we have taken necessary due care as required by the profession with regard to the Prospectus that has been prepared under our supervision, on the basis of the review works referred to above and discussions held with the Company, members of its Board of Directors and other officials, other authorities concerned, and on the basis of the review carried out by us with these authorities concerned with regard to the subject matter of the Issue, profit projections, criteria and justifications for the pricing, and contents of the documents submitted to us.

We hereby confirm as hereunder:

- 1) We have taken necessary and reasonable care in ensuring that the information furnished to us by National Finance Co. SAOG and that is contained in the Prospectus is consistent with the facts available in the documents, material and other documents pertaining to the Rights Issue.
- 2) On the basis of our perusal and information made available to us by the Company, it is hereby confirmed that the Company has neither concealed any fundamental information nor omitted any important information, the omission of which would have made the Prospectus misleading.
- 3) The Prospectus and Rights Issue are consistent with all the rules and conditions governing the transparency as provided for in the Capital Market Law, the Executive Regulations of the Capital Market Law and applicable Specimen Prospectus available with the CMA. Also noted to be in conformity with the CCL and related ministerial decisions.
- 4) The data and information which have been presented in the Prospectus in Arabic (with its unofficial translation in English) are correct, reasonable and adequate as per our perusal so as to assist the investor in taking an appropriate decision whether or not to invest in the securities issued for the subscription in accordance with the rules and conditions governing the transparency.

Financial Advisor & Issue Manager

Sd/-

Ubhar Capital SAOC



18.3 Legal Advisor to the Rights Issue: Curtis, Mallet-Prevost, Colt & Mosle LLP

The Legal Advisor, whose name appears below, confirms that all the procedures undertaken with regard to the Rights Issue are in line with the laws and relevant to the activity of the Company, the CCL, the Capital Market Law and the regulations and directives issued pursuant to them, the requirement and rules for the issue of shares issued by the CMA and the Articles of Association. The Company has secured all the consents and official approvals that are required to carry out the Rights Issue.

Legal Advisor

Sd/-

Curtis, Mallet-Prevost, Colt & Mosle LLP



