

# **Board of Directors Annual Report**

**NOMW Capital**



**March 2016**

The Directors of NOMW Capital (“The Company”) have the pleasure in submitting their report to the shareholders accompanied by the financial statements for the period ended 31 December 2015.

As per clause number 43 from the Company’s Article of Association, the first financial reporting year would be the period from the issuance of the ministerial decree announcing the establishment of the company to 31 December of the following year; thus this report and the financials statement covers a 22-month period starting from 13 February 2014 (date of ministerial decree) to 31 December 2015.

The company has worked since its inception to build a strong network with investors and financial institutions throughout the Arabian Gulf region. NOMW Capital is keen to provide services and products that achieve the financial goals in light of the constant changes in market conditions and in line with the expectations of shareholders and investors.

NOMW Capital made an exceptionally successful start in the Saudi market, which was evidenced by winning awards for “Best New Investment Management Company in Saudi Arabia in 2015” from Global Banking & Finance Review Magazine and International Finance Magazine based in London in the UK.

As of 31 December 2015, the Company had a total assets of SAR 59.9 million. this assets portfolio comprised of SAR 20 million Murabaha deposit, SAR 9.9 million invested in NOMW IPO Fund, SAR 9.5 million invested in NOMW Eskan Real Estate Fund, and SAR 2.3 invested in listed stocks. In addition, there was SAR 13.6 million account receivables, of which SAR 9.5 million redeemed from NOMW IPO Fund, while the remaining balance represents management and custody fees receivables from the funds managed by the Company.

Total liabilities as of 31 December 2015 was SAR 2.1 million which mainly are accrued expenses with SAR 1.7 million of the balance accrued for Zakat.

Total income generated during the period was 27.7 million. the main source of income was the form arrangement transactions where the Company earned SAR 16.5 million from arranging a total of SAR 1.5 billion of debt and equity financings. Income generated from the Company’s funds totaled SAR 8.7 million, of which SAR 4.1 was structuring fees for the RE Fund, with the remaining amount was for the company’s management, custody, and placement services as manager of the investment funds. Total operating expenses was 16.1 million. Net income before impairment on investment and Zakat was SAR 11.6 million, after taking in consideration investment provision of SAR 1.1 million and deduction of SAR 1.7 million for Zakat, the Company’s net income was SAR 8.9 million.

The Company is currently managing 2 funds, NOMW Eskan Real Estate Fund – Makkah Al Mokarramah (“RE Fund”), and NOMW IPO Fund (“IPO Fund”).

The RE Fund is a Sharia-compliant SAR 205 million closed-ended investment fund established on 8 Muhurram 1436H (corresponding to 1 November 2014) and commenced its operations on 11 Jumad Awal 1436H (corresponding to 2 March 2015). The Fund has fixed unit holders subscriptions and a limited duration of 5 years from the closing date extendable for an additional period not to exceed 2 years. The main plot for the RE Fund's project was purchased at SAR 115.0 million and valued at SAR 120.6 million as of 31 December 2015. The construction of the RE Fund's project is planned to start in April 2016.

On 2 August 2015, the Company established NOMW IPO Fund, a fund with its main objective is to invest in new IPOs and Rump offerings in the Saudi market. The IPO Fund is also authorized to invest in listed stocks, Murabahas with banks, and other IPO funds. The net asset value (NAV) of the fund at the end of the year was SAR 53.5 million.

### **NOMW Capital's licensed activities:**

NOMW Capital is a closed joint stock company founded in 2014 with a paid-up capital of 50 million Saudi riyals as an integrated investment company licensed by the Capital Market Authority (CMA) No. 13172-37 to exercise various investment and financial activities, which include:

- Investing, as principal
- Underwriting
- Funds management
- Customers' portfolio management
- Arrangement
- Custody services
- Advisory

NOMW Capital's activities spread over different sectors and fields, including real estate investment funds, private equity, investment in emerging companies, yielding funds, syndicated financing and Sukuk issuance arrangements, mergers and acquisitions, custody services, research and studies, and to provide advice for IPOs.

### **NOMW Capital's board of directors:**

NOMW Capital's Board of Directors is responsible for overseeing the company's business, the development of its policies and objectives, identifying the main risks involved in the company's investments and implementing effective systems to monitor and manage these risks efficiently, protecting its assets and shareholders' equity, developing and implementing succession policies for senior management team to ensure the business continuity, supervising the implementation of internal policies, provide leadership and direction for the company with a commitment to the highest ethical standards and integrity, and ensure compliance with all regulatory and legal requirements in force.

The Board of Directors consists of six members:

Board member name	Designation
Dr. Nasser bin Aqeel Al Tayyar	Chairman
Dr. Nabeeh bin Abdulrahman Al Jaber	Member
Dr. Ahmed bin Abdullah Al Mohaimeed	Member
Dr. Abdulrahman bin Khalil Tolefat	Managing Director and CEO
Mr. Mohammed bin Abdulaziz Al Nasser	Independent member
Mr. Fares bin Saleh Al Munaif	Independent member

Mr. Fares Al Munaif has been assigned in 12 March 2015 in the Board's first meeting of the year as an independent board member after the resignation of former independent board member Mr. Abdulmonem bin Ibrahim Al Abdulmonem. The CMA approved his assignment in July 2015.

The board of directors meets once every quarter of the year. There were 2 Board meetings held in 2014 and 4 meeting in 2015.

The below table is the attendance register for the board meetings during the period:

Board member name	Meeting 1-2014	Meeting 2-2014	Meeting 1-2015	Meeting 2-2015	Meeting 3-2015	Meeting 4-2015
Dr. Nasser bin Aqeel Al Tayyar	Attended	Attended	Attended	Attended	Attended	Attended
Dr. Nabeeh bin Abdulrahman Al Jaber	Attended	Attended	Attended	Attended	Attended	Attended
Dr. Ahmed bin Abdullah Al Mohaimeed	Attended	Attended	Attended	Attended	Attended	Attended
Dr. Abdulrahman bin Khalil Tolefat	Attended	Attended	Attended	Attended	Attended	Attended
Mr. Mohammed bin Abdulaziz Al Nasser	Attended	Attended	Attended	Attended	Attended	Attended
Mr. Abdulmonem bin Ibrahim Al Abdulmonem *	Absent	Absent	-	-	-	-
Mr. Fares bin Saleh Al Munaif **	-	-	-	-	Attended	Attended

\* Dr. Abdulmonem bin Ibrahim Al Abdulmonem has resigned from the board before the first board meeting in 2015.

\*\* Mr. Fares bin Saleh Al Munaif was assigned as a board member as a replacement and started attending the board meetings starting from meeting 2015-3.

There are four committees under the Board of Directors: The Executive Committee, the Audit Committee, the Compliance Committee, and the Nomination and Remuneration Committee.

### 1- The Executive Committee:

The Executive Committee shall assist the Board in carrying out its investment and management responsibilities, which include the following:

- Define the operational activities outlines for the company.
- Approving new deals or additional financing for the current investments to a certain limit on behalf of the Board of Directors.
- Monitoring the performance of the company's investment portfolio.
- Approving the capital restructuring for the company, and establishing and maintaining relationships with bank and other financial institutions.
- Approving full or partial liquidation of the investment to certain limits on behalf of the Board of Directors.
- Approving and recommending, subject to the agreement of the Board of Directors, on the following:
  - Reviewing and approving annual financial statements, annual budget.
  - Assigning external auditors.
- Approving and recommending the company's internal and administration policies and procedures including the organizational structure, employees' compensation programs, incentive programs, capital expenditures and other administration tasks.
- Approving the risk management policies.

The Executive Committee consists of three members:

Committee member name	Designation
Dr. Nasser bin Aqeel Al Tayyar	Chairman
Dr. Nabeeh bin Abdulrahman Al Jaber	Member
Dr. Abdulrahman bin Khalil Tolefat	Member

There were one meetings held in 2014 and two meetings in 2015 by the Executive Committee.

### 2- Audit Committee:

The Audit Committee takes the following duties and responsibilities:

- To act as an independent body to monitor the financial reporting system and the company's internal control procedures.
- Review and evaluate the work of the internal and external auditors.
- Provide an open channel of communication between internal and external auditors, and senior management, and the Board of Directors.

The company's internal audit department directly reports to the Audit Committee. In order to ensure that the Internal Audit Department implements the best practices and delegates experienced Auditors to carry out its tasks, the Audit Committee has authorised the Internal Audit Department to contract with external consultants to carry out specific tasks.

The Audit Committee consists of three members:

Committee member name	Designation
Mr. Fares bin Saleh Al Munaif	Chairman
Dr. Nabeeh bin Abdulrahman Al Jaber	Member
Mr. Mohammed bin Abdulaziz Al Nasser	Member

The Audit Committee held three meetings since its formation in March 2015.

**3- Compliance Committee:**

The Compliance Committee shall assist the Board of Directors and the company's management team to oversee the compliance program to ensure compliance with laws, rules and regulations that apply to the company's business and activities, specifically the rules and regulations issued by the Capital Market Authority, and the compliance with internal policies and procedures, and guides of the corporate governance, also offers advice to the company's management about the best compliance standards.

The Compliance Committee consists of three members:

Committee member name	Designation
Dr. Abdulrahman bin Khalil Tolefat	Chairman
Mr. Moath bin Mohammed Alshaikh	Member
Miss. Rana Abu Baker Alabed	Member

The Compliance Committee members are all from the Company's management team, where Mr. Moath Alshaikh is the CFO, and Miss Rana Alabed is the Compliance Manager.

There were four meetings held in 2015 by the Compliance Committee.

**4- Nomination and Remuneration Committee:**

The Nomination and Remuneration Committee is responsible for assisting the Board of Directors on the selection of staff and determine their remuneration, development, and promotion. It is also responsible the adoption of Succession Plan to ensure the NOMW Capital's business continuity.

The Committee consists of four members:

Committee member name	Designation
Dr. Nasser bin Aqeel Al Tayyar	Chairman
Dr. Nabeeh bin Abdulrahman Al Jaber	Member
Dr. Ahmed bin Abdullah Al Mohaimeed	Member
Mr. Mohammed bin Abdulaziz Al Nasser	Member

There were only one meetings held in 2015 by the Nomination and Remuneration Committee.

**Board of Directors' membership in other companies:**

Name	Title	Company
Dr. Nasser bin Aqeel Al Tayyar	Deputy Chairman and Managing Director	Al Tayyar Travel Group

**Remunerations and compensations paid for NOMW Capital's Board of Directors and executives:**

As required by the Capital Market Authority, below are details of the remuneration and compensations paid for members of the Company's board of directors:

Description	Board of Directors Executive members (SAR)	Board of Directors non-executive members (SAR)	Executive management (SAR)
Salaries	-	45,000	5,452,000
Bonuses	-	-	2,008,000
Other compensations	-	-	386,852
<b>Total</b>	<b>-</b>	<b>45,000</b>	<b>7,846,852</b>

**Companies associated to NOMW Capital**

The Company owns a shares in NOMW Al Masaken limited Company, which is a Special Purpose Company established in Riyadh in Saudi Arabia based on the instructions from the Capital Market Authority to legally hold the assets of NOMW Eskin Real Estate Fund – Makkah Al Mokarramah that is manager by the Company. The paid up capital of the NOMW Al Masaken Company is SAR 50,000 where the Company owns 95% of the shares, and the remaining 5% is owned by Dr. Naser bin Aqeel Al Tayyar, the Chairman of NOMW Capital.

**Related parties' transactions:**

Related parties of the Company include its shareholders and their affiliated companies. In the ordinary course of activities, transactions with related parties are carried out on mutually agreed terms, which are approved by the Company's executive committee.

The significant transactions with related parties during the period and the related amounts are as follows:

Name of related party	Nature of relationship	Nature of transaction	Amount (SAR)
Eskan Company for Investment and Development	Affiliate of a shareholder	Arrangement fee	4,074,875
Mehad Investment Company	Shareholder	Arrangement fee	500,000
Nozzle for Investment and Development Company	Affiliate of a shareholder	Arrangement fee	4,625,000

The above fees were charged for the following services:

Name of related party	Nature of relationship	Nature of transaction	Amount (SAR)
Eskan Company for Investment and Development	Affiliate of a shareholder	Financing arrangement	232,850,000
Mehad Investment Company	Shareholder	Financing arrangement	60,000,000
Nozzle for Investment and Development Company	Affiliate of a shareholder	Financing arrangement	925,000,000

The Shareholders and related parties owns units in the funds managed by the company as follows:

**1- NOMW Eskan Real Estate Fund – Makkah Al Mokarramah:**

Name of related party	Nature of relationship	Number of units	Investment value (SAR)
Eskan Company for Investment and Development	Affiliate of a shareholder	25,000	25,000,000
Dr. Nasser bin Aqeel Al Tayyar	Shareholder	15,000	15,000,000

**2- Nomw IPO Fund:**

Name of related party	Nature of relationship	Number of units	Investment value (SAR)
Dr. Abdulrahman bin Khalil Tolefat	Managing Director and CEO	103,388	1,000,000
Mr. Moath bin Mohammed Alshaikh	CFO	41,000	410,000

Mr. Moath Alshaikh has fully redeemed his units in NOMW IPO Fund mentioned above during the period.

**Annual internal audit:**

The Company has assigned BDO as their internal auditors in December 2015 at the end of the Company's first financial period. The internal audit will start in the first quarter of 2016 to cover the whole period since the establishment of the company. The Company also assigned Deloitte during 2015 to carry over a Risk Assessment of the Company's functions since its inception.

**Risk Management:**

Financial instruments carried on the balance sheet include cash and cash equivalents, accounts receivable, due from related parties, advances, available for sale investments and accrued expenses and other current liabilities.

**1- Credit risk:**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk is mainly attributable to due from related parties, accounts receivable, advances and cash and cash equivalent. As at 31 December 2015, the Company has due from related parties of SR 13.6 million and accounts receivable of SR 0.2 million, which represents its maximum exposure to credit risk. The Company has made proper assessment of creditworthiness of the counterparties including review of external rating, when available, and their net worth before entering transactions with them. The Company monitors periodically financial strength and liquidity position of these parties due to having close relationships with these parties. Cash and cash equivalent includes bank balances that are placed with reputed local commercial banks having sound credit ratings and therefore, the credit risk is limited. Further, advances are stated at their estimated realizable values.

**2- Currency risk:**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are in Saudi Riyals and USD. The rate of exchange for conversion of SR to USD is pegged, on the basis of which the management believed that the Company is not significantly exposed to risk of fluctuation on foreign exchange rate.

**3- Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The management manages the liquid risk by monitoring on a regular basis that sufficient funds are available to meet liquidity requirements. Further, the management closely monitors maturity profile of assets and liabilities to overcome liquidity gap, if any.

#### 4- Equity price risk

Equity price risk arises from available for sale investments. Management of the Company monitors equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Company's management.