

RAYSUT CEMENT COMPANY (SAOG)

Corporate Governance Report for the Financial Year 2014

The Company has implemented the Code of Corporate Governance during the financial year issued by the Capital Market Authorities.

1. A brief statement on Company's Philosophy on Code of Governance:

The Company has always believed in fair business and corporate practices while dealing with the shareholders, employees, customers, creditors, lenders and others. The Company is prompt in discharging its statutory obligations and duties. The Company is maintaining policies, procedures and systems for the purposes of ensuring the fair and timely release of information about the Company. The Board of Directors ("the Board") has had adequate representation of the professional, qualified, Non-Executive, and Independent Directors. For the matters requiring special attention and also for proper and effective disposal of such matters, the Board has constituted various Committees of Directors from time to time. The Board and the Committee meetings have been held as frequently as required. Adequate disclosures and information are provided to the Board as well as to the Committees. All the Directors attending the Board and Committee Meetings actively participate in their proceedings. Decisions at the Board and Committee meetings are taken unanimously.

2. Board of Directors:

The Board of Directors is elected at the Annual General Meeting for the period of three years, renewable by a resolution of the ordinary general meeting. The Board of the Company consists of nine Directors. All Directors are Independent and Non-Executive Directors. As per requirement of the Capital Market Authority and commercial law of the Companies, none of the Directors on the Board has combined membership in the Board of Directors of Public Companies or other committees more than what is stipulated in Company laws.

All the members of Board satisfy the conditions required for the membership.

The details of composition and categories of Directors are given below:

	Name of the Director	Designate	Category, basis & capacity of membership
1	Mr. Ahmed bin Alawi bin Abdulla Al Ibrahim	Chairman	Non Executive and independent/In personal capacity
2	Mr. Mohd bin Yousuf bin Alawi Al Ibrahim	Vice Chairman	Non Executive and independent/ In personal capacity
3	Mr. .Khalid bin Abdulla bin Said Bader Al Rawas	Director	Non Executive and independent Nominee – Al Baraka Financial Services Co.
4	Mr.Mohd Adnan Al Medani	Director	Non Executive and independent Nominee – Islamic Development Bank Jeddah
5	Mr. Mohd Saif Ghanim Al Suwaidi	Director	Non Executive and independent Nominee – Abu-dhabi Fund for Development
6	Mr. Fahad bin Abdulla Abdul Aziz Al Rajihi	Director	Non Executive and independent /In personal capacity
7	Mr. Ahmed bin Ali Sahal Al Hafeez	Director	Non Executive and independent /In personal capacity
8	Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	Director	Non Executive and independent /In personal capacity
9	Mr. Gerhard Hugo Hirth	Director	Non Executive and independent /In personal capacity

3 Role of the Board of Directors and Management

The Company's business is conducted by its employees, officers and Managers under the direction of the Group Chief Executive Officer and the oversight of the Board of Directors.

4 Board, Audit committee and Executive committee meeting :

Board Meetings

During the financial year 2014, the Board of Directors met five times. The maximum time gap between any two meetings was not more than four months.

The details of the Board, Meetings held during the financial year 2014

Meetings No.	Date of the meetings	Total members	Attendance by number of members
1 st .meeting	27/02/2014	9	5
2 nd .meeting	27/03/2014	9	6
3 rd .meeting	03/06/2014	9	7
4 TH .meeting	18/09/2014	9	7
5 TH .meeting	15/12/2014	9	8

Audit Committee Meetings

The details of the Audit Committee Meetings held during the financial year 2014

Meetings No.	Date of the meetings	Total members	Attendance by number of members
1 st .meeting	25/02/2014	4	4
2 nd .meeting	06/03/2014	4	3
3 rd .meeting	11/05/2014	4	2
4 TH .meeting	10/08/2014	4	2
5 TH .meeting	17/09/2014	4	4
6 TH .meeting	6/11/2014	4	4
7 TH .meeting	11/12/2014	4	3

Executive Committee Meetings

The details of the Executive Committee Meetings held during the financial year 2014

Meetings No.	Date of the meetings	Total members	Attendance by number of members
1 st .meeting	9/01/2014	4	2
2 nd .meeting	1/04/2014	4	3
3 rd .meeting	2/06/2014	4	4
4 TH .Meeting	15/09/2014	4	4
5 TH .Meeting	14/12/2014	4	4

The details of attendance of each Director at the Board, Audit Committee and Executive Committee Meetings and last AGM held during the financial year 2014:

	Name	No. of Board Meetings attended	No. of Audit Committee Meetings attended	No. of Executive Committee Meetings attended	Annual General Meetings Attended
1	Mr. Ahmed bin Alawi bin Abdulla Al Ibrahim	5	7	4	1
2	Mr. Mohd bin Yousuf bin Alawi Al Ibrahim	5	6	3	1
3	Mr. .Khalid bin Abdulla bin Said Bader Al Rawas	4	4	3	1
4	Mr. Mohd Adnan Al Medani	2			1
5	Mr. Mohd Saif Ghanim Al Suwaidi	4			1
6	Mr. Fahad bin Abdulla Abdul Aziz Al Rajihi	3			1
7	Mr. Ahmed bin Ali Sahal Al Hafeez	5	6	4	1
8	Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	3			1
9	Mr. Gerhard Hugo Hirth	3			1

The details of attendance of each Director at the Board, meetings held during the financial year 2014:

	Name	Number of Meetings & Dates Held				
		1	2	3	4	5
		27/2/2014	27/3/2014	3/6/2014	18/9/2014	15/12/2014
1	Mr. Ahmed bin Alawi bin Abdulla Al Ibrahim	✓	✓	✓	✓	✓
2	Mr. Mohd bin Yousuf bin Alawi Al Ibrahim	✓	✓	✓	✓	✓
3	Mr. .Khalid bin Abdulla bin Said Bader Al Rawas	✓		✓	✓	✓
4	Mr. Mohd Adnan Al Medani	✓		✓		
5	Mr. Mohd Saif Ghanim Al Suwaidi		✓	✓	✓	✓
6	Mr. Fahad bin Abdulla Abdul Aziz Al Rajihi		✓		✓	✓
7	Mr. Ahmed bin Ali Sahal Al Hafeez	✓	✓	✓	✓	✓
8	Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim			✓		✓
9	Mr. Gerhard Hugo Hirth		✓		✓	✓

The details of attendance of Director at the Audit Committee Meetings held during the financial year 2014:

	Name	Number of Meetings & Dates Held						
		1	2	3	4	5	6	7
		25/2/2014	6/3/2014	11/5/2014	10/8/2014	17/9/2014	6/11/2014	11/12/2014
1	Mr. Ahmed bin Ali Sahal Al Hafeez	✓	✓	✓		✓	✓	✓
2	Mr. Ahmed bin Alawi Al Ibrahim	✓	✓	✓	✓	✓	✓	✓
3	Mr. Mohd bin Yousuf Alawi Al Ibrahim	✓	✓			✓	✓	✓
4	Mr. Khalid bin Abdulla Said Bader Al Rawas	✓			✓	✓	✓	

The details of attendance of Director at the Executive Committee Meetings held during the financial year 2014:

	Name	Number of Meetings & Dates Held				
		1	2	3	4	5
		9/1/2014	1/4/2014	2/6/2014	15/9/2014	14/12/2014
1	Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	✓	✓	✓	✓	✓
2	Mr. Ahmed bin Ali Sahal Al Hafeez	✓	✓	✓	✓	✓
3	Mr. Mohd bin Yousuf Alawi Al Ibrahim			✓	✓	✓
4	Mr. Khalid bin Abdulla Said Bader Al Rawas		✓	✓	✓	✓

5. Audit Committee

The Audit Committee was constituted by the Board in 2003. The role and power of the Audit Committee are as per the provisions of the Article 103 of Commercial Company Law (CCL), and as specified under Annexure 3 of the Code of Corporate Governance issued by CMA vide circular No. 11/2002 dated 3rd June 2002, and as amended by circular 1/2003 dated 11th January 2003. The Committee acts as a link between the statutory and internal auditors and the Board of Directors. It reviews the various reports placed before it by the Management and Audit Department and addresses to the larger issues, and examines and considers those facets that could be of vital concern to the Company including adequacy of internal controls, reliability of financial statements/other management information, adequacy of provisions for liabilities, and whether the audit tests are appropriate and scientifically carried out and that they were aligned with the realities of the business, adequacy of disclosures and compliance with all relevant statutes.

As at 31 December 2014, the Audit Committee comprised of following Non-Executive Independent Directors.

Mr. Ahmed bin Ali Sahal Al Hafeez	Chairman
Mr. Ahmed bin Alawi Abdulla Al Ibrahim	Member
Mr. Mohd Bin Yousuf Alawi Al Ibrahim	Member
Mr. Khalid bin Abdulla bin Said Al Rawas	Member

The Audit Committee has adequate powers and detailed terms of reference to play effective role as required under the provision of Article 102 of CCL.

6. Executive Committee

The role and power of the Executive Committee is to implement the decisions of the Board of Director .

As at 31 December 2014, the executive Committee comprised of following Non-Executive Independent Directors.

Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	Chairman
Mr. Ahmed bin Ali Sahal Al Hafeez	Member
Mr. Mohd Bin Yousuf Alawi Al Ibrahim	Member
Mr. Khalid bin Abdulla bin Said Al Rawas	Member

7. Tender Committee

The role and power of the Tender Committee is to take decisions on the procurement of material and services. The Tender Committee comprises of the head of various department.

8. Remuneration Matters

During the financial year 2014, the Directors were paid a total sum of RO 52,500 towards sitting fee for attending various board meetings, audit committee meetings and executive committee meeting as against RO 48,000 for 2013.

In addition to above, the Company has provided for payment of RO 147,500 as Directors Remuneration for attending the Board meetings during 2014 as against RO 152,000 for 2013.

Remuneration of top seven executive employees of the company for 2014 including salary, benefits and bonus amounts to RO. 660,391 (last year RO. (680,663)

Performance bonus is paid to the employees based on their performance evaluation on various attributes like productivity, quality etc.

Service contracts are usually of two years and unless terminated by the either of the parties is automatically renewed for a further period of two years. Notice period for termination of contract is one to two months.

9. Disclosure of non-compliance

There were no instances of non-compliance or penalty or strictures imposed on the Company by MSM/CMA or any statutory authority or for any matter related to capital markets, during the last three years.

10. Means of Communication:

Annual financial statements and invitation for attending annual general meeting to be sent by post to the shareholder according to their registered addresses. Annual, Quarterly and half yearly results were published in local newspapers as per the guidelines of Capital Market Authority and Muscat Securities Market.

Financials were also posted on the web site of Muscat Securities Market.

The management discussions and analysis report is part of the annual report.

11. Market Price Data:

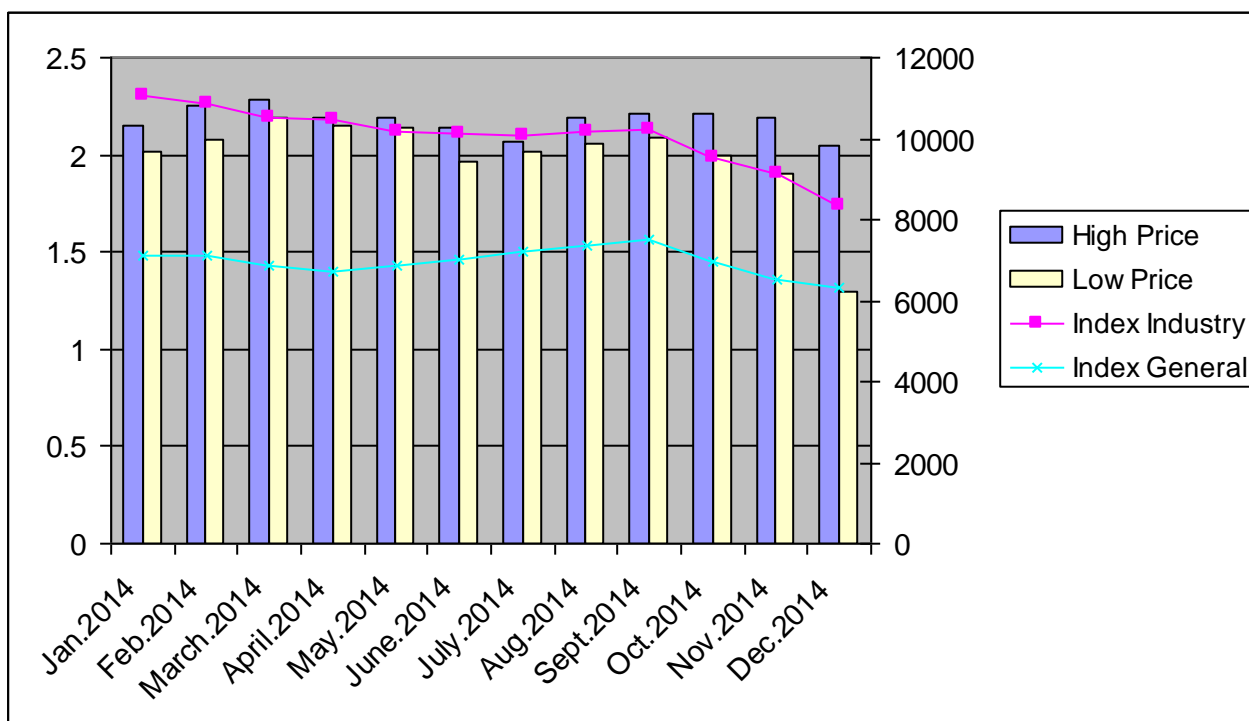
The monthly high and low quotations at Muscat Securities Market during financial year 2014 are as follows:

Period	Traded		Price (RO)	
	Shares	Value (RO)	High	Low
January 2014	1,877,059	3,899,070	2.150	2.020
February 2014	1,314,921	2,883,030	2.250	2.075
March 2014	785,312	1,749,430	2.280	2.190
April 2014	639,170	1,346,998	2.190	2.150
May 2014	425,324	917,651	2.190	2.140
June 2014	1,498,068	3,015,432	2.140	1.970
July 2014	833,072	1,706,285	2.070	2.015
August 2014	988,034	2,102,654	2.190	2.060
September 2014	2,067,124	4,432,107	2.210	2.085
October 2014	2,485,192	5,263,520	2.215	2.000
November 2014	2,399,470	4,997,453	2.190	1.900
December 2014	2,882,961	5,001,525	2.050	1.300

Share price during the financial year 2014 compared to MSM Industrial index and General index are as follows:

Share Price RO

Index



12. Distribution of Shareholding :

The following are the major shareholders who own more than 5% of the outstanding shares as at 31 December 2014:

S. No	Name of Shareholders	Shareholding %
1.	Abu Dhabi Fund for Development	15.00
2.	Islamic Development Bank	11.71
3.	Dolphin International	10.33
4.	Baader Bank Aktiengesellschaft	10.00
5.	Ministry of Defense Pension Fund	6.88
6.	Abdulla bin Abdul Aziz Al Rajhi	8.72
7.	Sindibad International Trading Co. LLC	5.94

The shareholding distribution of equity shares as on 31 December 2014 is given below:

No.of Equity shares	No.of Shareholders	No.of Shares	Shareholding %
Less than 100,000	1,160	9,064,677	4.532
100,000 to 500,000	54	10,289,206	5.145
500,001 to 1,000,000	14	8,901,679	4.451
1,000,001 to 10,000,000	13	34,585,550	17.293
10,000,000 & above	7	137,158,888	68.579
TOTAL	1,248	200,000,000	100

13. Categories of shareholding as on 31st December 2014

Category	No. of shares held	Shareholding%
Promoter's holding	90,089,065	45.045
Companies	4,396,917	2.198
Banks & Financial Institutions	60,422,099	30.211
Pension Funds	33,717,873	16.859
Individuals	11,374,046	5.687
Total	200,000,000	100%

14. Professional Profile of the Statutory Auditor:

The shareholders of the Company have appointed PwC as the auditors for the year 2014. PwC is one of the leading accounting firms in Oman. PwC is a global network of firms operating in 157 countries with more than 195,000 people who are committed to delivering quality in assurance, tax and advisory services. PwC also provides corporate training and professional financial qualifications through PwC's Academy.

Established in the Middle East for over 40 years, PwC has firms in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates, with around 3,000 people. (www.pwc.com/middle-east).

PwC has been established in Oman for over 40 years and the Firm comprises 3 partners, including one Omani national, and over 135 professionals and support staff. Expert

assurance, tax and advisory professionals are able to combine internationally acquired specialist consulting and technical skills with relevant local experience.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

During the year 2014, professional fees in the amount of RO 26,000 were rendered by the external auditors in respect of the services provided by them to the organization.

15. Acknowledgment

The Board of Directors acknowledges confirmation of:

- Its responsibility for the preparation of the financial statements in accordance with the applicable standards and rules.
- Review of the efficiency and adequacy of internal control systems of the Company and that it complies with internal rules and regulations.
- There are no material matters that affect the continuation of the Company and its ability to continue its operations during the next financial year.



Sh.Ahmed bin Alawi bin Abdulla Al Ibrahim
Chairman of the Board of Directors