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Report to the Shareholders of National Finance Company SAOG ("the Company") of Factual Findings in Connection with Corporate Governance Report of the Company and application of the Corporate Governance practices in accordance with the Capital Market Authority Code of Corporate Governance

We have performed the procedures prescribed in the Capital Market Authority ("CMA") Circular No. 16/2003 dated 29 December 2003 ("the Procedures") with respect to the Corporate Governance Report of the Company ("the Report") and its application of the Corporate Governance practices in accordance with the CMA Code of Corporate Governance ("the Code") issued under Circular No. 11/2002 dated 3 June 2002 and the CMA Rules and Guidelines on disclosure, issued under CMA Administrative Decision 5/2007, dated 27 June 2007. The Report is set out on pages 1 to 10.

Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The Procedures were performed solely to assist you in evaluating the Report.

We found the Report reflects, in all material respects, the Company's application of the provisions of the Code and is free from any material misrepresentation.

Because the Procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the Company's Corporate Governance Report. Had we performed additional procedures or had we performed an audit or review of this Report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

This report is solely for the purpose set forth in the second paragraph above, and for inclusion, with the Report, in the Company's annual report, and is not to be used for any other purpose. This report relates only to the Report included in the Company's annual report for the year ended 31 December 2009 and does not extend to the financial statements or any other reports of the Company, taken as a whole.

26 January 2010

Michael G.W. Armstrong

Corporate Governance Report

CORPORATE PHILOSOPHY

The corporate governance philosophy of the Company aims at corporate fairness, transparency and accountability at all levels through well laid down systems and procedures. The Board of National Finance Company SAOG firmly believes that the adopted corporate governance policies are aligned with the principles enshrined in the Code of Conduct and the Rules and Guidelines on Disclosure by Issuer of Securities and Insider Trading issued by Capital Market Authority in July 2007 with effect from October 1, 2007.

THE BOARD

Role and Function

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

Composition of the Board

The articles of association of the Company stipulate that the Board should consist of seven directors. The qualification requirement for each director is 20,000 shares in the Company. The members were last elected to the Board at the annual general meeting held on March 15, 2008 with three years tenor.

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

Mr. Taya Bin Jandal Bin Ali is the Chairman and his roles are distinct and separate from that of the Chief Executive Officer. Mr. Aiman Abdelrahman Khair, Senior Manager - Legal is the Secretary to the Board.

Executive Management

The Chief Executive Officer (CEO) is responsible for the management of the Company. He is assisted by the General Manager (GM) and the Chief Financial Officer (CFO), the three forming the Management Committee of the Company. The GM reports to the CEO and is responsible for the Sales and Credit, Human Resources & Administration, Legal (in respect of non-collection matters) and Information Technology departments. The CFO, who also reports to the CEO, is responsible for

the Finance, Recoveries & Remedial Credit and Legal (in respect of collection matters) Departments.

Board Meetings

During the year 2009, seven board meetings were held as listed below:

Meeting No.	Board Meeting Dates
1/2009	January 28, 2009
2/2009	March 1, 2009
3/2009	April 29, 2009
4/2009	August 23, 2009
5/2009	September 15, 2009
6/2009	October 24, 2009
7/2009	December 21, 2009

The maximum interval between any two meetings was 116 days which is within the stipulated maximum of 120 days as per Article 4 of the Code of Corporate Governance. The quorum for the meeting of the Board of Directors is a minimum of half of its members present or represented. Details of the members, the institutions they represent and the membership in the board of other SAOG companies are disclosed in Table 1.

Brief profile of directors

Mr. Taya Jandal Ali, a diploma graduate of the Faculty of Extra Mural Studies, Cambridge University, has been the Chairman of the Board since 1992 and Chairman of the Executive Committee since 2000. He is currently also a Director on the Board of Oman International Development and Investment Co. SAOG (OMINVEST).

During his services with the Government as the Under Secretary to the Advisor of His Majesty the Sultan for Economic Planning Affairs, Mr. Taya Jandal has participated in various Arab League and UN conferences and Gulf Co-operation Council Summit meetings.

Mr. Hani Muhammad Al Zubair has been the Deputy Chairman since 1997. A graduate of Richmond University, UK with Bachelors Degrees in Mathematical Science and Computer Science, he is a Director of The Zubair Corporation, 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 positions of Chairman in Oman International Development and Investment Company SAOG (OMINVEST) and Fund for Development of Youth Projects SAOC and as a Director on the Board of Oman Arab Bank SAOC.

Mr. Hani Al Zubair was nominated by the Government to represent the Private Sector on the Boards of Government-owned hotels and held the position for 5 years. He also

represented Oman Chamber of Commerce & Industry as a member of the team for meetings of the Indian Ocean Rim – Association for Regional Cooperation. He is presently a member of the Regional Board of the Young Arab Leaders.

Mr. Ahmed Said Zaki has been a Director since 1995, member of the Executive Committee since 2000 and Chairman of the Audit Committee since 2003. He holds a Bachelor's degree in Commerce and a Diploma in Management. He has more than 35 years of experience in banking, finance and investment.

Since 1995, Mr. Zaki has been employed by OMINVEST where he currently holds the position of Chief Compliance Officer. He represents Oman Investment Services, a wholly owned subsidiary of OMINVEST, on the Board of National Finance. Mr. Zaki also represents OMINVEST on the Board of Oman Arab Bank SAOC. Previously, he worked for The Zubair Corporation LLC (TZC) for 11 years in senior management positions and represented TZC as a Director on the Boards of several public and private companies in Oman.

Mr. Ziyad Muhammad Al Zubair has been a Director since 1997. A graduate of the University of Arizona, he is a Director of The Zubair Corporation, one of the leading private sector groups in the Sultanate of Oman. He has been closely associated with the Furnishing, Real Estate and Tourism Divisions of The Zubair Corporation.

He successfully fulfilled the role of the Client's Representative in the prestigious Barr Al Jissah Resort Project, and is presently a Director on the Board of Barr Al Jissah Resort SAOC.

He is also a director on the boards of several private companies.

Mr. Pramod G. Karajgikar has been a Director since 2002 and Member of the Audit Committee since 2003. 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)

Dr. Hamed Hashim Mohammed Al Dhahab has been appointed as Director and member of the Audit Committee in July 2009 after the resignation of Mr. Asim Salim Ali Al Ghailani. He represents Al Thurya For Investment LLC on the Board of National Finance.

Dr. Dhahab holds a Master Degree in Mechanical Engineering from Friendship University; Russia, A Master of Science of Industrial Engineering from Arizona University; USA and a PhD in Industrial Engineering from Management of

Technology, Cranfield University, UK. Over the last 14 years, he has occupied senior positions in the Government and has been the Chief Executive Officer for Oman Poly Propylene since 2006. In addition to this role, Dr. Dhahab has served several organizations in senior Board level roles and is currently a Director on the Boards of Galfar Engineering and Contracting SAOG and Majan Electricity Company SAOC

Mr. C.S. Badrinath has been appointed as Director in September 2009 consequent to the resignation of Mr. K. Balaji. He is a member of the Executive Committee. He represents Al Hilal Investment Co. LLC on the Board of National Finance.

Mr. Badrinath is a Chartered Accountant by profession and is an Associate Member of the Institute of Chartered Accountants of India. He is also an Associate Member of the Institute of Cost & Works Accountants of India.

Mr. Badrinath has been with the Zubair Group for the last 28 years in different finance functions and is presently the Chief Financial Officer for the Group. Mr. Badrinath is a member of all the monitoring and executive committees and shareholders' forums of the Zubair Group companies. Mr. Badrinath represents the Zubair Group as a Director in several public limited companies.

Brief profile of senior management

Mr. Robert Pancras, Chief Executive Officer is an MBA from the Indian Institute of Management, Bangalore who joined the Company in May 2005. He has over 19 years of experience in banking and financial services, including a decade of experience in the area of Asset Finance in India, Australia and Oman. He was employed by CitiBank and ANZ Banking Group (Grindlays Bank) in the five years prior to his move to Muscat to head National Finance.

Mr. 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.

Mr. R. Ravindran, Chief Financial Officer joined the Company in 2002. A Chartered Accountant from India, he has over 29 years of experience in heading finance functions in reputed companies in the Sultanate. He earlier represented Al Hilal Investments as a Director on the Board of National Finance.

BOARD SUB-COMMITTEES

Executive Committee

The Executive Committee comprises of 3 Directors and is headed by the Company's Chairman, Mr. Taya Bin Jandal Bin Ali. The other members of the Executive Committee are Mr. Ahmed Said Zaki and Mr. C.S. Badrinath.

The Executive Committee facilitates the smooth functioning of the company by approving bank borrowings, credit limits, compensation matters, etc. as per the authorities delegated to it by the Board of Directors. The Executive Committee also reviews and recommends to the Board of Directors the annual budget of the Company and strategic plans and monitors the ongoing performance of the Company. During the year 2009, the Executive Committee met 3 times and considered matters requiring urgent decision by circulation. The quorum for the committee is at least two members.

Audit Committee

The Audit Committee consists of three independent members, all being non-executive directors nominated by the Board. The current Committee is headed by Mr. Ahmed Said Zaki. The other two members of the Audit Committee are Mr. Pramod G. Karajgikar and Dr. Hamed Hashim Mohammed Al Dhahab. The Audit Committee assists the Board in fulfilling its oversight responsibilities. The Audit Committee reviews the financial reporting process, the system of internal control, management of financial risks and the Company's process for monitoring compliance with laws and regulations and the functions of the compliance committee and adhering to its own Manual of Authority and Procedures and co-ordinates the audit process.

During the year 2009, the Audit Committee met four times, viz. on 26th January, 27th April, 21st July and 21st October. Attendance of the Members during these meetings is shown in Table 1. The discussions held in the meetings of the Audit Committee are minuted and reviewed by the Board of Directors. The quorum for the committee is at least two members.

Compliance Committee

The Company established a Compliance Committee as per the regulatory requirement of the Central Bank of Oman. The compliance committee reports to the Audit Committee. The members of the Compliance Committee comprise the Chief Executive Officer, General Manager, Chief Financial Officer and the Compliance Officer. The Compliance Committee has established Key Performance Indicators (KPI's) to fulfill their functions and monitor the same.

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 Committee and the Executive Committee set up by the Board of Directors.

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

During the year 2009, all the activities of the company were reviewed by the internal audit. The management has initiated appropriate action on the recommendations of the internal audit department.

Related Party Disclosure

Details of all commercial and financial transactions where Directors have potential interest are provided to the Board at quarterly intervals. All related party transactions have been effected on arms length basis without any preferential advantage accruing to any related party concerned.

REMUNERATION

Members of the Board

The Chairman and other members of the Board are entitled for sitting fees of Rials 300 and Rials 200 per meeting, respectively. During the year 2009, the Directors were paid sitting fees for the board meetings, executive committee meetings and audit committee meetings, details of which are provided in Table 1.

The company has provided an amount of Rials 59,000 (Rials 41,000 paid in 2009 for 2008 remuneration) during the year on account of Directors' remuneration which will be paid in 2010 if approved by the shareholders at the annual general meeting.

Top Five Officials of the Company

The top five managerial executives of the Company are employed through service contracts and the contracts are open ended, which can be terminated by the Company or the executive by giving a notice of three months. The gross remuneration paid to the top 5 Officials of the Company amounted to Rials 330 K which includes all allowances, travel and transport expenses, perquisites and bonus.

SHAREHOLDERS

Channels of Contact with Shareholders and investors

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

The audited financial statements and other reports of the Company for the year ended 31 December 2009 will be discussed in the Shareholders' meeting scheduled to be held on 9 March 2010.

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

Distribution of share holding

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

Name	Number of shares	% of holding
Al Hilal Investment Co LLC	49,670,688	39.387
Oman Intl. Development & Investment Co. SAOG	29,935,951	23.738

The remaining shareholding pattern as at 31 December 2009 was as follows:

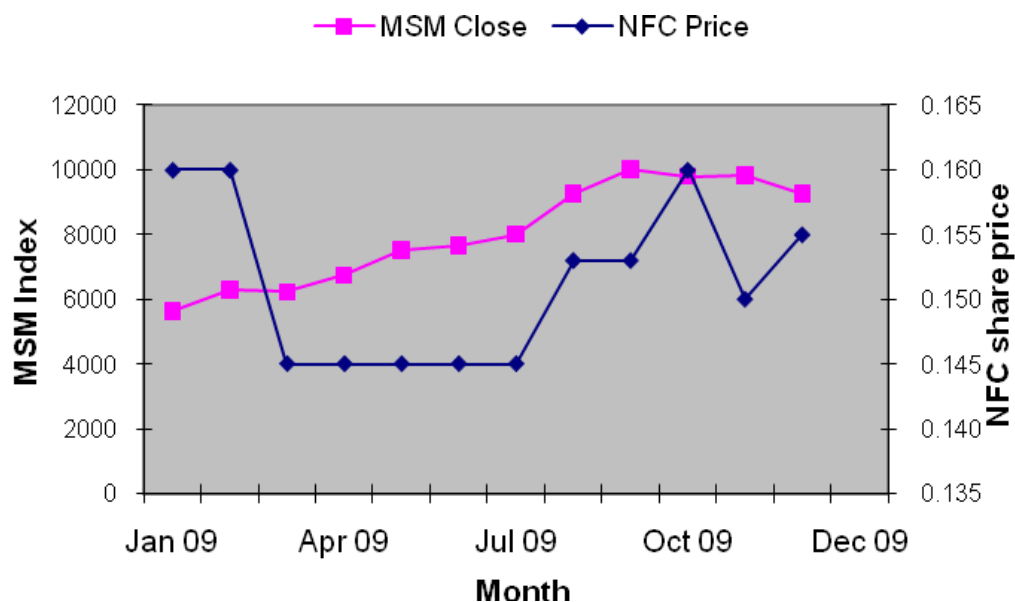
Category	No. of shareholders	Number of shares	% of holding
0-30,000	47	362,541	0.287
30,001 - 60,000	5	228,914	0.182
60,001 - 90,000	1	62,131	0.049
90,001 - 120,000	0	0	0
120,001 - 150,000	1	137,500	0.109
Over 150,001	25	45,711,963	36.248
Total	79	46,503,049	36.875

Statement on Market Price

The Company's shares are listed in the Muscat Securities Market, but are thinly traded. The closing share price as at 31 December 2009 was Rials 0.155 per share. The market price quotes for the traded shares during 2009 were as follows.

Month	High	Low	Close	Traded Volume	Value Rials
January	-	-	0.160	-	-
February	0.160	0.158	0.160	107,100	17,081
March	0.160	0.157	0.145	6,000	951
April	-	-	0.145	-	-
May	-	-	0.145	-	-
June	-	-	0.145	-	-
July	-	-	0.145	-	-
August	0.159	0.140	0.153	50,500	11,947
September	0.155	0.150	0.153	119,310	18,207
October	0.160	0.160	0.160	60,200	9,632
November	0.160	0.148	0.150	589,000	93,511
December	0.155	0.140	0.155	311,000	48,040

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



STATUTORY AUDITORS

The shareholders of the Company have appointed M/s. KPMG as the Auditors for the year 2009. KPMG is one of the world's largest professional service organisation, providing industry-focused assurance, tax and advisory services for public and private clients. Within the firm, more than 100,000 people in 150 countries connect their thinking, experience and solutions to build public trust and enhance value for clients and their stakeholders.

KPMG is one of the leading accredited accounting firms in Oman and has three partners and over one hundred employees. KPMG has many years of experience in the Middle East and South Asia, and its network entities employ almost 4,000 people in fifteen countries in the region. They have a reputation for providing quality professional services to a well-diversified client portfolio, both in the public and private sectors.

The audit fees and fees for other services provided for KPMG during the year totalled to Rials 13,425.

DETAILS OF NON-COMPLIANCE

There was no instance of non compliance on any matter relating to the CBO regulations, Commercial Companies Law of Oman, Capital Market Authority's (CMA's) Code of Conduct on Corporate Governance for MSM listed companies, CMA Regulations or the MSM listing agreements during the year 2009.

ACKNOWLEDGMENT

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

Taya Bin Jandal Bin Ali
Chairman

Table 1

Name of the Director	Institution represented	Whether attended last AGM held on March 12, 2009	No. of meetings attended			Directorship in other SAOG Companies	Sitting Fees paid to each Director during 2009 Rials	Directors Remuneration paid to each Director during 2009 Rials
			Board	Executive Committee	Audit Committee			
Taya bin Jandal bin Ali	Muscat Trading Company LLC	Yes	7	3		1	3,000	10,250
Hani bin M. Al Zubair	Himself	Yes	5			1	1,000	5,125
Ahmed Said Zaki	Oman Investment Services Co. SAOC	Yes	7	3	4		3,200	5,125
Ziyad bin M. Al Zubair	Himself	No	3				600	5,125
Pramod G. Karajgikar	Muscat Contract Cleaning & Maintenance LLC	Yes	4		4		1,600	5,125
Asim Salim Ali Al Ghailani**	Al Thurya Investment Co. LLC	No	1		1		400	5,125
Dr. Hamed Hashim Mohammed Al Dhahab**	Al Thurya Investment Co. LLC	-	4		1	1	1,000	-
Mr. C.S. Badrinath*	Al Hilal Investment Co. LLC	-	3	2		3	1,000	-
K. Balaji*	Al Hilal Investment Co. LLC	Yes	3	1			800	5,125
Total							12,600	41,000

Note: * Mr. C.S. Badrinath has been appointed as the Director consequent to the resignation of Mr. K. Balaji.

**Dr. Hamed Hashim Mohammed Al Dhahab has been appointed as the Director consequent to the resignation of Mr. Asim Salim Ali Al Ghailani.