

NATIONAL FINANCE COMPANY SAOG

Unaudited Condensed Financial Statements

31 March 2009

Registered office:

P O Box 1706
Postal Code 112
Ruwi
Sultanate of Oman

Principal place of business:

Al Khuwair
Opp. Primary Court
Building No. 241, Way No. 4149
Sultanate of Oman

NATIONAL FINANCE COMPANY SAOG

Unaudited condensed financial statements

For the period ended 31 March 2009

<i>Contents</i>	<i>Page</i>
Directors' Report	1
Unaudited condensed interim income statement	2
Unaudited condensed interim statement of financial position	3
Unaudited condensed interim statement of changes in equity	4
Unaudited condensed interim statement of cash flows	5
Notes	6 - 13

DIRECTORS' REPORT

On behalf of the Board of Directors, I take pleasure in placing before you the results of the Company for the three months period ended 31 March 2009.

Economy and Business Environment

The financial crisis affecting major banks in the western economies continues to affect global liquidity and risk appetite. With most of the major economies in deep recession and lack of visibility on a turnaround, prospects for a credit led recovery appear weak in the near term.

In the Sultanate of Oman, the combination of the Government's fiscal stimulus contained in the budget and the continuing policies of the Central Bank of Oman have insulated the economy to some extent. However, the challenges arising out of contraction in demand, tight liquidity and reduction of banks' risk appetite will continue to place constraints on growth.

Operating performance

The company has limited its new business disbursements due to constraints on increasing bank funding as well as a more conservative approach to credit approvals. New business volumes have consequently dropped by 42%. While net investment in finance leases increased by 35% to RO 76.0 million (RO 56.1 million as on March 2008), it may be noted that our position represents a small decline vis-à-vis December 2008 (RO 76.9 million).

The collections performance continued to be steady and as a result non-performing loans (NPL) declined by 2.3% compared to 31 March 2008. The company continues to follow a prudent provisioning policy based on its assessment of the risks inherent in its portfolio.

Overall, the Company achieved a net profit of RO 592K for the quarter ended 31 March 2009 (RO 368K for the same period in 2008).

Future outlook

We expect 2009 to continue to remain challenging and the main issues facing the company are high interest rates, shortage of liquidity and the impact of economic slowdown on our customers.

Your company is equipped to face this challenging period and is taking appropriate actions to manage the risk arising out of reduced margins, liquidity constraints and increased customer risk. The well-defined policies and procedures, strong channels of communication and customer relationships, experienced and result oriented management and staff will enable the company to deal with the challenges of a rapidly changing global and local economy.

Other Matters

The company continued its training efforts for its personnel. As of 31 March 2009 the Omanisation level stood at 65% which continued to be higher than the minimum prescribed for leasing companies. The company continues to remain committed to providing increased exposure and training to Omani staff to prepare them for higher responsibilities.

Taya Bin Jandal Bin Ali
Chairman
April 29, 2009

NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Quarter ended 31 March 2009 RO '000	Quarter ended 31 March 2008 RO '000
Revenue			
Income from financing activities		2,196	1,549
Interest expense		(959)	(558)
Net Finance Income		1,237	991
Other income	3	122	147
Net Operating Income		1,359	1,138
Expenses			
General and administrative expenses	4	(549)	(611)
Depreciation on property and equipment	11	(27)	(23)
Profit before provisions		783	504
Provision for impairment of lease receivables – net	9	(105)	(81)
Bad debts written off		(3)	(4)
Profit before taxation		675	419
Taxation	5	(83)	(51)
Profit for the period		592	368
Revaluation of land & building		6	-
Total Comprehensive income for the period		598	368
Earnings per share (RO)	6	0.005	0.004

The notes on pages 6 to 13 form an integral part of these condensed interim financial statements.

The review report is set forth on page 1.

NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT

		31 March 2009	31 March 2008	31 December 2008
	Note	RO'000	RO'000	RO'000
Assets				
Cash and bank balances		1,053	413	241
Statutory deposit	8	50	50	50
Net investment in finance leases	9	76,008	56,226	76,899
Advances and prepayments		807	443	1,054
Property pending sale	10	196	167	167
Deferred tax asset		718	633	705
Property and equipment	11	1,222	1,250	1,243
Total asset		80,054	59,182	80,359
Equity				
Share capital	12	12,611	9,056	11,465
Share Premium		-	-	937
Revaluation reserve		781	813	787
Legal reserve		1,326	1,126	1,326
Foreign currency reserve		153	153	153
Retained earnings		2,185	1,489	2,942
Total equity		17,056	12,637	17,610
Liabilities				
Creditors and accruals	13	2,621	3,129	3,382
Staff terminal benefits		214	143	184
Provision for income tax		219	430	556
Bank borrowings	14	49,507	35,303	48,215
Fixed deposits	15	10,232	7,374	10,205
Deferred tax liability		205	166	207
Total liabilities		62,998	46,545	62,749
Total equity and liabilities		80,054	59,182	80,359
Net Asset per share		0.135	0.140	0.154

These unaudited condensed interim financial statements were approved and authorised for issue in accordance with a resolution of the Directors on April 29, 2009 and signed on their behalf by:

TAYA BIN JANDAL BIN ALI
CHAIRMAN

ROBERT PANCRAS
CHIEF EXECUTIVE OFFICER

The notes on pages 6 to 13 form an integral part of these condensed interim financial statements.

The review report is set forth on page 1.

NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2009

	Share capital	Share Premium	Revaluation reserve	Legal reserve	Foreign currency reserve	Retained earnings	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
January 1, 2009	11,465	937	787	1,326	153	2,942	17,610
Dividend paid	-	-	-	-	-	(1,146)	(1,146)
Issue of Bonus Shares	1,146	(937)	-	-	-	(209)	-
Transfer to Retained Earnings	-	-	(6)	-	-	6	-
Profit for the period	-	-	-	-	-	592	592
March 31, 2009	12,611	-	781	1,326	153	2,185	17,056

	Share capital	Revaluation reserve	Legal reserve	Foreign currency reserve	Retained earnings	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
January 1, 2008 (restated)	9,056	813	1,126	153	1,574	12,722
Dividend paid	-	-	-	-	(453)	(453)
Profit for the period	-	-	-	-	368	368
March 31, 2008	9,056	813	1,126	153	1,489	12,637

	Share capital	Share Premium	Revaluation reserve	Legal reserve	Foreign currency reserve	Retained earnings	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
January 1, 2008	9,056	-	813	1,126	153	1,844	12,992
Restatement (note 19)	-	-	-	-	-	(270)	(270)
1 January 2008 (restated)	9,056	-	813	1,126	153	1,574	12,722
Transfer to retained earnings	-	-	(26)	-	-	26	-
Transfer to legal reserve	-	-	-	200	-	(200)	-
Dividend paid	-	-	-	-	-	(453)	(453)
Rights Issue	2,409	937	-	-	-	-	3,346
Profit for the year	-	-	-	-	-	1,995	1,995
December 31, 2008	11,465	937	787	1,326	153	2,942	17,610

The notes on pages 6 to 13 form an integral part of these condensed interim financial statements.

The review report is set forth on page 1.

NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2009

	Quarter ended 31 March 2009 RO'000	Quarter ended 31 March 2008 RO'000
Operating activities		
Profit before taxation	675	419
Adjustments for:		
Depreciation	27	23
Provision for end of service benefits	17	16
Provision for impairment of lease receivables	(26)	17
Bad debts written off	3	4
Interest expense	959	558
Operating profit before working capital changes and payment of end of service benefits	1,655	1,037
End of service benefits paid	(2)	(4)
Changes in operating assets and liabilities		
Investment in finance leases	915	(6,673)
Advances and prepayments	246	838
Creditors and accruals	(745)	459
Interest paid	(959)	(558)
Income tax paid	(435)	(177)
Net cash flow used in operating activities	675	(5,078)
Cash flows from investing activities		
Purchase of property and equipment	(7)	(14)
Purchase collateral asset	(28)	-
Net cash flow used in investing activities	(35)	(14)
Cash flows from financing activities		
Bank borrowings	1,118	4,038
Fixed deposits	27	1,571
Dividend paid	(1,146)	(453)
Net cash flow from financing activities	(1)	5,156
Net change in cash and cash equivalents	638	64
Cash and cash equivalents at the beginning of the period	(90)	399
Cash and cash equivalents at the end of the period	548	463

The notes on pages 6 to 13 form an integral part of these condensed interim financial statements.

The review report is set forth on page 1.

NATIONAL FINANCE COMPANY SAOG

Notes

(forming part of the financial statements)

1 Legal status and principal activities

National Finance Company SAOG (the Company) is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman and has a primary listing on the Muscat Security Market. The principal activity of the company is leasing business. The company derives all of its income from leasing operations within the Sultanate of Oman.

2 Summary of significant accounting policies

The principal accounting policies have been consistently applied to all the years presented unless otherwise stated.

2.1 Basis of preparation

These unaudited condensed interim financial statements are prepared on the historical cost basis, as modified by the revaluation of land and buildings and in accordance with International Financial Reporting Standards (IFRS) and comply with the disclosure requirements set out in the “Rules and Guidelines on Disclosure by issuer of Securities and Insider Trading” issued by the Capital Market Authority (CMA) of the Sultanate of Oman.

They do not include all the information required for full annual financial statements, and should be read in conjunction with the full audited financial statements of the Company as at and for the year ended 31 December 2008.

The accounting policies applied by the Company in these condensed interim financial statements are consistent with those applied by the Company in its audited financial statements for the year ended 31 December 2008. However, in preparing these condensed interim financial statements, the Company has adopted the revised IAS 1 “presentation of financial statements” which introduces the term total comprehensive income. The Company opted to present a single statement of comprehensive income. The adoption of IAS 1(revised) has not affected the Company’s financial position or performance as it relates solely to the presentation of the financial statements.

The Company concluded that the segment reporting determined in accordance with IFRS 8 is the same as the business segments previously identified under IAS 14. Accordingly, adoption of IFRS 8 has had no impact on these unaudited condensed interim financial statements.

The Company is engaged in leasing activities, all of which are carried out in Oman. Although the Company has individual and corporate customers, all of the lease portfolio is managed internally as one business segment. All the Company’s funding and costs are common and are not shared between these two portfolios.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies.

3 Other income

	Quarter ended 31 March 2009 RO’000	Quarter ended 31 March 2008 RO’000
Income from pre-closed leases	103	123
Front-end fees	0	2
Miscellaneous income	19	22
	<u>122</u>	<u>147</u>

NATIONAL FINANCE COMPANY SAOG

Notes

(forming part of the financial statements)

4 General and administrative expenses

	Quarter ended 31 March 2009 RO'000	Quarter ended 31 March 2008 RO'000
Employee related expenses	400	382
Occupancy costs	10	5
Communication costs	11	11
Professional fees	21	11
Advertising and sales promotion	41	69
Directors' sitting fees	4	4
Directors' remuneration	15	13
Other office expenses	47	116
	<u>549</u>	<u>611</u>

5 Income tax

Components of taxation for the period

The Company is liable to income tax in accordance with the income tax law of the Sultanate of Oman at the tax rate of 12% on the taxable profits in excess of RO 30,000. The reconciliation between the tax expense and the profit before taxation is as follows:

	Quarter ended 31 March 2009 RO'000	Quarter ended 31 March 2008 RO'000
Profit before taxation	675	419
<i>Current tax</i>		
- current period	97	59
<i>Deferred tax asset</i>		
- current period	(13)	(10)
<i>Deferred tax liability</i>		
- current period	(1)	3
Taxation charge for the period	<u>83</u>	<u>52</u>

6 Earnings per share

The calculation of earnings per share is as follows:

	Quarter ended 31 March 2009 RO'000	Quarter ended 31 March 2008 RO'000
Earnings per share		
Profit for the period attributable to ordinary shareholders (RO'000)	592	368
Number of shares (Nos '000)	<u>126,110</u>	<u>102,027</u>
Earnings per share RO	<u>0.005</u>	<u>0.004</u>

NATIONAL FINANCE COMPANY SAOG

Notes

(forming part of the financial statements)

7 Cash and cash equivalents

	31 March 2009 RO'000	31 March 2008 RO'000	31 December 2008 RO'000
Cash and bank balance	1,053	413	241
Overdraft	(505)	-	(331)
	<u>548</u>	<u>413</u>	<u>(90)</u>

8 Statutory deposit

The Company is required to maintain a deposit of RO 50,000 (2008 – RO 50,000) 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 2% per annum (2008 – 2%).

9 Net investment in finance leases

	31 March 2009 RO'000	31 March 2008 RO'000	31 December 2008 RO'000
Net investment in finance leases			
Gross investment in finance leases	96,903	72,951	98,429
Unearned lease income	(14,413)	(10,776)	(15,024)
	<u>82,490</u>	<u>62,175</u>	<u>83,405</u>
Provision for impairment of lease receivable	(5,810)	(5,218)	(5,789)
Unrecognised contractual income	(672)	(731)	(717)
Net investment in finance leases	<u>76,008</u>	<u>56,226</u>	<u>76,899</u>

(a) Unearned lease income

	31 March 2009 RO'000	31 March 2008 RO'000	31 December 2008 RO'000
Opening balance	15,024	9,513	9,538
Additions during the period	1,586	2,845	12,725
Recognised during the period	(2,197)	(1,582)	(7,239)
Closing balance	<u>14,413</u>	<u>10,776</u>	<u>15,024</u>

(b) Provision for impairment of lease receivables

	31 March 2009 RO'000	31 March 2008 RO'000	31 December 2008 RO'000
Opening balance	5,789	5,176	5,176
Provided during the period	263	373	1,392
Released during the period	(158)	(290)	(715)
Write offs during the period	(84)	(41)	(64)
Closing balance	<u>5,810</u>	<u>5,218</u>	<u>5,789</u>

NATIONAL FINANCE COMPANY SAOG**Notes***(forming part of the financial statements)***9 Net investment in finance leases (continued)**

(c) Unrecognised contractual income

	31 March 2009 RO'000	31 March 2008 RO'000	31 December 2008 RO'000
Opening balance	717	756	756
Unrecognised during the period	26	25	75
Recognised during the period	(71)	(50)	(114)
Closing balance	672	731	717

10 Property Pending sale

Property pending sale represents land and buildings acquired by the Company in part settlement of amounts due by borrower following the conclusion of all credit recovery procedures available to the Company. The property pending sale is shown at lower of cost and net realisable value. During the period the company acquired freehold land worth RO 29,000 from one of its customers through open auction process.

11 Property and Equipment

	Freehold land RO'000	Buildings RO'000	Furniture, fixtures and equipment RO'000	Motor vehicles RO'000	Total RO'000
Cost or valuation					
01-Jan-09	800	395	481	14	1690
Revaluation Surplus	-	-	-	-	-
Additions	-	-	7	-	7
Released on disposals	-	-	-	-	-
31-Mar-09	800	395	488	14	1697
Depreciation					
01-Jan-09	-	56	378	14	448
Charge for the period	-	15	12	-	27
31-Mar-09	-	71	390	14	475
Net book value 31-Mar-09	800	324	98	-	1,222

NATIONAL FINANCE COMPANY SAOG**Notes***(forming part of the financial statements)***11 Property and Equipment** *(continued)*

	Freehold land	Buildings	Furniture, fixtures and equipment	Motor vehicles	Total
Cost or valuation					
01-Jan-08	800	395	402	14	1,611
Additions	-	-	79	-	79
31-Dec-08	800	395	481	14	1,690
Depreciation					
01-Jan-08	-	-	341	11	352
Charge for the Year	-	55	37	3	95
31-Dec-08	-	55	378	14	447
Net book value 31-Dec-08	800	340	103	-	1,243

	Freehold land RO'000	Buildings RO'000	Furniture, fixtures and equipment RO'000	Motor vehicles RO'000	Total RO'000
Cost or valuation					
01-Jan-08	800	582	402	14	1,798
Revaluation Surplus					
Additions	-	-	14	-	14
Released on disposals					
31-Mar-08	800	582	416	14	1,812
Depreciation					
01-Jan-08	-	187	341	11	539
Charge for the period	-	15	7	1	23
31-Mar-08	-	202	348	12	562
Net book value 31-Mar-08	800	380	68	2	1,250

12 Share capital

The authorised share capital of the Company comprises 300,000,000 (2008: 10,000,000) ordinary shares of RO 1 each. The Company's issued and fully paid-up share capital amounts to 126,109,688 ordinary shares of 0.100 baizas per share (31 December 2008: 11,465,000 ordinary shares of RO 0.100 each). In March 2009, as per resolution passed in the ordinary general meeting held on 12.03.09, the issued and paid up capital was increased to RO 12,610,968 by issue of 11,464,517 bonus shares.

NATIONAL FINANCE COMPANY SAOG**Notes***(forming part of the financial statements)***13 Creditors and accruals**

	31 March 2009 RO'000	31 March 2008 RO'000	31 December 2008 RO'000
Creditors	1,854	2,452	2,574
Accruals and other liabilities	767	677	808
	<u>2,621</u>	<u>3,129</u>	<u>3,382</u>

14 Bank borrowings

	31 March 2009 RO'000	31 March 2008 RO'000	31 December 2008 RO'000
Overdrafts	505	983	331
Short-term loans	32,735	24,503	34,359
Long-term loans	16,267	9,817	13,525
	<u>49,507</u>	<u>35,303</u>	<u>48,215</u>

15 Fixed deposits

The Company has fixed deposits from corporate entities based in Oman in the amount of RO 10.2 million, with tenors ranging from 1 to 2 years, as per guidelines issued by the Central Bank of Oman. These deposits carry interest rates between 4.9% and 6.0% per annum. The carrying amount includes interest accrued till the end of the reporting period.

16 Dividends

The Board of Directors at the Annual General Meeting for the year 2008 approved a cash dividend of 10% amounting to RO 1,146,452 (2007 - cash dividend: RO 452,810) and stock dividend of 10% amounting to RO 1,146,452 for 2008 (2007 – NIL). Dividend cheques have been already sent to all the eligible shareholders.

NATIONAL FINANCE COMPANY SAOG**Notes***(forming part of the financial statements)***17 Related party transactions**

The Company entered into transactions with entities over which certain Directors are able to exert significant influence. Such transactions are at mutually agreed terms. Significant related party transactions during the quarter ending 31 March 2009 were as follows:

	Quarter ended 31 March 2009 RO'000	Quarter ended 31 March 2008 RO'000
General and administrative expenses	0	1
Lease rentals paid for vehicles taken on operating lease	8	9
Sales incentive	0	78
<i>Payments to Directors</i>		
Sitting fees	2	4
<i>Other payment to Directors</i>		
Proposed remuneration	15	13
Directors remuneration for 2008 paid in March 2009	41	31
<i>Period end balances arising on the above</i>		
Net investment in finance lease	228	5
<i>Remuneration to key members of management during the period</i>		
Salaries and other benefits (Top 5)	173	98
Advances & net investment in leases	43	42

NATIONAL FINANCE COMPANY SAOG

Notes

(forming part of the financial statements)

18 Maturity analysis of significant assets and liabilities

At 31 March 2009	Up to 1 month RO'000	> 1 month to 1 year RO'000	> 1 year to 5 years RO'000	Non-fixed maturity RO'000	Total RO'000
Assets					
Cash and bank balances	1,053	-	-	-	1,053
Statutory deposit	-	-	-	50	50
Net investment in finance leases	2,136	22,647	51,225	-	76,008
Advances and prepayments	807	-	-	-	807
Property pending sale	-	196	-	-	196
Deferred tax asset	-	-	-	718	718
Property and equipment	-	-	-	1,222	1,222
Total assets	<u>3,996</u>	<u>22,843</u>	<u>51,225</u>	<u>1,990</u>	<u>80,054</u>
Equity					
Equity	-	-	-	17,056	17,056
Liabilities					
Bank borrowings and fixed deposit	7,410	37,866	14,463	-	59,739
Creditors and accruals	2,835	-	-	-	2,835
Provision for income tax	-	219	-	-	219
Deferred tax liability	-	-	-	205	205
Total equity and liabilities	<u>10,245</u>	<u>38,085</u>	<u>14,463</u>	<u>17,261</u>	<u>80,054</u>
Liquidity gap	<u>(6,249)</u>	<u>(15,242)</u>	<u>36,762</u>	<u>(15,271)</u>	
Cumulative liquidity gap	<u>(6,249)</u>	<u>(21,491)</u>	<u>15,271</u>		
At 31 December 2008					
	Up to 1 month RO'000	> 1 month to 1 year RO'000	> 1 year to 5 years RO'000	Non-fixed maturity RO'000	Total RO'000
Assets					
Cash and bank balances	241	-	-	-	241
Statutory deposit	-	-	-	50	50
Net investment in finance leases	2,073	22,215	52,611	-	76,899
Advances and prepayments	1,054	-	-	-	1,054
Property pending sale	-	167	-	-	167
Deferred tax asset	-	-	-	705	705
Property and equipment	-	-	-	1,243	1,243
Total assets	<u>3,368</u>	<u>22,382</u>	<u>52,611</u>	<u>1,998</u>	<u>80,359</u>
Equity					
Equity	-	-	-	17,610	17,610
Liabilities					
Bank borrowings and fixed deposit	5,627	38,268	14,525	-	58,420
Creditors and accruals	3,566	-	-	-	3,566
Provision for income tax	-	556	-	-	556
Deferred tax liability	-	-	-	207	207
Total equity and liabilities	<u>9,193</u>	<u>38,824</u>	<u>14,525</u>	<u>17,817</u>	<u>80,359</u>
Liquidity gap	<u>(5,825)</u>	<u>(16,442)</u>	<u>38,086</u>	<u>(15,819)</u>	
Cumulative liquidity gap	<u>(5,825)</u>	<u>(22,267)</u>	<u>15,819</u>		