



OMAN INTERNATIONAL DEVELOPMENT AND  
INVESTMENT COMPANY SAOG

**GROUP AND PARENT COMPANY UNAUDITED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2009**



**GROUP AND PARENT COMPANY UNAUDITED FINANCIAL STATEMENTS  
NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009**

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## **REPORT ON THE PERFORMANCE OF THE GROUP FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009**

We are pleased to report on the performance of the Group for the nine month period ended 30 September 2009.

### **Group**

The Group recorded a profit of RO 19.74 million vs. RO 24.13 million in the corresponding period in 2008. The profit and earnings per share attributable to the Parent Company shareholders from the Group profit is RO 10.89 million and RO 0.054 compared to RO 13.89 million and RO 0.077 in the nine month period ended 30 September 2009. The 2008 Group profit included profit amounting to RO 4.20 million on sale of an associate and release of impairment provision for an investment of RO 0.79 million by the Parent Company.

Total shareholders' equity at RO 82.14 million was higher compared to RO 77.11 million at 30 September 2008. Net asset value per share was RO 0.411 on the paid up share capital of RO 20 million.

### **Parent Company**

The Parent Company profit for the period is RO 11.63 million compared to RO 10.13 million in 2008. Parent Company recorded total income of RO 13.17 million (2008: RO 11.82 million) and comprised of:

- (i) Cash dividends and fees received from subsidiaries of RO 10.21 million, compared to RO 5.16 million in 2008;
- (ii) Cash dividends and fees received from associates and other investments of RO 0.62 million (2008: RO 1.10 million);
- (iii) Realised and unrealised gains from capital markets operations RO 1.82 million vs. loss of RO 1.79 million in the comparable period in 2008; cash dividends received from capital markets investments was RO 0.39 million compared to RO 0.23 million reported in Q3'08;
- (iv) In 2008, profit realised on sale of an investment in an associate at cost, in the Parent Company was RO 5.84 million and release of impairment provision for an investment was RO 0.79 million. However, there were no comparable income in 2009.
- (v) Gains of RO 11,403 (2008: RO 0.31 million) from unquoted foreign investments.
- (vi) Interest, rental and other income for the period was RO 0.14 million vs. RO 0.18 million in 2008.



Total shareholders' equity at RO 42.19 million was higher compared to RO 38.90 million at 30<sup>th</sup> September 2008, and the net assets value per share was RO 0.211 on the paid up share capital of RO 20 million. Total assets of the Parent Company increased to RO 52.65 million from RO 47.76 million at 30<sup>th</sup> September 2008. All financial assets and liabilities, with the exception of investment in subsidiaries (RO 26.40 million) which are carried at cost, are at fair values in the Parent Company financial statements.

### **Banking Subsidiary**

Oman Arab Bank, our banking subsidiary reported a profit of RO 18.07m compared to RO 20.90m for the nine month period ended 30 September in 2008. Operating profit of the Bank at RO 21.13m was identical to RO 21.13m in '08, and the decrease in the profit for the period was mainly due to lower recoveries from impaired loans, RO 1.28m vs. RO 4.97m in '08. Gross loans and advances at RO 577.90m increased by 7% and customers' deposits at RO 606.29m were marginally higher compared with 2008. During the period, the banking subsidiary increased its paid-up share capital to RO 75m, an increase of RO 15m by issue of rights shares of RO 12m and by capitalisation of retained profits, RO 3m.

At the Annual General Meeting of the Parent Company held on 31 March 2009, shareholders have approved cash dividend of RO 1,800,000 (10% of the paid-up share capital) and stock dividend of RO 2,000,000 (representing 1 share for every 9 shares held). Following this, the paid-up share capital of the Parent Company is increased to RO 20m.

The sustained recovery of global capital markets, continued support of global economies by respective governments, relatively stable commodity prices and an improved sentiment towards businesses, all suggest an emerging trend towards recovery, leading to growth prospects in the world economies over the near to medium term, and increasing opportunities for growth and improved earnings.

HANI BIN MUHAMMAD AL ZUBAIR  
CHAIRMAN

November 7, 2009



GROUP AND PARENT COMPANY UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2009

	Note	GROUP		PARENT COMPANY	
		2009 (RO '000)	2008 (RO '000)	2009 (RO '000)	2008 (RO '000)
<b>ASSETS</b>					
Balances with banks and money at call		45,675	56,633	2,716	1,038
Certificates of deposit	3	80,000	103,000	-	-
Deposits with banks	4	12,513	23,176	-	2,000
Investment securities	5	56,001	53,225	15,244	20,571
Investment in associates	5(d)	7,230	5,085	3,482	2,371
Investment in subsidiaries	5(e)	-	-	26,398	20,279
Loans and advances to customers	6	559,989	524,979	-	-
Other assets		10,043	10,668	1,663	810
Investment property		2,497	-	2,497	-
Property and equipment		9,634	8,905	655	695
<b>TOTAL ASSETS</b>		<b>783,582</b>	<b>785,671</b>	<b>52,655</b>	<b>47,764</b>
<b>LIABILITIES</b>					
Bank borrowings	7	7,850	7,274	9,450	7,774
Current, deposit and other accounts		613,008	624,580	-	-
Unpaid dividend		-	41	-	41
Other liabilities		18,183	20,955	590	615
Taxation		2,834	3,343	429	429
<b>TOTAL LIABILITIES</b>		<b>641,875</b>	<b>656,193</b>	<b>10,469</b>	<b>8,859</b>
<b>EQUITY</b>					
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>					
Share capital	8	20,000	18,000	20,000	18,000
Legal reserve		13,463	11,892	5,319	5,000
Capital reserve		12,748	11,218	-	-
General reserve		5,791	4,718	-	-
Revaluation reserve		1,754	1,154	-	-
Cumulative changes in fair value of investments		1,030	140	400	-
Retained earnings		27,353	29,986	16,467	15,905
		82,139	77,108	42,186	38,905
Non - controlling interests		59,568	52,370	-	-
<b>TOTAL EQUITY</b>		<b>141,707</b>	<b>129,478</b>	<b>42,186</b>	<b>38,905</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>783,582</b>	<b>785,671</b>	<b>52,655</b>	<b>47,764</b>
Net assets per share (Rial Omani)		0.411	0.428	0.211	0.216

These financial statements were approved and authorised for release by the Board of Directors on November 7, 2009 and were signed by:

**HANI BIN MUHAMMAD AL ZUBAIR**  
CHAIRMAN

**SHARIQ AZHAR**  
CHIEF EXECUTIVE OFFICER

The accompany notes on pages 8 to 24 form an integral part of these interim financial statements.



GROUP AND PARENT COMPANY UNAUDITED STATEMENT OF INCOME  
NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009

	Note	GROUP		PARENT COMPANY	
		2009 (RO '000)	2008 (RO '000)	2009 (RO '000)	2008 (RO '000)
Interest income	9	29,029	27,194	39	67
Interest expense	10	(6,107)	(6,452)	(260)	(340)
<b>Net interest income</b>		<b>22,922</b>	<b>20,742</b>	<b>(221)</b>	<b>(273)</b>
Investment income	11	3,147	(784)	13,021	5,013
Commission and other income	12	12,178	13,613	105	118
<b>Total income</b>		<b>38,247</b>	<b>33,571</b>	<b>12,905</b>	<b>4,858</b>
Other operating expenses	13	(16,088)	(14,384)	(1,286)	(848)
Release from provision for impairment		6	786	6	786
Provision for impairment of unquoted investments	6(g)	-	(500)	-	(500)
Allowance for loan impairment	6(b)	(1,957)	(2,482)	-	-
Release from allowance for loan impairment	6(b)	1,281	4,974	-	-
<b>OPERATING PROFIT</b>		<b>21,489</b>	<b>21,965</b>	<b>11,625</b>	<b>4,296</b>
Share of profit from associated companies		644	687	-	-
Profit on sale of an associate company		-	4,202	-	5,836
<b>PROFIT BEFORE TAXATION</b>		<b>22,133</b>	<b>26,854</b>	<b>11,625</b>	<b>10,132</b>
Taxation		(2,391)	(2,725)	-	-
<b>PROFIT FOR THE PERIOD</b>		<b>19,742</b>	<b>24,129</b>	<b>11,625</b>	<b>10,132</b>
<b>Other comprehensive income:</b>					
Changes in the fair value of investments		1,012	275	-	-
Other comprehensive income for the period		1,012	275	-	-
Total comprehensive income for the period		20,754	24,404	11,625	10,132
<b>Profit attributable to:</b>					
Shareholders of the Parent Company		10,888	13,888	11,625	10,132
Non - Controlling interests		8,854	10,241	-	-
		<b>19,742</b>	<b>24,129</b>	<b>11,625</b>	<b>10,132</b>
<b>Total comprehensive income attributable to:</b>					
Shareholders of the Parent Company		11,404	14,028	11,625	10,132
Non - Controlling interests		9,350	10,376	-	-
		<b>20,754</b>	<b>24,404</b>	<b>11,625</b>	<b>10,132</b>
<b>Basic earnings per share on profit attributable to the shareholders of the Parent (Rial Omani)</b>	19	0.054	0.077	0.058	0.056

The accompanying notes on pages 8 to 24 form an integral part of these interim financial statements.



GROUP AND PARENT COMPANY UNAUDITED STATEMENT OF CASHFLOW  
NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009

	<u>Note</u>	<b>GROUP</b>		<b>PARENT COMPANY</b>	
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
		<b>(RO '000)</b>	<b>(RO '000)</b>	<b>(RO '000)</b>	<b>(RO '000)</b>
<b>Operating activities</b>					
Profit for the period		19,742	24,129	11,625	10,132
Adjustments for:					
Depreciation		1,283	1,065	55	66
Provision for impairment of unquoted investments		-	500	-	500
Release from provision for impairment		(6)	(786)	(6)	(786)
Allowance for loan impairment		1,957	2,482	-	-
Release from allowance for loan impairment		(1,281)	(4,974)	-	-
Loss on sale of fixed assets		-	11	-	-
Change in fair value of investments available for sale		-	140	-	-
Non – Controlling interests (net)		(3,425)	(1,140)	-	-
Taxation		2,391	2,725	-	-
Operating profit before changes in operating assets and liabilities:		20,661	24,152	11,674	9,912
Loans and advances to customers		(24,169)	(135,987)	-	-
Other assets		1,409	(22)	(535)	(362)
Current, deposit and other accounts		(27,199)	63,006	-	-
Other liabilities		1,580	(1,234)	(54)	(717)
Taxation paid		(3,544)	(2,437)	-	-
<b>Net cash (used in)/from operating activities</b>		<b>(31,262)</b>	<b>(52,522)</b>	<b>11,085</b>	<b>8,833</b>
<b>Investing activities</b>					
Subscription to rights issue of banking subsidiary		-	-	(6,119)	(3,570)
Investments in associates		(300)	3,031	-	1,220
Investment securities		(11,875)	2,170	(1,021)	3,771
Investment property		(2,497)	-	(2,497)	-
Investment in property and equipment		(2,046)	(1,553)	(25)	(36)
<b>Net cash from/(used in) investing activities</b>		<b>(16,718)</b>	<b>3,648</b>	<b>(9,662)</b>	<b>1,385</b>
<b>Cash flows from financing activities</b>					
Dividends paid		(1,800)	(4,459)	(1,800)	(4,459)
<b>Net (decrease) / increase in cash and short term funds</b>		<b>(49,780)</b>	<b>(53,333)</b>	<b>(377)</b>	<b>5,759</b>
Cash and short term funds at 1 January		171,621	204,281	(6,357)	(10,495)
<b>Cash and short term funds at 30 September</b>	<b>14</b>	<b>121,841</b>	<b>150,948</b>	<b>(6,734)</b>	<b>(4,736)</b>

The accompanying notes on pages 8 to 24 form an integral part of these interim financial statements.

GROUP AND PARENT COMPANY UNAUDITED STATEMENT OF CHANGES IN EQUITY  
NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009

	Share Capital (RO '000)	Legal reserve (RO '000)	Capital reserve (RO '000)	General reserve (RO '000)	Revaluation reserve (RO '000)	Cumulative Changes in fair value of investments (RO '000)	Retained earnings (RO '000)	Attributable to equity holders of the Parent Co. (RO '000)	Non- controlling interests (RO '000)	Total (RO '000)
<b>GROUP</b>										
<b>At 31 December 2007</b>	15,000	11,892	8,668	4,718	1,154	-	26,148	67,580	43,268	110,848
Total comprehensive income for the period	-	-	-	-	-	140	13,888	14,028	10,376	24,404
Increase in share capital through capitalisation of retained earnings	3,000	-	-	-	-	-	(3,000)	-	-	-
Increase in share capital of banking subsidiary through capitalisation of reserves	-	-	2,550	-	-	-	(2,550)	-	-	-
Subscription to rights issue of the banking subsidiary	-	-	-	-	-	-	-	-	3,431	3,431
Dividend relating to 2007 (note 15)	-	-	-	-	-	-	(4,500)	(4,500)	(4,705)	(9,205)
<b>At 30 September 2008</b>	<b>18,000</b>	<b>11,892</b>	<b>11,218</b>	<b>4,718</b>	<b>1,154</b>	<b>140</b>	<b>29,986</b>	<b>77,108</b>	<b>52,370</b>	<b>129,478</b>
<b>At 31 December 2008</b>	18,000	13,463	11,218	5,791	1,754	514	21,795	72,535	54,139	126,674
Total comprehensive income for the period	-	-	-	-	-	516	10,888	11,404	9,350	20,754
Increase in share capital through capitalisation of retained earnings	2,000	-	-	-	-	-	(2,000)	-	-	-
Increase in share capital of banking subsidiary through capitalisation of reserves	-	-	1,530	-	-	-	(1,530)	-	-	-
Dividend relating to 2008 (note 15)	-	-	-	-	-	-	(1,800)	(1,800)	(9,802)	(11,602)
Subscription to rights issue of the banking subsidiary	-	-	-	-	-	-	-	-	5,881	5,881
<b>At 30 September 2009</b>	<b>20,000</b>	<b>13,463</b>	<b>12,748</b>	<b>5,791</b>	<b>1,754</b>	<b>1,030</b>	<b>27,353</b>	<b>82,139</b>	<b>59,568</b>	<b>141,707</b>

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GROUP AND PARENT COMPANY UNAUDITED STATEMENT OF CHANGES IN EQUITY  
NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009

	Share capital	Legal reserve	Cumulative Changes in fair value of investments	Retained earnings	Total
	(RO '000)	(RO '000)	(RO '000)	(RO '000)	(RO '000)
<b>PARENT COMPANY</b>					
<b>At 31 December 2007</b>	<b>15,000</b>	<b>5,000</b>	-	<b>13,273</b>	<b>33,273</b>
Profit for the period	-	-	-	10,132	10,132
Increase in share capital through capitalisation of retained earnings	3,000	-	-	(3,000)	-
Dividend relating to 2007 (note 15)	-	-	-	(4,500)	(4,500)
<b>At 30 September 2008</b>	<b>18,000</b>	<b>5,000</b>	-	<b>15,905</b>	<b>38,905</b>
<b>At 31 December 2008</b>	<b>18,000</b>	<b>5,319</b>	<b>400</b>	<b>8,642</b>	<b>32,361</b>
Profit for the period	-	-	-	11,625	11,625
Increase in share capital through capitalisation of retained earnings	2,000	-	-	(2,000)	-
Dividend relating to 2008 (note 15)	-	-	-	(1,800)	(1,800)
<b>At 30 September 2009</b>	<b>20,000</b>	<b>5,319</b>	<b>400</b>	<b>16,467</b>	<b>42,186</b>

The accompanying notes on pages 8 to 24 form an integral part of these interim financial statements.

## **1. GENERAL INFORMATION**

Oman International Development and Investment Company SAOG (the Parent Company) is incorporated in the Sultanate of Oman as a public joint stock company and is principally engaged in investment related activities. The Parent Company has its listing on the Muscat Securities Market.

The Parent Company's principal place of business and registered address is Ominvest Building, Central Business District, Greater Muttrah, P O Box 3886, Ruwi, Postal Code 112, Sultanate of Oman.

These consolidated interim financial statements for the NINE month period ended 30 September 2009 comprise the Parent Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The separate financial statements represent the financial statements of the Parent Company on a stand alone basis. The consolidated and separate financial statements are collectively referred to as "the financial statements".

## **2. ACCOUNTING POLICIES**

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2008, except as noted below.

During the period, the Group has adopted the following standards effective for the annual periods beginning on or after 1 January 2009.

IAS 1 'Presentation of Financial Statements' (Revised):

The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (i.e. owner changes in income) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in a performance statement (consolidated statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

IFRS 8 'Operating segments':

The new standard which replaced IAS 14 'Segment reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision - maker.

## **3. CERTIFICATES OF DEPOSIT**

Certificates of deposit held are issued by the Government of Sultanate of Oman and carry interest at the average rate of 0.03% (2008 – 1.34%).

## **4. DEPOSITS WITH BANKS**

Deposits with banks include RO 935,000 (2008 - RO 935,000) being a capital deposit and an insurance deposit with the Central Bank of Oman in terms of regulations applicable to the banking subsidiary which earn interest at 1.5% (2008 – 1.5%) per annum. These deposits cannot be withdrawn without prior written approval of the Central Bank of Oman.

## 5. INVESTMENT SECURITIES

At 30 June, investment securities comprised the following:

	Group		Parent Company	
	2009 (RO'000)	2008 (RO'000)	2009 (RO'000)	2008 (RO'000)
Financial assets at fair value through profit or loss	13,793	23,959	9,835	17,288
Available for sale investments	10,185	3,040	4,409	2,283
Held-to-maturity investments	32,023	26,226	1,000	1,000
	<u>56,001</u>	<u>53,225</u>	<u>15,244</u>	<u>20,571</u>

### (a) *Financial assets at fair value through profit or loss*

#### (i) *Financial assets designated as at fair value through profit or loss*

At 30 September, financial assets designated as at fair value through profit or loss comprised the following:

	Group		Parent Company	
	2009 (RO'000)	2008 (RO'000)	2009 (RO'000)	2008 (RO'000)
<b>Quoted investments</b>				
Local investments				
Banking sector	633	2,617	141	2,403
Investment sector	329	321	329	321
Services sector	2,619	6,761	2,589	5,970
Industrial sector	603	4,169	603	3,906
	<u>4,184</u>	<u>13,868</u>	<u>3,662</u>	<u>12,600</u>
Foreign investments				
Equity and equity related	5,266	3,628	5,266	3,628
Currency and commodity related	907	1,060	907	1,060
	<u>6,173</u>	<u>4,688</u>	<u>6,173</u>	<u>4,688</u>
Total financial assets designated at fair value through profit or loss	<u>10,357</u>	<u>18,556</u>	<u>9,835</u>	<u>17,288</u>

5. INVESTMENT SECURITIES (continued)

(a) *Financial assets at fair value through profit or loss (continued)*

(ii) *Financial assets held for trading*

	Group		Parent Company	
	2009 (RO'000)	2008 (RO'000)	2009 (RO'000)	2008 (RO'000)
Quoted	3,219	5,099	-	-
Unquoted	217	304	-	-
Financial assets held for trading	3,436	5,403	-	-
Total financial assets at fair value through profit or loss	13,793	23,959	9,835	17,288

(b) *Available for sale investments*

	Group		Parent Company	
	2009 (RO'000)	2008 (RO'000)	2009 (RO'000)	2008 (RO'000)
<b>Local investments</b>				
Investment Stabilization Fund	4,460	-	-	-
Unquoted investments	1,188	1,181	700	700
Fair value reserve	479	-	-	-
	6,127	1,181	700	700
<b>Foreign investments</b>				
Unquoted investments	5,835	4,811	5,781	4,811
Less: Provision for impairment [note 5(g)]	(2,472)	(3,228)	(2,472)	(3,228)
	3,363	1,583	3,309	1,583
Fair value reserve	400	-	400	-
	3,763	1,583	3,709	1,583
Quoted investments	144	135	-	-
Fair value reserve	151	141	-	-
	4,058	1,859	3,709	1,583
Total available for sale investments	10,185	3,040	4,409	2,283

5. INVESTMENT SECURITIES (continued)

(b) Available for sale investments (continued)

Unquoted local investments held by the Group include investment in the Financial Settlement and Guaranteed Fund of RO 157,621 (2008 – RO 147,593) which is not recoverable until the date the banking subsidiary ceases its brokerage activities or the fund is liquidated, whichever is earlier.

(c) Held-to-maturity investments

	Group		Parent Company	
	2009 (RO'000)	2008 (RO'000)	2009 (RO'000)	2008 (RO'000)
Certificates of deposits	11,000	11,000	1,000	1,000
Oman Government Development Bonds				
- held by the banking subsidiary	21,023	15,226	-	-
	<u>32,023</u>	<u>26,226</u>	<u>1,000</u>	<u>1,000</u>

Certificates of deposits held by the Group and the Parent Company are issued by a commercial bank regulated by Central Bank of Oman and carry an interest rate of 5.25% per annum. Certificates of deposits mature within one year.

Bonds are denominated in Rial Omani and are issued by the Government of Oman. They carry interest rates varying between 4% to 5.25% (2008 4% to 4.5%) per annum. The maturity profile of these bonds, based on the remaining period to maturity from the balance sheet date, is as follows:

	2009 (RO'000)	2008 (RO'000)
Within one year	7,848	7,375
Between one and five years	13,175	7,851
	<u>21,023</u>	<u>15,226</u>

5. INVESTMENT SECURITIES (continued)

(d) *Investment in associates*

Group

At 30 September, investment in associates represented holdings in the following companies registered in the Sultanate of Oman:

	2009		2008	
	Holding (%)	Carrying value (RO'000)	Holding (%)	Carrying value (RO'000)
National Finance Company SAOG	24.02	4,379	21.56	2,951
National Biscuit Industries SAOG	21.30	408	21.30	383
National Detergent Company SAOG	20.94	2,443	20.94	1,751
		<u>7,230</u>		<u>5,085</u>

All the Group's associated companies' shares are listed on the Muscat Securities Market (MSM). The market value of investments in associated companies as of the balance sheet date amounted to RO 7,103,716 (2008 - RO 7,491,812).

Parent Company

At 30 September, investment in associates represented holdings by the Parent Company in the following companies registered in the Sultanate of Oman:

	2009		2008	
	Holding (%)	Cost (RO'000)	Holding (%)	Cost (RO'000)
National Finance Company SAOG	23.74	2,334	21.28	1,223
National Biscuit Industries SAOG	21.00	435	21.00	435
National Detergent Company SAOG	20.94	713	20.94	713
		<u>3,482</u>		<u>2,371</u>

All the Parent Company's associated companies' shares are listed on the Muscat Securities Market (MSM). The market value of investments in associated companies as of the balance sheet date amounted to RO 7,039,804 (2008 - RO 7,432,712).

5. INVESTMENT SECURITIES (continued)

(e) *Investments in subsidiaries*

At 30 September, investment in subsidiaries incorporated in the Sultanate of Oman are:

<u>Group</u>	2009		2008	
	<u>Cost</u> (RO'000)	<u>Holding</u> %	<u>Cost</u> (RO'000)	<u>Holding</u> %
Oman Arab Bank SAOC (Principal activity: Banking)	25,522	51.00	19,402	51.00
Oman Investment Services SAOC (Principal activity: Investments)	903	99.98	903	99.98
	<u>26,425</u>		<u>20,305</u>	
<u>Parent Company</u>				
Oman Arab Bank SAOC (Principal activity: Banking)	25,495	50.99	19,376	50.99
Oman Investment Services SAOC (Principal activity: Investments)	903	99.98	903	99.98
	<u>26,398</u>		<u>20,279</u>	

During the period, Parent Company subscribed to its share (50.99%) of the rights issue of RO 6.1 million (2008 - RO 3.6 million) by the banking subsidiary.

(f) *Details of significant investments*

At 30 September, the Group's investments for which either, the Group's holding represents 10% or more of the issuer's share capital, or, the Group's holding exceeds 10% of the market value of the Group's investment portfolio, are detailed as follows:

*Quoted securities*

<u>Group</u>	<u>Holding</u> %	<u>Number of</u> <u>shares</u>	<u>Fair</u> <u>value</u> (RO'000)	<u>Carrying</u> <u>value</u> (RO'000)
National Biscuit Industries Ltd SAOG	29.22	292,197	964	698
National Finance Co. SAOG	24.02	30,288,975	4,634	4,379
National Detergent Co. SAOG	20.94	3,561,700	1,767	2,443
Oman National Dairy Products Co. Ltd SAOG	19.65	482,726	-	-
			<u>7,365</u>	<u>7,520</u>

At 30 September, the Parent Company's investments for which either, the Parent Company's holding represents 10% or more of the issuer's share capital, or, the Parent Company's holding exceeds 10% of the market value of the Parent Company's investment portfolio, are detailed as follows:

5. INVESTMENT SECURITIES (continued)

(f) Details of significant investments (continued)

	<u>Holding</u> %	<u>Number of</u> shares	<u>Fair</u> value (RO'000)	<u>Carrying</u> value (RO'000)
<u>Parent Company</u>				
National Biscuit Industries Ltd SAOG	28.92	289,197	954	673
National Finance Co. SAOG	23.74	29,935,951	4,580	2,334
National Detergent Co. SAOG	20.94	3,561,700	1,767	713
Oman National Dairy Products Co. Ltd SAOG	19.65	482,726	-	-
			<u>7,301</u>	<u>3,720</u>

*Unquoted securities*

	<u>Holding</u> %	<u>Number of</u> shares	<u>Carrying</u> value (RO'000)
<u>Group</u>			
<i>Subsidiaries</i>			
Oman Arab Bank SAOC	51.00	38,250,000	61,986
Oman Investment Services SAOC	99.98	999,800	684
<i>Others</i>			
Al Shamal Plastics LLC	21.44	200,000	44
Modern Steel Mills LLC	19.48	584,400	251
Gulf Acrylic Industries LLC	17.64	100,000	111
Muscat Depository & Securities Registration Company SAOC	12.13	121,294	124
			<u>63,200</u>
<u>Parent Company</u>			
<i>Subsidiaries</i>			
Oman Arab Bank SAOC	50.99	38,242,500	25,495
Oman Investment Services SAOC	99.98	999,800	903
<i>Others</i>			
Al Shamal Plastics LLC	16.08	150,000	-
Modern Steel Mills LLC	19.48	584,400	251
Gulf Acrylic Industries LLC	13.23	75,000	75
Muscat Depository & Securities Registration Company SAOC	12.13	121,294	124
			<u>26,848</u>

5. INVESTMENT SECURITIES (continued)

(g) *Movement in provision for impairment of investments*

	Group and Parent Company	
	Unquoted foreign investments	
	2009	2008
	(RO'000)	(RO'000)
Balance at 1 January	2,841	2,728
Provided during the period	-	500
Release from provision for impairment of investments	(6)	-
Written off during the period	(363)	-
Balance at 30 June	<u>2,472</u>	<u>3,228</u>

6. LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers extended by the banking subsidiary were as follows:

	2009	2008
	(RO'000)	(RO'000)
Commercial loans	302,972	304,460
Overdrafts	67,189	71,697
Personal loans	201,898	159,427
Credit cards	4,240	3,668
Gross loans and advances	<u>576,299</u>	<u>539,252</u>
Less: allowance for loan impairment and reserved interest	(16,310)	(14,273)
Net loans and advances	<u><u>559,989</u></u>	<u><u>524,979</u></u>

(b) *Allowance for loan impairment and reserved interest*

The movement in the allowance for loan impairment and reserved interest was as follows:

	Allowance for loan impairment	Reserved interest	Total
	(RO 000)	(RO 000)	(RO 000)
<b>2009</b>			
Balance at 1 January	11,988	2,995	14,983
Provided during the period	1,957	784	2,741
Amounts written off during the period	(86)	(47)	(133)
Amounts released/recovered	(911)	(370)	(1,281)
Balance at 30 September	<u>12,948</u>	<u>3,362</u>	<u>16,310</u>

**6. LOANS AND ADVANCES TO CUSTOMERS (continued)**

(b) *Allowance for loan impairment and reserved interest (continued)*

	<u>Allowance for loan impairment</u> (RO 000)	<u>Reserved interest</u> (RO 000)	<u>Total</u> (RO 000)
<b>2008</b>			
Balance at 1 January	13,734	6,040	19,774
Provided during the period	2,482	338	2,820
Amounts written off during the period	(1,661)	(1,686)	(3,347)
Amounts released/recovered	(3,590)	(1,384)	(4,974)
Balance at 30 September	<u>10,965</u>	<u>3,308</u>	<u>14,273</u>

- (c) The Central Bank of Oman regulations require that the allowance for impaired loan account should be the higher of the provision determined in accordance with IAS 39 and Central Bank of Oman guidelines. Loans and advances on which interest has been reserved and/or has not been accrued amounted to RO 9,435,240 (2008 - RO 8,936,752).

At 30 September 2009, out of the total loan impairment provision, RO 8,082,107 (2008 - RO 6,349,673) has been made for the potential loss against risk inherent on performing portion of the loans and advances on a collective portfolio basis.

- (d) All loans and advances were made to customers within the Sultanate of Oman. The concentration of loans and advances by sector is as follows:

	<u>2009</u> (RO'000)	<u>2008</u> (RO'000)
Personal and consumer loans	201,897	163,095
Construction	69,370	83,525
Manufacturing	62,089	78,216
Wholesale and retail trade	56,524	39,347
Services	56,220	44,009
Mining and quarrying	46,810	32,685
Import trade	13,370	27,177
Transportation	10,834	11,245
Financial institutions	10,721	8,125
Agriculture and allied activities	9,307	5,991
Utilities	7,173	6,008
Government	1,423	2,287
Export trade	278	443
Others	30,283	37,099
	<u>579,299</u>	<u>539,252</u>

## 7. BANK BORROWINGS

(a) At 30 June, bank borrowings are as follows :

	Group		Parent Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Loans and overdrafts	<u>7,850</u>	<u>7,274</u>	<u>9,450</u>	<u>7,774</u>

Bank borrowings bear interest at rates between 3.00% and 6.00% per annum (2008 – between 3.49% and 4.25%).

Borrowings from Oman Arab Bank SAOC, the Group's banking subsidiary, amounting to RO 1.6 million (2008 – RO 0.5 million) have been set off against loans and advances to customers in the Group statement of financial position.

(b) The maturity profile of amounts due to banks are as follows:

	Group		Parent Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Due within:				
One year	<u>7,850</u>	<u>7,274</u>	<u>9,450</u>	<u>7,774</u>

## 8. SHARE CAPITAL

(a) The authorised share capital of the Parent Company is 300,000,000 (2008 – 300,000,000) shares of 100 baisa each. 200,000,000 (2008 – 180,000,000) shares of 100 baisa each have been issued and fully paid.

(b) Bonus shares of 20,000,000 shares were issued at 100 baisa per share during the period after approval at the Annual General Meeting of the shareholders of the Parent company held on 31 March 2009 by transferring RO 2,000,000 from retained profits to share capital.

(c) Shareholders of the Parent Company who own 10% or more of the Company's shares, whether in their name or through a nominee account, and the number of shares they hold are as follows:

	2009		2008	
	<u>Holding %</u>	<u>Shares</u>	<u>Holding %</u>	<u>Shares</u>
Al Hilal Investment Co. LLC	20.09	40,175,290	20.09	36,157,764
Civil Service Employees Pension Fund	12.56	25,127,259	12.59	22,666,776
	<u>32.65</u>	<u>65,302,549</u>	<u>32.68</u>	<u>58,824,540</u>

**9. INTEREST INCOME**

	Group		Parent Company	
	2009 (RO'000)	2008 (RO'000)	2009 (RO'000)	2008 (RO'000)
Loans and advances to customers	28,043	23,815	-	-
Placements with banks	501	1,184	-	27
Certificates of deposit	146	1,686	39	40
Oman Government Development Bonds	339	509	-	-
	<u>29,029</u>	<u>27,194</u>	<u>39</u>	<u>67</u>

**10. INTEREST EXPENSE**

	Group		Parent Company	
	2009 (RO'000)	2008 (RO'000)	2009 (RO'000)	2008 (RO'000)
Parent Company:				
Bank borrowings	191	311	160	340
Banking subsidiary:				
Time deposits	4,834	5,213	-	-
Call accounts	579	598	-	-
Saving accounts	497	114	-	-
Bank borrowings	6	216	-	-
	<u>6,107</u>	<u>6,452</u>	<u>160</u>	<u>340</u>

**11. INVESTMENT INCOME**

	Group		Parent Company	
	2009 (RO'000)	2008 (RO'000)	2009 (RO'000)	2008 (RO'000)
Profit on sale of local investments	81	2,553	60	1,718
Change in fair value of local investments	451	(2,066)	-	(851)
Change in fair value of foreign investments	1,883	(2,657)	1,883	(2,657)
Dividend income from investments	721	1,073	11,067	6,490
Income from unquoted foreign investments	11	313	11	313
	<u>3,147</u>	<u>(784)</u>	<u>13,021</u>	<u>5,013</u>

## 12. COMMISSION AND OTHER INCOME

	Group		Parent Company	
	2009 (RO'000)	2008 (RO'000)	2009 (RO'000)	2008 (RO'000)
Fees and commission	8,900	9,168	41	56
Foreign exchange	2,735	2,796	-	-
Other income	543	1,649	64	62
	<u>12,178</u>	<u>13,613</u>	<u>105</u>	<u>118</u>

## 13. OTHER OPERATING EXPENSES

	Group		Parent Company	
	2009 (RO'000)	2008 (RO'000)	2009 (RO'000)	2008 (RO'000)
Staff costs	9,953	8,723	857	384
Other operating expenses	4,766	4,531	343	366
Depreciation	1,283	1,065	55	66
Directors' sitting fees and remuneration				
Parent company	31	32	31	32
Banking subsidiary	55	33	-	-
	<u>16,088</u>	<u>14,384</u>	<u>1,286</u>	<u>848</u>

## 14. CASH AND SHORT TERM FUNDS

Cash and short term funds included in the statement of cash flow comprise the following:

	Group		Parent Company	
	2009 (RO'000)	2008 (RO'000)	2009 (RO'000)	2008 (RO'000)
Balances with banks and money at call	45,675	56,633	2,716	1,038
Deposits with banks (note 4)	11,578	22,241	-	2,000
Certificates of deposit	80,000	103,000	-	-
Bank borrowings	(7,850)	(7,274)	(9,450)	(7,774)
Due to banks (included under current Deposit and other accounts)	(7,562)	(23,652)	-	-
	<u>121,841</u>	<u>150,948</u>	<u>(6,734)</u>	<u>(4,736)</u>

## 15. DIVIDENDS PER SHARE

At the Annual General Meeting, held on Tuesday, 31 March 2009 (2008 – Saturday, 29 March 2008), a cash dividend of RO 0.010 per share (2008 – RO 0.030 per share) amounting to a total of RO 1,800,000 (2008 – RO 4,500,000) and a stock dividend of RO 0.011 per share (2008 – RO 0.020) amounting RO 2,000,000 (2008 – RO 3,000,000) in respect of year ended 31 December 2008 was approved. Following this, the dividend is accounted for in shareholders' changes in equity as an appropriation of retained profits in the period.

### *Banking subsidiary*

Dividends relating to the banking subsidiary for the year ended 31 December 2008 were approved at the Annual General Meeting held in Feb 2009 and the amount relating to non-controlling interests amounted to RO 9,800,000. Dividends relating to the banking subsidiary for the year 2007 were approved at the Annual General Meeting held in March 2008 and the amount relating to non-controlling interests was RO 4,704,000.

## 16. CONTINGENT LIABILITIES

At 30 September 2009, the Group had contingent liabilities as follows:

	<u>2009</u> (RO'000)	<u>2008</u> (RO'000)
Parent Company:		
Guarantees	218	204
Banking subsidiary:		
Letters of credit	153,643	438,516
Guarantees	432,352	362,315
Other commitments	16,566	15,993
	<u>602,719</u>	<u>817,028</u>

Letters of credit and guarantees amounting to RO 553,489,865 (2008 – RO 609,054,061) and relating to banking subsidiary were counter guaranteed by other banks.

## 17. SEGMENTAL INFORMATION

The Group is organised into two main business segments:

- 1) Banking Segment – incorporating corporate, retail and treasury/investment banking activities carried out by the Group’s banking subsidiary; and
- 2) Investment Segment – incorporating investment activities for both short-term and long-term purposes.

Transactions between the business segments are on normal commercial terms and conditions and are entered into between the banking subsidiary and the rest of the Group. Such transactions are eliminated on consolidation.

	Banking Segment (RO'000)	Investment Segment (RO'000)	Consolidation adjustments (RO'000)	Total (RO'000)
<b>2009</b>				
Revenue	41,762	13,434	(10,198)	44,998
Expense	(22,637)	(1,515)	-	(24,152)
Release of provision for impairment	1,281	6	-	1,287
Operating profit	<u>20,406</u>	<u>11,925</u>	<u>(10,198)</u>	<u>22,133</u>
Depreciation	<u>1,227</u>	<u>56</u>	<u>-</u>	<u>1,283</u>
Impairment charges (net)	<u>676</u>	<u>-</u>	<u>-</u>	<u>676</u>
Total Assets	<u>753,762</u>	<u>56,204</u>	<u>(26,398)</u>	<u>783,568</u>
Total Liabilities	<u>632,977</u>	<u>8,884</u>	<u>-</u>	<u>641,861</u>
<b>2008</b>				
Revenue	40,758	9,299	(5,145)	44,912
Expense	(22,182)	(1,636)	-	(23,818)
Release of provision for an investment	4,974	786	-	5,760
Operating profit	<u>23,550</u>	<u>8,449</u>	<u>(5,145)</u>	<u>26,854</u>
Depreciation	<u>999</u>	<u>66</u>	<u>-</u>	<u>1,065</u>
Impairment release (net)	<u>(2,492)</u>	<u>(286)</u>	<u>-</u>	<u>(2,778)</u>
Total Assets	<u>755,054</u>	<u>50,896</u>	<u>(20,279)</u>	<u>785,671</u>
Total Liabilities	<u>647,805</u>	<u>8,388</u>	<u>-</u>	<u>656,193</u>

## 18. RELATED PARTY TRANSACTIONS

- (a) These represent transactions with related parties defined in International Accounting Standard 24 – Related Party Disclosures. Pricing policies and the terms of the transactions are approved by the Parent Company’s and subsidiaries’ respective Boards of Directors.
- (b) Transactions and balances with related parties of the Parent Company or holders of 10% or more of the Parent Company’s shares or their family members, included in the income statement, balance sheet and off-balance sheet are as follows:

	<u>Total</u> RO’000	<u>Major</u> <u>shareholders</u> RO’000	<u>Directors</u> RO’000	<u>Associates</u> RO’000	<u>Key</u> <u>Management</u>	<u>Non-</u> <u>controlling</u> <u>interests</u> RO’000
<b>2009</b>						
<b>Group</b>						
<b>Statement of income</b>						
Interest and commission income	414	11	68	15	-	320
Interest expense	284	-	-	-	-	284
Directors’ sitting fees and remuneration	86	-	31	-	-	55
Salaries and benefits	848	-	-	-	848	-
Terminal benefits	85	-	-	-	85	-
<b>Statement of financial position</b>						
Investment securities	1,595	-	-	-	1,595	-
Loans and advances	22,576	-	3,576	4,629	-	14,371
Current, deposit and other accounts	3,581	-	1,293	36	-	2,252
<b>Off Statement of financial position</b>						
Letters of credit, guarantees and Acceptances	140,898	-	-	-	-	140,898
<b>Parent Company</b>						
<b>Statement of income</b>						
Directors’ sitting fees	31	-	31	-	-	-
Salaries and benefits	413	-	-	-	413	-
Terminal benefits	45	-	-	-	45	-
<b>Statement of financial position</b>						
Investment securities	1,595	-	-	-	1,595	-

**18. RELATED PARTY TRANSACTIONS (continued)**

	Total RO'000	Major shareholders RO'000	Directors RO'000	Associates RO'000	Key Management	Non- controlling interests RO'000
<b>2008</b>						
<b>Group</b>						
<b>Statement of income</b>						
Interest and commission income	321	1	66	12	-	242
Interest expense	41	-	-	-	-	41
Directors' sitting fees and remuneration	65	-	32	-	-	33
Salaries and benefits	615	-	-	-	615	-
Terminal benefits	132	-	-	-	132	-
<b>Statement of financial position</b>						
Investment securities	-	-	-	-	-	-
Loans and advances	40,900	1	334	5,649	-	34,916
Current, deposit and other accounts	9,444	-	143	55	-	9,246
<b>Off statement of financial position</b>						
Letters of credit, guarantees and Acceptances	166,261	-	-	267	-	165,994
<b>Parent Company</b>						
<b>Statement of income</b>						
Directors' sitting fees	32	-	32	-	-	-
Salaries and benefits	241	-	-	-	241	-
Terminal benefits	15	-	-	-	15	-
<b>Statement of financial position</b>						
Investment securities	-	-	-	-	-	-

- (c) The banking subsidiary has a management agreement with Arab Bank plc, Jordan, which owns 49% of the banking subsidiary's share capital. In accordance with the terms of the management agreement, Arab Bank plc provides banking related technical assistance and other management services, including secondment of managerial staff. The annual management fee is US\$ 75,000 (2008 - US\$ 75,000), equivalent to RO 28,850 (2008 – RO 28,850).

**19. BASIC EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit for the period by the number of shares outstanding during the period.

	Group		Parent Company	
	<u>2009</u> (RO'000)	<u>2008</u> (RO'000)	<u>2009</u> (RO'000)	<u>2008</u> (RO'000)
Profit for the period (RO '000)	<u>10,888</u>	<u>13,888</u>	<u>11,625</u>	<u>10,132</u>
Weighted average number of shares outstanding during the period	<u>200,000,000</u>	<u>180,000,000</u>	<u>200,000,000</u>	<u>180,000,000</u>
Basic earnings per share (RO)	<u>0.054</u>	<u>0.077</u>	<u>0.058</u>	<u>0.056</u>

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