



OMAN INTERNATIONAL DEVELOPMENT AND
INVESTMENT COMPANY SAOG

GROUP AND PARENT COMPANY UNAUDITED FINANCIAL STATEMENTS

31 MARCH 2012



**GROUP AND PARENT COMPANY UNAUDITED FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED 31 MARCH 2012**

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**REPORT ON THE PERFORMANCE OF THE GROUP
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2012**

We are pleased to report on the performance of the Group for the three month period ended 31 March 2012.

Group

The Group recorded a profit of RO 7.41 vs. RO 5.49m in the corresponding period in 2011. The profit attributable to the Parent Company shareholders from the Group profit is RO 4m compared to RO 2.48m in the three month period ended 31 March 2011. The 61.29% increase in profit attributable to the shareholders of the Parent Company is mainly due to:

- Increase in the profit of the banking subsidiary, Oman Arab Bank by 13.17%;
- Significant contribution to Group's investment income from Group's capital market activities during the period.

Total Shareholders' Funds attributable to the shareholders of the Parent Company stood at RO 99.43m compared to RO 98.27m at 31 December 2011.

Parent Company

Parent Company profit for the period is RO 6.85m compared to RO 8.21m in 2011. This reduction in profit is mainly attributable to lower cash dividend of RO 6.12m received from Oman Arab Bank vs. RO 8.67m received in 2011. This is partially offset by the income of RO 0.83m from the Company's capital market investments compared to loss of RO 0.22m in 2011.

Total assets stood at RO 77.32m, an increase of 15.47% compared to RO 66.96m at 31 December 2011. Shareholders' funds of the Parent Company increased to RO 51.88m (+8.9%) from RO 47.66m at 31 December 2011.

Oman Arab Bank

Oman Arab Bank, our banking subsidiary, reported a profit of RO 6.96m compared to RO 6.15m for the three month period ended 31 March 2011. Gross loans and advances at RO 898m increased by 30% and customers' deposits at RO 925m were up by 22% compared with 31 March 2011. The Bank's share capital and shareholders' funds stood at RO 106m and RO 167.64m respectively compared with RO 100m and RO 144.19m at 31 March 2011.

As disclosed to the Muscat Securities Market on 17th April 2012, in line with the authority delegated to the Board of Directors of Ominvest at the last Annual General Meeting held on 31st March 2012, an extra-ordinary general meeting (EGM) of Oman Arab Bank SAOC (OAB), Ominvest's banking subsidiary, has approved changing the legal status of the Bank from an SAOC to SAOG through an Initial Public Offering (IPO) of 25% of its outstanding issued share capital, representing 290,000,000 shares (of nominal value of RO 0.100 each), of which the selling parties shall be as follows:

	<u>Shares</u>	<u>Percentage</u>
Ominvest	243,600,000	21%
Arab Bank plc	46,400,000	4%
Total	290,000,000	25%

Conclusion

The Company is progressing in line with the strategy to build on its diversified portfolio of investments and to enable sustainable earnings over the medium and long term.

TAYA BIN JANDAL BIN ALI
DEPUTY CHAIRMAN

May 13, 2012

GROUP AND PARENT COMPANY UNAUDITED STATEMENTS OF FINANCIAL POSITION AT 31 MARCH 2012

	Note	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
		(RO '000)	(RO '000)	(RO '000)	(RO '000)
ASSETS					
Balances with banks and money at call		40,521	75,758	731	1,557
Certificates of deposit	3	115,000	120,000	-	-
Deposits with banks	4	28,275	5,967	-	-
Investment securities	5	50,838	46,745	14,031	14,736
Investments in associates	5(e)	10,375	8,040	5,330	3,482
Investments in subsidiaries	5(f)	-	-	42,837	42,221
Loans and advances to customers	6	866,157	668,121	-	-
Due from subsidiaries		-	-	3,936	3,010
Other assets		37,762	26,657	7,111	457
Projects work in progress	7	8,842	7,441	-	-
Property and equipment		19,184	16,498	3,343	3,263
TOTAL ASSETS		1,176,954	975,227	77,319	68,726
LIABILITIES					
Due to banks	8	22,780	16,592	22,025	14,180
Deposit from customers		924,204	753,802	-	-
Unpaid dividend		2,530	2,300	2,530	2,300
Other liabilities		44,566	38,439	885	1,336
Taxation		1,287	1,086	-	-
TOTAL LIABILITIES		995,367	812,219	25,440	17,816
EQUITY					
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
Share capital	9	27,830	25,300	27,830	25,300
Legal reserve		19,173	17,487	7,476	6,974
Capital reserve		17,846	14,787	-	-
General reserve		9,333	8,150	-	-
Revaluation reserve		1,677	1,754	-	-
Cumulative changes in fair value		124	572	131	289
Retained earnings		23,444	24,290	16,442	18,347
		99,427	92,340	51,879	50,910
Non - controlling interests		82,160	70,668	-	-
TOTAL EQUITY		181,587	163,008	51,879	50,910
TOTAL LIABILITIES AND EQUITY		1,176,954	975,227	77,319	68,726
Net assets per share (Rial Omani)		0.357	0.365	0.186	0.201

These financial statements were approved and authorised for release by the Board of Directors on 13th May 2012 and were signed by:

TAYA BIN JANDAL BIN ALI
DEPUTY CHAIRMAN

SHARIQ AZHAR
CHIEF EXECUTIVE OFFICER

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

GROUP AND PARENT COMPANY UNAUDITED STATEMENTS OF
COMPREHENSIVE INCOME
THREE MONTH PERIOD ENDED 31 MARCH 2012

	<u>Note</u>	GROUP		PARENT COMPANY	
		<u>2012</u> (RO '000)	<u>2011</u> (RO '000)	<u>2012</u> (RO '000)	<u>2011</u> (RO '000)
Interest income	10	11,941	10,214	-	-
Interest expense	11	(1,762)	(1,716)	(95)	(110)
Net interest income		10,179	8,498	(95)	(110)
Investment income	12	2,084	287	7,448	8,833
Commission and other income	13	4,416	3,989	10	10
Total income		16,679	12,774	7,363	8,733
Operating expenses	14	(7,893)	(6,830)	(518)	(461)
Provision for impairment of investments		-	(62)	-	(62)
Allowance for loan impairment	6(b)	(1,188)	(482)	-	-
Release from allowance for loan impairment	6(b)	504	674	-	-
OPERATING PROFIT		8,102	6,074	6,845	8,210
Share of profit from associated companies		305	262	-	-
PROFIT BEFORE TAX		8,407	6,336	6,845	8,210
Income tax expense		(995)	(844)	-	-
PROFIT FOR THE PERIOD		7,412	5,492	6,845	8,210
Other comprehensive expense:					
Changes in the fair value of investments		(370)	(851)	(93)	(64)
Other comprehensive expense for the period		(370)	(851)	(93)	(64)
Total comprehensive income for the period		7,042	4,641	6,752	8,146
Profit attributable to:					
Shareholders of the Parent Company		4,002	2,480	6,845	8,210
Non - Controlling interests		3,410	3,012	-	-
		7,412	5,492	6,845	8,210
Total comprehensive income attributable to:					
Shareholders of the Parent Company		3,769	2,015	6,752	8,146
Non - Controlling interests		3,273	2,626	-	-
		7,042	4,641	6,752	8,146
Basic earnings per share on profit attributable to the shareholders of the Parent Company (Rial Omani)	20	<u>0.014</u>	<u>0.010</u>	<u>0.025</u>	<u>0.032</u>

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

GROUP AND PARENT COMPANY UNAUDITED STATEMENTS OF CASH FLOW
THREE MONTH PERIOD ENDED 31 MARCH 2012

	<u>Note</u>	GROUP		PARENT COMPANY	
		<u>2012</u> (RO '000)	<u>2011</u> (RO '000)	<u>2012</u> (RO '000)	<u>2011</u> (RO '000)
Cash flows from operating activities					
Profit before tax		8,407	6,336	6,845	8,210
Adjustments for:					
Depreciation		556	480	41	40
Provision for impairment investments		-	62	-	62
Allowance for loan impairment		1,188	482	-	-
Recoveries/Release from allowance for loan impairment		(504)	(674)	-	-
Income from investments held-to-maturity		(145)	(127)	-	-
Change in fair value of financial assets at fair value through profit or loss		(655)	720	(274)	299
Non – Controlling interests (net)		(136)	(2,347)	-	-
Operating profit before changes in operating assets and liabilities:		8,711	4,932	6,612	8,611
Investment securities		(549)	(3,269)	(539)	(2,657)
Loans and advances to customers		(40,897)	(10,184)	-	-
Due from subsidiaries		-	-	(311)	(667)
Other assets		(12,332)	(4,866)	(6,926)	(361)
Deposits from customers		15,303	(14,489)	-	-
Other liabilities		10,778	6,292	108	77
Cash (used in) / from operations		(18,986)	(21,584)	(1,056)	5,003
Tax paid		(3,267)	(3,330)	-	-
Net cash (used in) / from operating activities		(22,253)	(24,914)	(1,056)	5,003
Cash flows from investing activities					
Investments in subsidiaries		-	-	-	(6,629)
Investments in associates		(1,601)	106	(1,848)	-
Projects work in progress		(236)	(621)	-	-
Investment in property and equipment		(1,503)	(1,219)	(166)	(29)
Net cash (used in) investing activities		(3,340)	(1,734)	(2,014)	(6,658)
Net decrease in cash and cash equivalents		(25,593)	(26,648)	(3,070)	(1,655)
Cash and cash equivalents at 1 January		186,109	211,281	(18,224)	(10,968)
Cash and cash equivalents at 31 March	15	160,516	184,633	(21,294)	(12,623)

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

GROUP AND PARENT COMPANY UNAUDITED STATEMENTS OF CHANGES IN EQUITY
THREE MONTH PERIOD ENDED 31 MARCH 2012

	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 (RO '000)	Retained earnings (RO '000)	Attributable to equity holders of the Parent Co. (RO '000)	Non- controlling interests (RO '000)	Total (RO '000)
GROUP										
Balance at 31 December 2010	23,000	17,487	13,767	8,150	1,754	1,037	27,430	92,625	70,003	162,628
Profit for the period	-	-	-	-	-	-	2,480	2,480	3,012	5,492
Other comprehensive expense for the period	-	-	-	-	-	(465)	-	(465)	(386)	(851)
Total comprehensive income for the period	-	-	-	-	-	(465)	2,480	2,015	2,626	4,641
Increase in share capital through capitalisation of retained earnings	2,300	-	-	-	-	-	(2,300)	-	-	-
Increase in share capital of banking subsidiary through capitalisation of retained earnings	-	-	1,020	-	-	-	(1,020)	-	-	-
Dividend relating to 2010 (note 16)	-	-	-	-	-	-	(2,300)	(2,300)	(8,332)	(10,632)
Subscription to rights issue of the banking subsidiary	-	-	-	-	-	-	-	-	6,371	6,371
Balance at 31 March 2011	25,300	17,487	14,787	8,150	1,754	572	24,290	92,340	70,668	163,008
Balance at 31 December 2011	25,300	19,173	14,787	9,333	1,754	358	27,561	98,266	78,886	177,152
Profit for the period	-	-	-	-	-	-	4,002	4,002	3,410	7,412
Other comprehensive expense for the period	-	-	-	-	-	(234)	-	(234)	(136)	(370)
Total comprehensive income for the period	-	-	-	-	-	(234)	4,002	3,768	3,274	7,042
Increase in share capital through capitalisation of retained earnings	2,530	-	-	-	-	-	(2,530)	-	-	-
Increase in share capital of banking subsidiary through capitalisation of retained earnings	-	-	3,059	-	-	-	(3,059)	-	-	-
Decrease in revaluation reserves	-	-	-	-	(77)	-	-	(77)	-	(77)
Dividend relating to 2011 (note 16)	-	-	-	-	-	-	(2,530)	(2,530)	-	(2,530)
Balance at 31 March 2012	27,830	19,173	17,846	9,333	1,677	124	23,444	99,427	82,160	181,587

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

GROUP AND PARENT COMPANY UNAUDITED STATEMENTS OF CHANGES IN EQUITY
THREE MONTH PERIOD ENDED 31 MARCH 2012

	<u>Note</u>	Share capital	Legal reserve	Cumulative Changes in fair value	Retained earnings	Total
		(RO '000)	(RO '000)	(RO '000)	(RO '000)	(RO '000)
PARENT COMPANY						
Balance at 31 December 2010		23,000	6,974	353	14,737	45,064
Profit for the period		-	-	-	8,210	8,210
Other comprehensive expense for the period		-	-	(64)	-	(64)
Total comprehensive income for the period		-	-	(64)	8,210	8,146
Increase in share capital through capitalisation of retained earnings		2,300	-	-	(2,300)	-
Dividend relating to 2010	16	-	-	-	(2,300)	(2,300)
Balance at 31 March 2011		25,300	6,974	289	18,347	50,910
Balance at 31 December 2011		25,300	7,476	224	14,657	47,657
Profit for the period		-	-	-	6,845	6,845
Other comprehensive expense for the period		-	-	(93)	-	(93)
Total comprehensive income for the period		-	-	(93)	6,845	6,752
Increase in share capital through capitalisation of retained earnings		2,530	-	-	(2,530)	-
Dividend relating to 2011	16	-	-	-	(2,530)	(2,530)
Balance at 31 March 2012		27,830	7,476	131	16,442	51,879

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 three month period ended 31 March 2012 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 2011.

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 0.079% (2011 – 0.065%).

4. DEPOSITS WITH BANKS

Deposits with banks include RO 500,000 (2011 - RO 500,000) being a capital deposit and an insurance deposit with the Central Bank of Oman in terms of regulations applicable to the banking subsidiary. These deposits cannot be withdrawn without prior written approval of the Central Bank of Oman.

5. INVESTMENT SECURITIES

At 31 March, investment securities comprised the following:

	Group		Parent Company	
	2012 (RO'000)	2011 (RO'000)	2012 (RO'000)	2011 (RO'000)
Financial assets at fair value through profit or loss	15,139	16,152	9,383	9,588
Available for sale investments	13,353	10,577	4,648	5,148
Held-to-maturity investments	22,346	20,016	-	-
	<u>50,838</u>	<u>46,745</u>	<u>14,031</u>	<u>14,736</u>

5. INVESTMENT SECURITIES (continued)

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

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

At 31 March, financial assets designated as at fair value through profit or loss comprised the following:

	Group		Parent Company	
	2012 (RO'000)	2011 (RO'000)	2012 (RO'000)	2011 (RO'000)
Quoted investments				
Local investments				
Banking sector	678	470	492	347
Investment sector	37	201	37	176
Services sector	1,225	1,101	928	864
Industrial sector	435	990	399	863
	<u>2,375</u>	<u>2,762</u>	<u>1,856</u>	<u>2,250</u>
Mutual Funds	2,336	2,299	1,883	1,840
	<u>4,711</u>	<u>5,061</u>	<u>3,739</u>	<u>4,090</u>
Foreign investments				
Equity and equity related	5,305	2,074	5,305	2,074
Currency and commodity related	339	348	339	348
	<u>5,644</u>	<u>2,422</u>	<u>5,644</u>	<u>2,422</u>
Total quoted	<u>10,355</u>	<u>7,483</u>	<u>9,383</u>	<u>6,512</u>
Unquoted investments				
Local investments	515	502	-	-
Foreign investments	-	3,076	-	3,076
Total unquoted	<u>515</u>	<u>3,578</u>	<u>-</u>	<u>3,076</u>
Total financial assets designated at fair value through profit or loss	<u>10,870</u>	<u>11,061</u>	<u>9,383</u>	<u>9,588</u>

Unquoted local investments held by the Group include investment in the Financial Settlement and Guaranteed Fund of RO 175,062 (2011 – RO 166,131) which is not recoverable until the date the banking subsidiary ceases its brokerage activities or the fund is liquidated, whichever is earlier.

5. INVESTMENT SECURITIES (continued)

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

(ii) *Financial assets held for trading*

	Group		Parent Company	
	2012 (RO'000)	2011 (RO'000)	2012 (RO'000)	2011 (RO'000)
Quoted	4,269	5,091	-	-
Unquoted	-	-	-	-
Financial assets held for trading	4,269	5,091	-	-
Total financial assets at fair value through profit or loss	15,139	16,152	9,383	9,588

(b) *Available for sale investments*

	Group		Parent Company	
	2012 (RO'000)	2011 (RO'000)	2012 (RO'000)	2011 (RO'000)
Local investments				
Investment Stabilization Fund	4,489	4,626	-	-
Fair value reserve	9	151	-	-
Quoted investments	3,859	-	-	-
Unquoted investments	998	849	700	700
	9,355	5,626	700	700
Foreign investments				
Unquoted investments	6,108	6,541	6,058	6,541
Less: Provision for impairment [note 5(d)]	(2,241)	(2,382)	(2,241)	(2,382)
	3,867	4,159	3,817	4,159
Fair value reserve	131	289	131	289
	3,998	4,448	3,948	4,448
Quoted investments	-	343	-	-
Fair value reserve	-	160	-	-
	3,998	4,951	3,948	4,448
Total available for sale investments	13,353	10,577	4,648	5,148

5. INVESTMENT SECURITIES (continued)

(c) *Held-to-maturity investments*

	Group		Parent Company	
	2012 (RO'000)	2011 (RO'000)	2012 (RO'000)	2011 (RO'000)
Oman Government Development Bonds				
- held by the banking subsidiary	22,346	20,016	-	-
	<u>22,346</u>	<u>20,016</u>	<u>-</u>	<u>-</u>

Bonds are denominated in Rial Omani and are issued by the Government of Oman. They carry interest rates varying between 3.25% and 4.00% (2011 – 3.25% and 4.00%) per annum. The maturity profile of these bonds, based on the remaining period to maturity from the balance sheet date, is as follows:

	2012 (RO'000)	2011 (RO'000)
Within one year	13,125	-
Between one and five years	9,221	20,016
	<u>22,346</u>	<u>20,016</u>

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

	Group and Parent Company	
	Unquoted foreign investments	
	2012 (RO'000)	2011 (RO'000)
Balance at 1 January	2,389	2,320
Provided during the period	-	62
Written off during the period	(148)	-
Balance at 31 March	<u>2,241</u>	<u>2,382</u>

5. INVESTMENT SECURITIES (continued)

(e) Investments in associates

Group

At 31 March, investments in associates represented holdings in the following companies registered in the Sultanate of Oman:

	2012		2011	
	<u>Holding</u> (%)	<u>Carrying</u> <u>value</u> (RO'000)	<u>Holding</u> (%)	<u>Carrying</u> <u>value</u> (RO'000)
National Finance Company SAOG	24.23	7,380	24.04	5,009
National Biscuit Industries Ltd. SAOG	21.30	489	21.30	459
National Detergent Company SAOG	20.94	2,506	20.94	2,572
		<u>10,375</u>		<u>8,040</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 11,320,346 (2011 - RO 9,068,715).

Parent Company

At 31 March, investments in associates represented holdings by the Parent Company in the following companies registered in the Sultanate of Oman:

	2012		2011	
	<u>Holding</u> (%)	<u>Cost</u> (RO'000)	<u>Holding</u> (%)	<u>Cost</u> (RO'000)
National Finance Company SAOG	24.01	4,182	23.74	2,334
National Biscuit Industries SAOG	21.00	435	21.00	435
National Detergent Company SAOG	20.94	713	20.94	713
		<u>5,330</u>		<u>3,482</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 11,245,278 (2011 - RO 9,001,128).

5. INVESTMENT SECURITIES (continued)

(f) *Investments in subsidiaries*

At 31 March, investments held by the Parent Company in subsidiaries are:

	<u>Incorporated in</u>	<u>2012</u>		<u>2011</u>	
		<u>Cost</u> <u>(RO'000)</u>	<u>Holding</u> <u>%</u>	<u>Cost</u> <u>(RO'000)</u>	<u>Holding</u> <u>%</u>
Oman Arab Bank SAOC <i>(Principal activity: Banking)</i>	Oman	36,203	50.99	36,203	50.99
Oman Investment Services SAOC <i>(Principal activity: Investments)</i>	Oman	903	99.98	903	99.98
Salalah Resorts SAOC <i>(Principal activity: Integrated Tourism Project)</i>	Oman	500	99.98	500	99.98
Al Jabal Al Aswad Investments LLC <i>(Principal activity: Real Estate)</i>	Oman	-	99.98	-	-
Budva Beach Properties d.o.o <i>(Principal activity: Tourism Project)</i>	Montenegro	5,231	100.00	4,615	100.00
Cuddalore Petroleum Investments Limited <i>(Principal activity: Investments)</i>	Mauritius	-	100.00	-	-
		<u>42,837</u>		<u>42,221</u>	

5. INVESTMENT SECURITIES (continued)

(g) Details of significant investments

At 31 March, 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 shares held</u>	<u>Fair value (RO'000)</u>	<u>Carrying value (RO'000)</u>
National Biscuit Industries Ltd SAOG	29.22	292,197	730	687
National Finance Co. SAOG	24.04	60,687,024	7,586	7,380
National Detergent Co. SAOG	20.94	3,561,700	3,202	2,506
Oman National Dairy Products Co. Ltd SAOC	19.65	482,726	-	-
			<u>11,518</u>	<u>10,573</u>

At 31 March, 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:

<u>Parent Company</u>	<u>Holding %</u>	<u>Number of shares held</u>	<u>Fair value (RO'000)</u>	<u>Carrying value (RO'000)</u>
National Biscuit Industries Ltd SAOG	28.92	289,197	723	633
National Finance Co. SAOG	24.01	60,146,475	7,518	4,182
National Detergent Co. SAOG	20.94	3,561,700	3,202	713
Oman National Dairy Products Co. Ltd SAOC	19.65	482,726	-	-
			<u>11,443</u>	<u>5,528</u>

Unquoted securities

<u>Group</u>	<u>Holding %</u>	<u>Number of shares held</u>	<u>Carrying value (RO'000)</u>
<i>Subsidiaries</i>			
Oman Arab Bank SAOC	51.00	54,060,000	79,376
Oman Investment Services SAOC	99.98	999,800	678
Salalah Resorts SAOC	99.98	499,800	238
Budva Beach Properties d.o.o	100.00	-	5,231
<i>Others</i>			
Al Shamal Plastics LLC	21.44	200,000	36
Modern Steel Mills LLC	19.48	1,169,104	251
Gulf Acrylic Industries LLC	17.64	100,000	129
			<u>85,939</u>

5. INVESTMENT SECURITIES (continued)

(g) *Details of significant investments (continued)*

	<u>Holding</u> %	<u>Number of</u> <u>shares held</u>	<u>Carrying</u> <u>value</u> (RO'000)
<u>Parent Company</u>			
<i>Subsidiaries</i>			
Oman Arab Bank SAOC	50.99	54,049,400	36,203
Oman Investment Services SAOC	99.98	999,800	903
Salalah Resorts SAOC	99.98	499,800	500
Budva Beach Properties d.o.o	100.00	-	5,231
<i>Others</i>			
Al Shamal Plastics LLC	16.08	150,000	-
Modern Steel Mills LLC	19.48	1,169,104	251
Gulf Acrylic Industries LLC	13.23	75,000	75
			<u>43,163</u>

6. LOANS AND ADVANCES TO CUSTOMERS

(a) At 31 March, Loans and advances to customers extended by the banking subsidiary were as follows:

	<u>2012</u> (RO'000)	<u>2011</u> (RO'000)
Commercial loans	427,946	316,718
Overdrafts	92,621	65,668
Personal loans	367,424	302,316
Credit cards	6,144	5,403
Gross loans and advances	894,135	690,105
Less: Allowance for loan impairment and reserved interest	(27,978)	(21,984)
Net loans and advances	<u>866,157</u>	<u>668,121</u>

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

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

	<u>Allowance for</u> <u>loan impairment</u> (RO 000)	<u>Reserved</u> <u>interest</u> (RO 000)	<u>Total</u> (RO 000)
2012			
Balance at 1 January	21,328	5,827	27,155
Provided during the period	1,188	396	1,584
Amounts written off during the period	(128)	(129)	(257)
Amounts released/recovered	(311)	(193)	(504)
Balance at 31 March	<u>22,077</u>	<u>5,901</u>	<u>27,978</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)
2011			
Balance at 1 January	17,401	4,602	22,003
Provided during the period	482	357	839
Amounts written off during the period	(145)	(39)	(184)
Amounts released/recovered	(536)	(138)	(674)
Balance at 31 March	<u>17,202</u>	<u>4,782</u>	<u>21,984</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 24,124,374 (2011 - RO 20,115,884).

At 31 March 2012, out of the total loan impairment provision, RO 12,623,304 (2011 - RO 9,722,984) 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>2012</u> (RO'000)	<u>2011</u> (RO'000)
Personal loans including credit cards	373,568	307,719
Manufacturing	91,346	61,997
Transportation	80,362	16,689
Construction	71,331	70,424
Services	58,679	80,236
Mining and quarrying	45,663	31,472
Wholesale and retail trade	43,730	37,256
Import trade	34,835	21,916
Utilities	18,685	17,896
Financial institutions	17,247	16,966
Agriculture and allied activities	7,931	7,436
Export trade	3,089	393
Others	47,669	19,705
	<u>894,135</u>	<u>690,105</u>

7. PROJECTS WORK IN PROGRESS

At 31 March, projects work in progress are as follows:

	<u>2012</u> (RO'000)	<u>2011</u> (RO'000)
Salalah Resorts SAOC:		
Initial stage	289	289
Development stage	652	652
Consultancy charges	<u>2,391</u>	<u>1,753</u>
	<u>3,332</u>	<u>2,694</u>
Budva Beach Properties d.o.o :		
Cost of land	5,231	4,615
Consultancy and other costs	<u>279</u>	<u>132</u>
	<u>5,510</u>	<u>4,747</u>
	<u>8,842</u>	<u>7,441</u>

8. DUE TO BANKS

At 31 March, due to banks are as follows:

	<u>Group</u>		<u>Parent Company</u>	
	<u>2012</u> (RO'000)	<u>2011</u> (RO'000)	<u>2012</u> (RO'000)	<u>2011</u> (RO'000)
Due to banks	4,655	5,012	-	-
Loans and overdrafts	<u>18,125</u>	<u>11,580</u>	<u>22,025</u>	<u>14,180</u>
	<u>22,780</u>	<u>16,592</u>	<u>22,025</u>	<u>14,180</u>

All the above borrowings are due within one year.

9. SHARE CAPITAL

- (a) The authorised share capital of the Parent Company is 300,000,000 (2011 – 300,000,000) shares of 100 baisa each. 278,300,000 (2011 – 253,000,000) shares of 100 baisa each have been issued and fully paid.
- (b) At the Annual General Meeting of the shareholders of the Parent Company held on 31 March 2012 bonus shares of 25,300,000 (2011 – 23,000,000) shares at 100 baisa per share were approved to be issued by transferring RO 2,530,000 from retained earnings to share capital.

9. SHARE CAPITAL (continued)

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

	<u>2012</u>		<u>2011</u>	
	<u>Holding %</u>	<u>Shares</u>	<u>Holding %</u>	<u>Shares</u>
Al Hilal Investment Co. LLC	20.22	56,275,040	20.09	50,821,738
Civil Service Employees Pension Fund	12.92	35,947,622	12.60	31,883,572
	<u>35.14</u>	<u>92,222,662</u>	<u>32.69</u>	<u>82,705,310</u>

10. INTEREST INCOME

	<u>Group</u>		<u>Parent Company</u>	
	<u>2012</u> (RO'000)	<u>2011</u> (RO'000)	<u>2012</u> (RO'000)	<u>2011</u> (RO'000)
Loans and advances to customers	11,748	10,045	-	-
Placements with banks	24	16	-	-
Certificates of deposit	24	26	-	-
Oman Government Development Bonds	145	127	-	-
	<u>11,941</u>	<u>10,214</u>	<u>-</u>	<u>-</u>

11. INTEREST EXPENSE

	<u>Group</u>		<u>Parent Company</u>	
	<u>2012</u> (RO'000)	<u>2011</u> (RO'000)	<u>2012</u> (RO'000)	<u>2011</u> (RO'000)
Parent Company:				
Bank borrowings	81	84	95	110
Banking subsidiary:				
Time deposits	1,473	1,462	-	-
Call accounts	114	85	-	-
Saving accounts	94	85	-	-
	<u>1,762</u>	<u>1,716</u>	<u>95</u>	<u>110</u>

12. INVESTMENT INCOME

	Group		Parent Company	
	2012 (RO'000)	2011 (RO'000)	2012 (RO'000)	2011 (RO'000)
Dividend income from investments	473	826	6,800	9,136
Profit on sale of investments	902	159	320	(26)
Changes in fair value of local investments	429	(612)	48	(191)
Changes in fair value of foreign investments	226	(108)	226	(108)
Income from unquoted foreign investments	54	22	54	22
	<u>2,084</u>	<u>287</u>	<u>7,448</u>	<u>8,833</u>

13. COMMISSION AND OTHER INCOME

	Group		Parent Company	
	2012 (RO'000)	2011 (RO'000)	2012 (RO'000)	2011 (RO'000)
Fees and commission	3,279	2,940	-	-
Foreign exchange	985	913	-	-
Other income	152	136	10	10
	<u>4,416</u>	<u>3,989</u>	<u>10</u>	<u>10</u>

14. OPERATING EXPENSES

	Group		Parent Company	
	2012 (RO'000)	2011 (RO'000)	2012 (RO'000)	2011 (RO'000)
Staff costs	4,869	4,118	337	342
Other operating expenses	2,392	2,200	90	72
Depreciation	556	480	41	40
Directors' sitting fees and remuneration:				
Parent company	50	7	50	7
Banking subsidiary	26	25	-	-
	<u>7,893</u>	<u>6,830</u>	<u>518</u>	<u>461</u>

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flow comprise the following:

	Group		Parent Company	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Balances with banks and money at call	40,521	75,758	731	1,557
Deposits with banks (note 4)	27,775	5,467	-	-
Certificates of deposit	115,000	120,000	-	-
Due to banks	(22,780)	(16,592)	(22,025)	(14,180)
	<u>160,516</u>	<u>184,633</u>	<u>(21,294)</u>	<u>(12,623)</u>

16. DIVIDENDS PER SHARE

At the Annual General Meeting, held on Saturday, 31 March 2012 (2011 – Thursday, 31 March 2011), a cash dividend of RO 0.010 per share (2011 – RO 0.010 per share) amounting to a total of RO 2,530,000 (2011 – RO 2,300,000) and a stock dividend of 10 shares for every 100 shares held (2011 – 10 shares for every 100 shares held) amounting RO 2,530,000 (2011 – RO 2,300,000) in respect of year ended 31 December 2011 was approved. Following this, the dividend is accounted for in shareholders' changes in equity as an appropriation of retained profits in the period.

17. CONTINGENT LIABILITIES

At 31 March 2012, the Group had contingent liabilities as follows:

	<u>2012</u>	<u>2011</u>
	(RO'000)	(RO'000)
Parent Company:		
Guarantees	247	218
Banking subsidiary:		
Letters of credit	288,332	279,680
Guarantees	507,851	527,080
	<u>796,430</u>	<u>806,978</u>

Letters of credit and guarantees amounting to RO 591,542,925 (2011 – RO 585,167,457) and relating to banking subsidiary were counter guaranteed by other banks.

18. SEGMENTAL INFORMATION

The Group is organised into two main business segments:

- 1) Banking Segment – incorporating corporate, retail and treasury and 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 Sector						
	Investments	Retail Banking	Corporate Banking	Treasury/ Investment Banking	Unallocated	Adjustments	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
2012							
Net operating income	<u>7,391</u>	<u>8,555</u>	<u>4,657</u>	<u>1,591</u>	<u>1,177</u>	<u>(6,387)</u>	<u>16,984</u>
Segmental assets	<u>87,380</u>	<u>362,840</u>	<u>507,217</u>	<u>13,880</u>	<u>258,522</u>	<u>(52,885)</u>	<u>1,176,954</u>
2011							
Net operating income	<u>8,703</u>	<u>6,284</u>	<u>4,857</u>	<u>858</u>	<u>1,110</u>	<u>(8,776)</u>	<u>13,036</u>
Segmental assets	<u>77,397</u>	<u>298,801</u>	<u>371,920</u>	<u>10,837</u>	<u>261,228</u>	<u>(44,956)</u>	<u>975,227</u>

19. 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> <u>Subsidiary</u> RO’000	<u>Key</u> <u>Management</u> RO’000	<u>Non-</u> <u>controlling</u> <u>interests</u> RO’000
2012						
Group						
Statement of income						
Interest and commission income	188	-	31	59	-	98
Interest expense	78	-	-	3	-	75
Directors’ sitting fees	76	-	50	-	-	26
Statement of financial position						
Loans and advances	44,724	357	5,234	8,722	-	30,411
Deposit from customers	4,082	-	1,792	147	-	2,143
Off Statement of financial position						
Letters of credit, guarantees and Acceptances	203,805	-	-	-	-	203,805
Parent Company						
Statement of income						
Directors’ sitting fees	50	-	50	-	-	-
Operating expense	2	-	2	-	-	-
Statement of financial position						
Bank borrowings	3,900	-	-	3,900	-	-
Bank balances	506	-	-	506	-	-
Others	-	-	-	-	-	-

19. RELATED PARTY TRANSACTIONS (continued)

	Total RO'000	Major shareholders RO'000	Directors RO'000	Associates/ Subsidiary RO'000	Key Management RO'000	Non- controlling interests RO'000
2011						
Group						
Statement of income						
Interest and commission income	115	-	27	19	-	69
Interest expense	94	-	-	-	-	94
Directors' sitting fees and remuneration	32	-	7	-	-	25
Statement of financial position						
Loans and advances	18,804	207	2,144	7,175	-	9,278
Deposit from customers	1,390	-	378	137	-	875
Off statement of financial position						
Letters of credit, guarantees and Acceptances	205,462	-	-	-	-	205,462
Parent Company						
Statement of income						
Directors' sitting fees	7	-	7	-	-	-
Operating expense	8	-	8	-	-	-
Statement of financial position						
Bank borrowings	2,600	-	-	2,600	-	-
Bank balances	987	-	-	987	-	-

- (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 (2011 - US\$ 75,000), equivalent to RO 28,850 (2011 – RO 28,850).

20. 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	
	2012 (RO'000)	2011 (RO'000)	2012 (RO'000)	2011 (RO'000)
Profit for the period (RO '000)	<u>4,002</u>	<u>2,480</u>	<u>6,845</u>	<u>8,210</u>
Weighted average number of shares outstanding during the period	<u>278,300,000</u>	<u>253,000,000</u>	<u>278,300,000</u>	<u>253,000,000</u>
Basic earnings per share (RO)	<u>0.014</u>	<u>0.010</u>	<u>0.025</u>	<u>0.032</u>

During the period the Parent Company issued stock dividend of 25,300,000 shares (2011 – 23,000,000) without consideration related to the year 2011. According to IAS 33 - Earnings per share, paragraph 26, the weighted average number of ordinary shares outstanding during the period and for all periods presented shall be adjusted. In the present financial statement, the issue has been treated as if it had occurred at the beginning of 2012 and the 2011 basic earnings per share was recalculated accordingly. As there was no dilutive potential shares, the diluted earnings per share is identical to the basic earnings per share.

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