



OMAN INTERNATIONAL DEVELOPMENT AND  
INVESTMENT COMPANY SAOG

**GROUP AND PARENT COMPANY UNAUDITED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2013**



**GROUP AND PARENT COMPANY UNAUDITED FINANCIAL STATEMENTS  
NINE MONTH PERIOD ENDED 30 SEPTEMBER 2013**

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**REPORT ON THE PERFORMANCE OF THE GROUP  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2013**

We are pleased to report on the performance of the Group for the nine month period ended 30 September 2013.

**Group**

The Group recorded a profit of RO 21.18m vs. RO 17.81m in the corresponding period in 2012. The profit attributable to the Parent Company shareholders from the Group profit is RO 12.04m compared to RO 8.20m in the same period last year. The 46.8% increase in profit attributable to the shareholders of the Parent Company is mainly due to the increased contribution to Group's investment income from Parent Company's capital market activities during the period.

Total Shareholders' Funds attributable to the shareholders of the Parent Company stood at RO 119.80m compared to RO 103.52m at 30 September 2012 and RO 110.76m at 31 December 2012.

**Parent Company**

Parent Company profit for the period is RO 8.23m compared to RO 4.13m in 2012. The significant increase in profit is mainly attributable to exceptional performance from capital market activities during the period. Cash dividend received from Oman Arab Bank was RO 5.91m compared to RO 6.12m in 2012. Cash dividends received from investment in associates and other investments in Oman is RO 1.4m compared to RO 0.99m in 2012.

An impairment provision of RO 543,203 (2012 – RO 180,442) is made for certain private equity investments and these investments are reviewed regularly for assessing the estimated fair values.

Total assets stood at RO 83.30m, an increase of 12.25% compared to RO 74.21m at 30 September 2012. Shareholders' funds of the Parent Company increased to RO 57.71m (+17.4%) from RO 49.14m at 30 September 2012.

**Oman Arab Bank**

Oman Arab Bank, our banking subsidiary, reported a profit of RO 18.65m compared to RO 19.62m for the nine month period ended 30 September 2012. Gross loans and advances at RO 1.17 bn increased by 26% and customers' deposits at RO 1.08 bn were up by 14% compared with 30 September 2012. The Bank's shareholders' funds increased to RO 192.15m compared with RO 178.13m at 30 September 2012.



### **Associate companies**

Associates performed well during the period. Share of profits from associates was RO 1.08m compared to RO 0.90m in 2012.

### **Conclusion**

The Group is progressing in line with the strategy to enable sustainable earnings over the medium and long term.

KHALID MUHAMMAD AL ZUBAIR  
CHAIRMAN

November 12, 2013



GROUP AND PARENT COMPANY  
UNAUDITED STATEMENTS OF FINANCIAL POSITION AT 30 SEPTEMBER 2013

	Note	GROUP		PARENT COMPANY	
		2013	2012	2013	2012
		(RO '000)	(RO '000)	(RO '000)	(RO '000)
<b>ASSETS</b>					
Balances with banks and money at call		261,444	113,923	1,679	1,727
Certificates of deposit	3	91,000	144,000	-	-
Deposits with banks	4	6,280	47,843	-	-
Investment securities	5	63,017	35,056	15,004	11,181
Investments in associates	5(e)	11,558	10,972	5,330	5,330
Investments in subsidiaries	5(f)	-	-	47,936	47,936
Loans and advances to customers	6 (a)	1,136,171	900,189	-	-
Due from subsidiaries		-	-	5,257	4,344
Other assets		41,745	32,601	3,694	209
Projects work in progress	7	9,949	9,317	-	-
Property and equipment		30,826	23,510	4,404	3,483
<b>TOTAL ASSETS</b>		<b>1,651,990</b>	<b>1,317,411</b>	<b>83,304</b>	<b>74,210</b>
<b>LIABILITIES</b>					
Due to banks	8	42,681	83,026	24,700	24,425
Deposit from customers		1,080,797	950,219	-	-
Subordinated bonds	9	50,000	50,000	-	-
Other liabilities		261,867	40,315	892	641
Taxation		2,671	3,030	-	-
<b>TOTAL LIABILITIES</b>		<b>1,438,016</b>	<b>1,126,590</b>	<b>25,592</b>	<b>25,066</b>
<b>EQUITY</b>					
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>					
Share capital	10	30,613	27,830	30,613	27,830
Legal reserve		20,757	19,173	7,770	7,476
Capital reserve		17,846	17,846	-	-
General reserve		9,977	9,333	-	-
Subordinated debt reserve		5,099	-	-	-
Revaluation reserve		1,596	1,677	-	-
Cumulative changes in fair value	5	5,558	20	4,979	113
Retained earnings		28,355	27,638	14,350	13,725
		119,801	103,517	57,712	49,144
Non - controlling interests		94,173	87,304	-	-
<b>TOTAL EQUITY</b>		<b>213,974</b>	<b>190,821</b>	<b>57,712</b>	<b>49,144</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,651,990</b>	<b>1,317,411</b>	<b>83,304</b>	<b>74,210</b>
Net assets per share (Rial Omani)	22	0.391	0.372	0.189	0.177

These financial statements were approved and authorised for release by the Board of Directors on 12<sup>th</sup> November 2013 and were signed by:

**KHALID MUHAMMAD AL ZUBAIR**  
CHAIRMAN

**TAYA JANDAL ALI**  
DEPUTY CHAIRMAN

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  
NINE MONTH PERIOD ENDED 30 SEPTEMBER 2013

	<u>Note</u>	<b>GROUP</b>		<b>PARENT COMPANY</b>	
		<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
		<b>(RO '000)</b>	<b>(RO '000)</b>	<b>(RO '000)</b>	<b>(RO '000)</b>
Interest income	11	39,504	37,438	-	-
Interest expense	12	(8,452)	(7,077)	(354)	(332)
<b>Net interest income</b>		<b>31,052</b>	<b>30,361</b>	<b>(354)</b>	<b>(332)</b>
Investment income	13	5,606	989	10,389	6,102
Net loss from Islamic financing and investment		(477)	-	-	-
Commission and other income	14	13,720	13,919	31	31
<b>Total income</b>		<b>49,901</b>	<b>45,269</b>	<b>10,066</b>	<b>5,801</b>
Operating expenses	15	(24,814)	(22,740)	(1,299)	(1,493)
Provision for impairment of investments		(534)	(180)	(534)	(180)
Allowance for loan impairment	6(b)	(5,326)	(4,778)	-	-
Recoveries from allowance for loan impairment	6(b)	3,538	2,090	-	-
<b>OPERATING PROFIT</b>		<b>22,765</b>	<b>19,661</b>	<b>8,233</b>	<b>4,128</b>
Share of profit from associated companies		1,083	902	-	-
<b>PROFIT BEFORE TAX</b>		<b>23,848</b>	<b>20,563</b>	<b>8,233</b>	<b>4,128</b>
Income tax expense		(2,671)	(2,751)	-	-
<b>PROFIT FOR THE PERIOD</b>		<b>21,177</b>	<b>17,812</b>	<b>8,233</b>	<b>4,128</b>
<b>Other comprehensive income / (expense):</b>					
Changes in the fair value of investments		913	(556)	(76)	(111)
Other comprehensive income / (expense) for the period		913	(556)	(76)	(111)
<b>Total comprehensive income for the period</b>		<b>22,090</b>	<b>17,256</b>	<b>8,157</b>	<b>4,017</b>
<b>Profit attributable to:</b>					
Shareholders of the Parent Company		12,037	8,196	8,233	4,128
Non - Controlling interests		9,140	9,616	-	-
		<b>21,177</b>	<b>17,812</b>	<b>8,233</b>	<b>4,128</b>
<b>Total comprehensive income attributable to:</b>					
Shareholders of the Parent Company		12,465	7,858	8,157	4,017
Non - controlling interests		9,625	9,398	-	-
		<b>22,090</b>	<b>17,256</b>	<b>8,157</b>	<b>4,017</b>
<b>Basic earnings per share on profit attributable to the shareholders of the Parent Company (Rial Omani)</b>	21	0.039	0.029	0.027	0.015

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 FLOWS  
 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2013

	<u>Note</u>	<b>GROUP</b>		<b>PARENT COMPANY</b>	
		<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
		<b>(RO '000)</b>	<b>(RO '000)</b>	<b>(RO '000)</b>	<b>(RO '000)</b>
<b>Cash flows from operating activities</b>					
Profit before tax		23,848	20,563	8,233	4,128
Adjustments for:					
Depreciation		1,275	1,599	69	124
Provision for impairment on investments		534	180	534	180
Allowance for loan impairment		5,326	4,778	-	-
Recoveries from allowance for loan impairment		(3,538)	(2,090)	-	-
Income from investments held-to-maturity		(536)	(445)	-	-
Change in fair value of financial assets at fair value through profit or loss		(1,204)	1,597	(683)	1,926
Non – controlling interests (net)		(5,200)	(1,199)	-	-
<b>Operating profit before changes in operating assets and liabilities</b>		<b>20,505</b>	<b>24,983</b>	<b>8,153</b>	<b>6,358</b>
Investment securities		(5,215)	12,998	725	(87)
Loans and advances to customers		(208,046)	(76,932)	-	-
Due from subsidiaries		-	-	(585)	(719)
Other assets		(10,254)	(7,171)	(3,103)	(24)
Deposits from customers		50,638	41,318	-	-
Other liabilities		219,458	6,527	151	(136)
<b>Cash from operations</b>		<b>67,086</b>	<b>1,723</b>	<b>5,341</b>	<b>5,392</b>
Tax paid		(3,850)	(3,280)	-	-
<b>Net cash from / (used in) operating activities</b>		<b>63,236</b>	<b>(1,557)</b>	<b>5,341</b>	<b>5,392</b>
<b>Cash flows from investing activities</b>					
Investments in subsidiaries		-	-	-	(5,099)
Investments in associates		(336)	(2,198)	-	(1,848)
Projects work in progress		(411)	(711)	-	-
Investment in property and equipment		(6,674)	(6,873)	(826)	(389)
<b>Net cash (used in) investing activities</b>		<b>(7,421)</b>	<b>(9,782)</b>	<b>(826)</b>	<b>(7,336)</b>
<b>Cash flows from financing activities</b>					
Bank borrowings		(1,425)	4,000	175	5,900
Proceeds from issue of subordinated bond		-	50,000	-	-
Dividends paid		(3,340)	(2,530)	(3,340)	(2,530)
<b>Net cash (used in) / from financing activities</b>		<b>(4,765)</b>	<b>51,470</b>	<b>(3,165)</b>	<b>3,370</b>
<b>Net increase in cash and cash equivalents</b>		<b>51,050</b>	<b>40,131</b>	<b>1,350</b>	<b>1,426</b>
Cash and cash equivalents at 1 January		282,693	200,734	329	301
<b>Cash and cash equivalents at 30 September</b>	<b>16</b>	<b>333,743</b>	<b>240,865</b>	<b>1,679</b>	<b>1,727</b>

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



GROUP AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY  
NINE MONTH PERIOD ENDED 30 SEPTEMBER 2013

	Share capital	Legal reserve	Capital reserve	General reserve	Sub-ordinated debt reserve	Revaluation reserve	Cumulative changes in fair value	Retained earnings	Attributable to equity holders of the Parent Company	Non-controlling interests	Total
	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)
<b>GROUP</b>											
<b>Balance at 1 January 2012</b>	25,300	19,173	14,787	9,333	-	1,754	358	27,561	98,266	78,886	177,152
Profit for the period	-	-	-	-	-	-	-	8,196	8,196	9,616	17,812
Other comprehensive expense for the period	-	-	-	-	-	-	(338)	-	(338)	(218)	(556)
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	(338)	8,196	7,858	9,398	17,256
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 reserve	-	-	-	-	-	(77)	-	-	(77)	-	(77)
Dividends paid relating to 2011 (note 17)	-	-	-	-	-	-	-	(2,530)	(2,530)	(5,881)	(8,411)
Subscription to rights issue of the banking subsidiary	-	-	-	-	-	-	-	-	-	4,901	4,901
<b>Balance at 30 September 2012</b>	<b>27,830</b>	<b>19,173</b>	<b>17,846</b>	<b>9,333</b>	<b>-</b>	<b>1,677</b>	<b>20</b>	<b>27,638</b>	<b>103,517</b>	<b>87,304</b>	<b>190,821</b>
<b>Balance at 1 January 2013</b>	27,830	20,757	17,846	9,977	5,099	1,677	5,130	22,441	110,757	90,233	200,990
Profit for the period	-	-	-	-	-	-	-	12,037	12,037	9,140	21,177
Other comprehensive income for the period	-	-	-	-	-	-	428	-	428	485	913
Total comprehensive income for the period	-	-	-	-	-	-	428	12,037	12,465	9,625	22,090
Increase in share capital through capitalisation of retained earnings	2,783	-	-	-	-	-	-	(2,783)	-	-	-
Decrease in revaluation reserve	-	-	-	-	-	(81)	-	-	(81)	-	(81)
Dividends paid relating to 2012 (note 17)	-	-	-	-	-	-	-	(3,340)	(3,340)	(5,685)	(9,025)
<b>Balance at 30 September 2013</b>	<b>30,613</b>	<b>20,757</b>	<b>17,846</b>	<b>9,977</b>	<b>5,099</b>	<b>1,596</b>	<b>5,558</b>	<b>28,355</b>	<b>119,801</b>	<b>94,173</b>	<b>213,974</b>

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  
NINE MONTH PERIOD ENDED 30 SEPTEMBER 2013

	<u>Note</u>	<u>Share capital</u>	<u>Legal reserve</u>	<u>Cumulative Changes in fair value</u>	<u>Retained earnings</u>	<u>Total</u>
		(RO '000)	(RO '000)	(RO '000)	(RO '000)	(RO '000)
<b>PARENT COMPANY</b>						
<b>Balance at 1 January 2012</b>		<b>25,300</b>	<b>7,476</b>	<b>224</b>	<b>14,657</b>	<b>47,657</b>
Profit for the period		-	-	-	4,128	4,128
Other comprehensive expense for the period		-	-	(111)	-	(111)
Total comprehensive income / (expense) for the period		-	-	(111)	4,128	4,017
Increase in share capital through capitalisation of retained earnings		2,530	-	-	(2,530)	-
Dividend paid relating to 2011	17	-	-	-	(2,530)	(2,530)
<b>Balance at 30 September 2012</b>		<b>27,830</b>	<b>7,476</b>	<b>113</b>	<b>13,725</b>	<b>49,144</b>
<b>Balance at 1 January 2013</b>		<b>27,830</b>	<b>7,770</b>	<b>5,055</b>	<b>12,240</b>	<b>52,895</b>
Profit for the period		-	-	-	8,233	8,233
Other comprehensive expense for the period		-	-	(76)	-	(76)
Total comprehensive income / (expense) for the period		-	-	(76)	8,233	8,157
Increase in share capital through capitalisation of retained earnings		2,783	-	-	(2,783)	-
Dividend paid relating to 2012	17	-	-	-	(3,340)	(3,340)
<b>Balance at 30 September 2013</b>		<b>30,613</b>	<b>7,770</b>	<b>4,979</b>	<b>14,350</b>	<b>57,712</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 2013 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 audited annual consolidated financial statements for the year ended 31 December 2012.

**3. CERTIFICATES OF DEPOSIT**

Certificates of deposit held are issued by the Central Bank of Oman for a tenor of 28 days and carry interest at the average rate of 0.13% per annum(30 September 2012 – 0.065% per annum).

**4. DEPOSITS WITH BANKS**

Deposits with banks include RO 500,000 (2012 - RO 500,000) being statutory capital deposit with the Central Bank of Oman in terms of regulations applicable to the banking subsidiary. This deposit cannot be withdrawn without prior written approval of the Central Bank of Oman.

**5. INVESTMENT SECURITIES**

At 30 September, investment securities comprised the following:

	Group		Parent Company	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Financial assets at fair value through profit or loss	10,495	10,393	7,697	6,923
Available for sale investments	24,573	13,549	7,307	4,258
Held-to-maturity investments	27,949	11,114	-	-
	<u>63,017</u>	<u>35,056</u>	<u>15,004</u>	<u>11,181</u>

5. INVESTMENT SECURITIES (continued)

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

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

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

	Group		Parent Company	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
<b>Quoted investments</b>				
Local investments				
Equity investments:				
Banking sector	2,072	1,112	1,595	934
Investment sector	194	299	194	299
Services sector	979	1,385	928	1,103
Industrial sector	881	404	833	351
	<u>4,126</u>	<u>3,200</u>	<u>3,550</u>	<u>2,687</u>
Mutual Funds	514	2,223	-	1,794
	<u>4,640</u>	<u>5,423</u>	<u>3,550</u>	<u>4,481</u>
Foreign investments				
Equity investments	4,147	2,121	4,147	2,121
Currency and commodity related	-	321	-	321
	<u>4,147</u>	<u>2,442</u>	<u>4,147</u>	<u>2,442</u>
Total quoted investments	<u>8,787</u>	<u>7,865</u>	<u>7,697</u>	<u>6,923</u>
<b>Unquoted investments</b>				
Local investments	291	515	-	-
Total financial assets designated at fair value through profit or loss	<u>9,078</u>	<u>8,380</u>	<u>7,697</u>	<u>6,923</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	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Quoted	1,417	2,013	-	-
Total financial assets at fair value through profit or loss	<u>10,495</u>	<u>10,393</u>	<u>7,697</u>	<u>6,923</u>

(b) *Available for sale investments*

	Group		Parent Company	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
<b>Local investments</b>				
Quoted investments	15,127	9,010	-	-
Fair value reserve	582	(70)	-	-
Unquoted investments	850	850	700	700
Fair value reserve	5,601	-	5,601	-
Deferred tax liability on fair value reserve	<u>(659)</u>	<u>-</u>	<u>(659)</u>	<u>-</u>
	<u>21,501</u>	<u>9,790</u>	<u>5,642</u>	<u>700</u>
<b>Foreign investments</b>				
Quoted investments	1,230	-	-	-
Fair value reserve	12	-	-	-
	<u>1,242</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unquoted investments	4,749	6,090	4,569	5,866
Less: Provision for impairment [note 5(d)]	<u>(2,941)</u>	<u>(2,421)</u>	<u>(2,941)</u>	<u>(2,421)</u>
	1,808	3,669	1,628	3,445
Fair value reserve	22	90	37	113
	<u>1,830</u>	<u>3,759</u>	<u>1,665</u>	<u>3,558</u>
Total available for sale investments	<u>24,573</u>	<u>13,549</u>	<u>7,307</u>	<u>4,258</u>

5. INVESTMENT SECURITIES (continued)

(c) *Held-to-maturity investments*

	Group		Parent Company	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Oman Government Development Bonds				
- held by the banking subsidiary	27,949	11,114	-	-
	<u>27,949</u>	<u>11,114</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 5.50% (2012 – 3.25% and 5.50%) per annum. The maturity profile of these bonds, based on the remaining period to maturity from the balance sheet date, is as follows:

	2013 (RO'000)	2012 (RO'000)
Within one year	-	4,000
Between one and five years	27,949	7,114
	<u>27,949</u>	<u>11,114</u>

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

	Group and Parent Company	
	Unquoted foreign investments	
	2013 (RO'000)	2012 (RO'000)
Balance at 1 January	2,957	2,389
Provided during the period	534	180
Written off during the period	(550)	(148)
Balance at 30 September	<u>2,941</u>	<u>2,421</u>

5. INVESTMENT SECURITIES (continued)

(e) *Investments in associates*

Group

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

	2013		2012	
	Holding (%)	Carrying value (RO'000)	Holding (%)	Carrying value (RO'000)
National Finance Company SAOG	24.22	8,349	24.22	7,862
National Biscuit Industries Ltd. SAOG	21.30	631	21.30	542
National Detergent Company SAOG	20.94	2,578	20.94	2,568
		<u>11,558</u>		<u>10,972</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 13,589,058 (2012 - RO 10,774,163).

Parent Company

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

	2013		2012	
	Holding (%)	Cost (RO'000)	Holding (%)	Cost (RO'000)
National Finance Company SAOG	24.01	4,182	24.01	4,182
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>5,330</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 13,492,401 (2012 - RO 10,703,959).

5. INVESTMENT SECURITIES (continued)

(f) *Investments in subsidiaries*

At 30 September, investments held by the Parent Company in subsidiaries are:

	<u>Incorporated in</u>	<u>2013</u>		<u>2012</u>	
		<u>Cost</u> (RO'000)	<u>Holding</u> %	<u>Cost</u> (RO'000)	<u>Holding</u> %
Oman Arab Bank SAOC <i>(Principal activity: Banking)</i>	Oman	41,302	50.99	41,302	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 Investment LLC <i>(Principal activity: Real Estate)</i>	Oman	-	99.98	-	-
Budva Beach Properties d.o.o <i>(Principal activity: Tourism Project)</i> <i>(Held through SPV Al Jabal Al Aswad Investment LLC)</i>	Montenegro	5,231	100.00	5,231	100.00
		<u>47,936</u>		<u>47,936</u>	

5. INVESTMENT SECURITIES (continued)

(g) *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>Holding</u> %	<u>Number of</u> <u>shares held</u>	<u>Fair</u> <u>value</u> (RO'000)	<u>Carrying</u> <u>value</u> (RO'000)
<u>Group</u>				
National Biscuit Industries Ltd SAOG	29.22	292,197	1,095	928
National Finance Co. SAOG	24.22	60,687,024	9,589	8,349
National Detergent Co. SAOG	20.94	3,561,700	3,202	2,578
Oman National Dairy Products Co. Ltd SAOC	19.65	482,726	-	-
			<u>13,886</u>	<u>11,855</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:

	<u>Holding</u> %	<u>Number of</u> <u>shares held</u>	<u>Fair</u> <u>value</u> (RO'000)	<u>Carrying</u> <u>value</u> (RO'000)
<u>Parent Company</u>				
National Biscuit Industries Ltd SAOG	28.92	289,197	1,084	732
National Finance Co. SAOG	24.01	60,146,475	9,503	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>13,789</u>	<u>5,627</u>

*Unquoted securities*

	<u>Holding</u> %	<u>Number of</u> <u>shares held</u>	<u>Carrying</u> <u>value</u> (RO'000)
<u>Group</u>			
<i>Subsidiaries</i>			
Oman Arab Bank SAOC	51.00	591,600,000	97,997
Oman Investment Services SAOC	99.98	999,800	709
Salalah Resorts SAOC	99.98	499,800	211
Budva Beach Properties d.o.o	100.00	-	4,977
<i>Others</i>			
Al Shamal Plastics LLC	20.00	200,000	172
Modern Steel Mills LLC	19.48	1,363,950	4,828
Gulf Acrylic Industries LLC	20.00	100,000	364
			<u>109,258</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	591,484,000	41,302
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	15.00	150,000	136
Modern Steel Mills LLC	19.48	1,363,950	4,828
Gulf Acrylic Industries LLC	15.00	75,000	305
			<u>53,205</u>

**6. LOANS AND ADVANCES TO CUSTOMERS**

(a) At 30 September, Loans and advances to customers extended by the banking subsidiary were as follows:

	<u>2013</u> (RO'000)	<u>2012</u> (RO'000)
Commercial loans	560,306	440,328
Overdrafts	161,818	92,919
Personal loans	442,115	390,215
Credit cards	5,872	6,956
Islamic financing activities	227	-
Gross loans and advances	1,170,338	930,418
Less: Allowance for loan impairment and reserved interest	(34,167)	(30,229)
Net loans and advances	<u>1,136,171</u>	<u>900,189</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)
<b>2013</b>			
Balance at 1 January	24,777	6,744	31,521
Provided during the period	5,331	1,507	6,838
Amounts written off during the period	(276)	(378)	(654)
Amounts released/recovered	(2,686)	(852)	(3,538)
Balance at 30 September	<u>27,146</u>	<u>7,021</u>	<u>34,167</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>2012</b>			
Balance at 1 January	21,328	5,827	27,155
Provided during the period	4,778	1,240	6,018
Amounts written off during the period	(550)	(304)	(854)
Amounts released/recovered	(1,674)	(416)	(2,090)
Balance at 30 September	<u>23,882</u>	<u>6,347</u>	<u>30,229</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 28,168,417 (2012 - RO 25,486,493).

At 30 September 2013, out of the total loan impairment provision, RO 14,901,706 (2012 - RO 13,076,115) 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>2013</u> (RO'000)	<u>2012</u> (RO'000)
Personal loans including credit cards	448,214	397,171
Transportation	147,351	88,553
Manufacturing	112,869	103,021
Construction	103,230	75,738
Services	67,259	43,552
Utilities	62,397	29,321
Import trade	42,392	41,994
Wholesale and retail trade	37,872	23,897
Financial institutions	19,408	19,880
Mining and quarrying	15,845	30,650
Agriculture and allied activities	6,724	8,778
Export trade	550	473
Others	106,227	67,390
	<u>1,170,338</u>	<u>930,418</u>

## 7. PROJECTS WORK IN PROGRESS

At 30 September, projects work in progress are as follows:

	<u>2013</u> (RO'000)	<u>2012</u> (RO'000)
<b>Salalah Resorts SAOC:</b>		
Initial stage	1,067	1,067
Consultancy charges	<u>2,718</u>	<u>2,426</u>
	3,785	3,493
<b>Budva Beach Properties d.o.o :</b>		
Cost of land	5,231	5,231
Consultancy and other costs	<u>933</u>	<u>593</u>
	6,164	5,824
	<u>9,949</u>	<u>9,317</u>

## 8. DUE TO BANKS

At 30 September, due to banks are as follows:

	<u>Group</u>		<u>Parent Company</u>	
	<u>2013</u> (RO'000)	<u>2012</u> (RO'000)	<u>2013</u> (RO'000)	<u>2012</u> (RO'000)
Due to banks	24,481	64,401	-	-
Loans and overdrafts	<u>18,200</u>	<u>18,625</u>	<u>24,700</u>	<u>24,425</u>
	<u>42,681</u>	<u>83,026</u>	<u>24,700</u>	<u>24,425</u>

All the above borrowings are due within one year.

## 9. SUBORDINATED BONDS

In order to enhance the capital adequacy and to meet the funding requirements our banking subsidiary Oman Arab Bank issued non-convertible unsecured Subordinated Bonds of RO 50 million (50,000,000 units of RO 1 each) for a tenor of five years and one month in April 2012 through private placement. The Bonds are listed in the Muscat Securities Market and are transferable through trading. The Bonds carry a fixed coupon rate payable semi-annually with the principal payable on maturity.

## 10. SHARE CAPITAL

- The authorised share capital of the Parent Company is 500,000,000 (2012 – 300,000,000) shares of 100 baisa each. 306,130,000 (2012 – 278,300,000) shares of 100 baisa each have been issued and fully paid.
- At the Annual General Meeting of the shareholders of the Parent Company held on 31 March 2013 bonus shares of 27,830,000 (2012 – 25,300,000) shares at 100 baisa per share were approved to be issued by transferring RO 2,783,000 (2012 – RO 2,530,000) from retained earnings to share capital.

**10. 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:

	2013		2012	
	Holding %	Shares	Holding %	Shares
Al Hilal Investment Co. LLC	20.22	61,902,542	20.22	56,275,040
Civil Service Employees Pension Fund	14.76	45,187,101	12.92	35,955,874
	<u>34.98</u>	<u>107,089,643</u>	<u>33.14</u>	<u>92,230,914</u>

**11. INTEREST INCOME**

	Group		Parent Company	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Loans and advances to customers	38,836	36,838	-	-
Placements with banks	49	92	-	-
Certificates of deposit	83	63	-	-
Oman Government Development Bonds	<u>536</u>	<u>445</u>	<u>-</u>	<u>-</u>
	<u>39,504</u>	<u>37,438</u>	<u>-</u>	<u>-</u>

**12. INTEREST EXPENSE**

	Group		Parent Company	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Parent Company:				
Bank borrowings	278	257	354	332
Banking subsidiary:				
Time deposits	7,346	6,150	-	-
Call accounts	542	394	-	-
Saving accounts	<u>286</u>	<u>276</u>	<u>-</u>	<u>-</u>
	<u>8,452</u>	<u>7,077</u>	<u>354</u>	<u>332</u>

**13. INVESTMENT INCOME**

	Group		Parent Company	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Dividend from investments	1,517	1,080	7,567	7,315
Quoted local investments:				
Profit on sale	1,424	1,032	678	240
Changes in fair value	696	395	175	65
Quoted foreign investments:				
Profit on sale	1,230	444	1,230	444
Changes in fair value	508	(1,992)	508	(1,992)
Unquoted foreign investments:				
Profit on sale	231	30	231	30
	<u>5,606</u>	<u>989</u>	<u>10,389</u>	<u>6,102</u>

**14. COMMISSION AND OTHER INCOME**

	Group		Parent Company	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Fees and commission	9,856	9,884	-	-
Foreign exchange	3,364	3,089	-	-
Other income	500	946	31	31
	<u>13,720</u>	<u>13,919</u>	<u>31</u>	<u>31</u>

**15. OPERATING EXPENSES**

	Group		Parent Company	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Staff costs	15,878	14,494	871	1,022
Other operating expenses	7,433	6,419	209	197
Depreciation	1,275	1,599	69	124
Directors' sitting fees and remuneration:				
Parent company	150	150	150	150
Banking subsidiary	78	78	-	-
	<u>24,814</u>	<u>22,740</u>	<u>1,299</u>	<u>1,493</u>

**16. CASH AND CASH EQUIVALENTS**

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

	Group		Parent Company	
	<u>2013</u> (RO'000)	<u>2012</u> (RO'000)	<u>2013</u> (RO'000)	<u>2012</u> (RO'000)
Balances with banks and money at call	261,444	113,923	1,679	1,727
Deposits with banks (note 4)	5,780	47,343	-	-
Certificates of deposit	91,000	144,000	-	-
Due to banks	(24,481)	(64,401)	-	-
	<u>333,743</u>	<u>240,865</u>	<u>1,679</u>	<u>1,727</u>

**17. DIVIDENDS PER SHARE**

At the Annual General Meeting, held on Sunday, 31 March 2013 (2012 – Saturday, 31 March 2012), a cash dividend of RO 0.012 per share (2012 – RO 0.010 per share) amounting to a total of RO 3,339,600 (2012 – RO 2,530,000) and a stock dividend of 10 shares for every 100 shares held (2012 – 10 shares for every 100 shares held) amounting RO 2,783,000 (2012 – RO 2,530,000) in respect of year ended 31 December 2012 was approved. Following this, the dividend is accounted for in shareholders' changes in equity as an appropriation of retained profits in the period.

**18. CONTINGENT LIABILITIES**

At 30 September 2013, the Group had contingent liabilities as follows:

	<u>2013</u> (RO'000)	<u>2012</u> (RO'000)
Banking subsidiary:		
Letters of credit	399,564	337,679
Guarantees	496,374	502,770
	<u>895,938</u>	<u>840,449</u>

Letters of credit and guarantees amounting to RO 676,464,412 (2012 – RO 628,298,790) and relating to banking subsidiary were counter guaranteed by other banks.

**19. 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					Adjustments RO'000	Total RO'000
	Investments RO'000	Retail	Corporate	Treasury/ Investment	Unallocated		
		Banking	Banking	Banking	Banking		
<b>2013</b>							
Net operating income	10,137	25,371	16,760	3,257	1,037	(5,578)	50,984
Segmental assets	94,521	435,501	706,948	19,514	449,949	(54,443)	1,651,990
<b>2012</b>							
Net operating income	5,828	26,526	14,952	2,685	1,971	(5,791)	46,171
Segmental assets	84,772	385,579	520,410	12,165	368,575	(54,090)	1,317,411

**20. 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:

	Total	Major	Directors	Associates/ Subsidiary	Key	Non-
	RO’000	shareholders	RO’000	RO’000	Management	controlling
	RO’000	RO’000	RO’000	RO’000	RO’000	interests
	RO’000	RO’000	RO’000	RO’000	RO’000	RO’000
<b>2013</b>						
<b>Group</b>						
<b>Statement of income</b>						
Interest and commission income	309	-	7	115	-	187
Interest expense	265	-	-	-	-	265
Directors’ sitting fees	228	-	150	-	-	78
<b>Statement of financial position</b>						
Loans and advances	12,992	750	130	5,465	-	6,647
Deposit from customers	22,866	30	2,124	151	-	20,561
<b>Off Statement of financial position</b>						
Letters of credit, guarantees and Acceptances	169,819	-	-	-	-	169,819
<b>Parent Company</b>						
<b>Statement of income</b>						
Directors’ sitting fees	150	-	150	-	-	-
Operating expenses	46	-	39	-	7	-
<b>Statement of financial position</b>						
Bank borrowings	6,500	-	-	6,500	-	-
Bank balances	357	-	-	357	-	-



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

	<u>Total</u>	<u>Major</u>	<u>Directors</u>	<u>Associates/</u>	<u>Key</u>	<u>Non-</u>
	RO'000	shareholders	RO'000	Subsidiary	Management	controlling
		RO'000	RO'000	RO'000	RO'000	interests
				RO'000		RO'000
<b>2012</b>						
<b>Group</b>						
<b>Statement of income</b>						
Interest and commission income	503	1	4	191	-	307
Interest expense	264	-	-	3	-	261
Directors' sitting fees and remuneration	228	-	150	-	-	78
<b>Statement of financial position</b>						
Loans and advances	60,454	650	135	8,126	-	51,543
Deposit from customers	3,466	404	1,375	50	-	1,637
<b>Off statement of financial position</b>						
Letters of credit, guarantees and Acceptances	205,799	-	-	-	-	205,799
<b>Parent Company</b>						
<b>Statement of income</b>						
Directors' sitting fees	150	-	150	-	-	-
Operating expenses	5	-	5	-	-	-
<b>Statement of financial position</b>						
Bank borrowings	5,800	-	-	5,800	-	-
Bank balances	1,029	-	-	1,029	-	-

- (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 (2012 - US\$ 75,000), equivalent to RO 28,850 (2012 - RO 28,850).

**21. 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	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Profit for the period (RO '000)	<u>12,037</u>	<u>8,196</u>	<u>8,233</u>	<u>4,128</u>
Weighted average number of shares outstanding during the period	<u>306,130,000</u>	<u>278,300,000</u>	<u>306,130,000</u>	<u>278,300,000</u>
Basic earnings per share (RO)	<u>0.039</u>	<u>0.029</u>	<u>0.027</u>	<u>0.015</u>

During the period the Parent Company issued stock dividend of 27,830,000 shares (2012 – 25,300,000) without consideration related to the year 2012. 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 2013 and the 2012 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.

**22. NET ASSETS PER SHARE**

The calculation of net assets per share is as follows:

	Group		Parent Company	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Net assets value attributable to shareholders profit (RO'000)	<u>119,801</u>	<u>103,517</u>	<u>57,712</u>	<u>49,144</u>
Weighted average number of shares outstanding during the year	<u>306,130,000</u>	<u>278,300,000</u>	<u>306,130,000</u>	<u>278,300,000</u>
Net assets per share (RO)	<u>0.391</u>	<u>0.372</u>	<u>0.189</u>	<u>0.177</u>

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