



OMAN INTERNATIONAL DEVELOPMENT AND
INVESTMENT COMPANY SAOG

GROUP AND PARENT COMPANY UNAUDITED FINANCIAL STATEMENTS

30 JUNE 2012



**GROUP AND PARENT COMPANY UNAUDITED FINANCIAL STATEMENTS
SIX MONTH PERIOD ENDED 30 JUNE 2012**

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REPORT ON THE PERFORMANCE OF THE GROUP FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

We are pleased to report on the performance of the Group for the six month period ended 30 June 2012.

Group

The Group recorded a profit of RO 13.89m vs. RO 9.92m in the corresponding period in 2011. The profit attributable to the Parent Company shareholders from the Group profit is RO 7.16m compared to RO 4.62m in the six month period ended 30 June 2011. The 55% 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 26.7%;
- 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 102.53m compared to RO 98.27m at 31 December 2011.

Parent Company

Parent Company profit for the period is RO 6.34m compared to RO 7.83m 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 0.25m from the Company's capital market investments compared to loss of RO 0.48m in 2011.

Total assets stood at RO 75.49m, an increase of 12.74% compared to RO 66.96m at 31 December 2011. Shareholders' funds of the Parent Company increased to RO 51.36m (+7.76%) from RO 47.66m at 31 December 2011.

Oman Arab Bank

Oman Arab Bank, our banking subsidiary, reported a profit of RO 13.72m compared to RO 10.83m for the six month period ended 30 June 2011. Gross loans and advances stood at RO 934m increased by 28.4% and customers' deposits at RO 919m were up by 7.31% compared with 30 June 2011. The Bank's share capital and shareholders' funds stood at RO 116m and RO 172.3m respectively compared with RO 100m and RO 148.8 m at 30 June 2011.



In order to enhance the capital adequacy and to meet the funding requirements, the bank issued non-convertible unsecured Subordinated bonds of RO 50 million 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.

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.

KHALID MUHAMMAD AL ZUBAIR
CHAIRMAN

August 12, 2012



GROUP AND PARENT COMPANY
UNAUDITED STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 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		120,438	52,406	810	784
Certificates of deposit	3	105,000	200,000	-	-
Deposits with banks	4	35,033	18,430	-	-
Investment securities	5	50,330	47,225	13,507	15,169
Investments in associates	5(e)	10,694	8,244	5,330	3,482
Investments in subsidiaries	5(f)	-	-	47,936	42,756
Loans and advances to customers	6	900,835	699,447	-	-
Due from subsidiaries		-	-	4,241	3,261
Other assets		32,923	25,940	232	140
Projects work in progress	7	8,962	8,173	-	-
Property and equipment		21,032	16,989	3,433	3,230
TOTAL ASSETS		1,285,247	1,076,854	75,489	68,822
LIABILITIES					
Due to banks	8	24,955	18,979	23,425	17,729
Deposit from customers		917,634	855,999	-	-
Subordinated bonds	9	50,000	-	-	-
Other liabilities		103,443	32,793	700	563
Taxation		2,230	1,725	-	-
TOTAL LIABILITIES		1,098,262	909,496	24,125	18,292
EQUITY					
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
Share capital	10	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		69	530	125	289
Retained earnings		26,607	26,427	15,933	17,967
		102,535	94,435	51,364	50,530
Non - controlling interests		84,450	72,923	-	-
TOTAL EQUITY		186,985	167,358	51,364	50,530
TOTAL LIABILITIES AND EQUITY		1,285,247	1,076,854	75,489	68,822
Net assets per share (Rial Omani)		0.368	0.373	0.185	0.200

These financial statements were approved and authorised for release by the Board of Directors on 12th August 2012 and were signed by:

KHALID MUHAMMAD AL ZUBAIR
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
SIX MONTH PERIOD ENDED 30 JUNE 2012

	<u>Note</u>	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
		(RO '000)	(RO '000)	(RO '000)	(RO '000)
Interest income	11	24,705	20,621	-	-
Interest expense	12	(4,311)	(3,459)	(209)	(218)
Net interest income		20,394	17,162	(209)	(218)
Investment income	13	2,373	490	7,632	9,008
Commission and other income	14	9,923	8,028	21	19
Total income		32,690	25,680	7,444	8,809
Operating expenses	15	(15,704)	(13,591)	(1,014)	(917)
Provision for impairment of investments		(94)	(62)	(94)	(62)
Allowance for loan impairment	6(b)	(3,135)	(2,522)	-	-
Recoveries from allowance for loan impairment	6(b)	1,458	1,435	-	-
OPERATING PROFIT		15,215	10,940	6,336	7,830
Share of profit from associated companies		624	467	-	-
PROFIT BEFORE TAX		15,839	11,407	6,336	7,830
Income tax expense		(1,949)	(1,483)	-	-
PROFIT FOR THE PERIOD		13,890	9,924	6,336	7,830
Other comprehensive expense:					
Changes in the fair value of investments		(470)	(933)	(99)	(64)
Other comprehensive expense for the period		(470)	(933)	(99)	(64)
Total comprehensive income for the period		13,420	8,991	6,237	7,766
Profit attributable to:					
Shareholders of the Parent Company		7,165	4,617	6,336	7,830
Non - Controlling interests		6,725	5,307	-	-
		13,890	9,924	6,336	7,830
Total comprehensive income attributable to:					
Shareholders of the Parent Company		6,876	4,110	6,237	7,766
Non - Controlling interests		6,544	4,881	-	-
		13,420	8,991	6,237	7,766
Basic earnings per share on profit attributable to the shareholders of the Parent Company (Rial Omani)	21	0.026	0.018	0.023	0.031

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
SIX MONTH PERIOD ENDED 30 JUNE 2012

	<u>Note</u>	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
		(RO '000)	(RO '000)	(RO '000)	(RO '000)
Cash flows from operating activities					
Profit before tax		15,839	11,407	6,336	7,830
Adjustments for:					
Depreciation		1,092	995	82	81
Provision for impairment investments		94	62	94	62
Allowance for loan impairment		3,135	2,522	-	-
Recoveries from allowance for loan impairment		(1,458)	(1,435)	-	-
Income from investments held-to-maturity		(294)	(256)	-	-
Change in fair value of financial assets at fair value through profit or loss		(72)	(970)	189	(497)
Loss on sale of fixed assets		-	6	-	-
Non – Controlling interests (net)		(1,162)	(2,387)	-	-
Operating profit before changes in operating assets and liabilities:		17,174	9,944	6,701	7,476
Investment securities		(623)	(1,971)	(578)	(2,294)
Loans and advances to customers		(76,567)	(42,788)	-	-
Due from subsidiaries		-	-	(616)	(918)
Other assets		(7,493)	(4,150)	(47)	(45)
Deposits from customers		8,733	87,708	-	-
Subscription for IPO		60,992	-	-	-
Other liabilities		8,663	646	(77)	(694)
Cash from operations		10,879	49,389	5,383	3,525
Tax paid		(3,278)	(3,330)	-	-
Net cash from operating activities		7,601	46,059	5,383	3,525
Cash flows from investing activities					
Investments in subsidiaries		-	-	(5,099)	(7,164)
Investments in associates		(1,920)	(98)	(1,848)	-
Projects work in progress		(356)	(1,353)	-	-
Investment in property and equipment		(3,888)	(2,232)	(297)	(38)
Net cash (used in) investing activities		(6,164)	(3,683)	(7,244)	(7,202)
Cash flows from financing activities					
Proceeds from issue of subordinated bond		50,000	-	-	-
Dividends paid		(2,530)	(2,300)	(2,530)	(2,300)
Net cash from / (used in) financing activities		47,470	(2,300)	(2,530)	(2,300)
Net increase / (decrease) in cash and cash equivalents		48,907	40,076	(4,391)	(5,977)
Cash and cash equivalents at 1 January		186,109	211,281	(18,224)	(10,968)
Cash and cash equivalents at 30 June	16	235,016	251,357	(22,615)	(16,945)

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
SIX MONTH PERIOD ENDED 30 JUNE 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	-	-	-	-	-	-	4,617	4,617	5,307	9,924
Other comprehensive expense for the period	-	-	-	-	-	(507)	-	(507)	(426)	(933)
Total comprehensive income for the period	-	-	-	-	-	(507)	4,617	4,110	4,881	8,991
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 17)	-	-	-	-	-	-	(2,300)	(2,300)	(8,332)	(10,632)
Subscription to rights issue of the banking subsidiary	-	-	-	-	-	-	-	-	6,371	6,371
Balance at 30 June 2011	25,300	17,487	14,787	8,150	1,754	530	26,427	94,435	72,923	167,358
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	-	-	-	-	-	-	7,165	7,165	6,725	13,890
Other comprehensive expense for the period	-	-	-	-	-	(289)	-	(289)	(181)	(470)
Total comprehensive income for the period	-	-	-	-	-	(289)	7,165	6,876	6,544	13,420
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 17)	-	-	-	-	-	-	(2,530)	(2,530)	(5,881)	(8,411)
Subscription to rights issue of the banking subsidiary	-	-	-	-	-	-	-	-	4,901	4,901
Balance at 30 June 2012	27,830	19,173	17,846	9,333	1,677	69	26,607	102,535	84,450	186,985

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
SIX MONTH PERIOD ENDED 30 JUNE 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		-	-	-	7,830	7,830
Other comprehensive expense for the period		-	-	(64)	-	(64)
Total comprehensive income for the period		-	-	(64)	7,830	7,766
Increase in share capital through capitalisation of retained earnings		2,300	-	-	(2,300)	-
Dividend relating to 2010	17	-	-	-	(2,300)	(2,300)
Balance at 30 June 2011		25,300	6,974	289	17,967	50,530
Balance at 31 December 2011		25,300	7,476	224	14,657	47,657
Profit for the period		-	-	-	6,336	6,336
Other comprehensive expense for the period		-	-	(99)	-	(99)
Total comprehensive income for the period		-	-	(99)	6,336	6,237
Increase in share capital through capitalisation of retained earnings		2,530	-	-	(2,530)	-
Dividend relating to 2011	17	-	-	-	(2,530)	(2,530)
Balance at 30 June 2012		27,830	7,476	125	15,933	51,364

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 six month period ended 30 June 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 – 0.027%).

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 30 June, 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	12,561	16,682	9,151	9,926
Available for sale investments	13,410	10,590	4,356	5,243
Held-to-maturity investments	24,359	19,953	-	-
	<u>50,330</u>	<u>47,225</u>	<u>13,507</u>	<u>15,169</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 30 June, 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	766	489	583	366
Investment sector	140	324	140	294
Services sector	1,420	1,226	1,118	989
Industrial sector	301	785	268	682
	<u>2,627</u>	<u>2,824</u>	<u>2,109</u>	<u>2,331</u>
Mutual Funds	2,184	2,307	1,755	1,853
	<u>4,811</u>	<u>5,131</u>	<u>3,864</u>	<u>4,184</u>
Foreign investments				
Equity and equity related	4,951	2,357	4,951	2,357
Currency and commodity related	336	309	336	309
	<u>5,287</u>	<u>2,666</u>	<u>5,287</u>	<u>2,666</u>
Total quoted	<u>10,098</u>	<u>7,797</u>	<u>9,151</u>	<u>6,850</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>10,613</u>	<u>11,375</u>	<u>9,151</u>	<u>9,926</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	1,948	5,307	-	-
Unquoted	-	-	-	-
Financial assets held for trading	1,948	5,307	-	-
Total financial assets at fair value through profit or loss	12,561	16,682	9,151	9,926

(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	4,480	4,560	-	-
Quoted investments	4,437	-	-	-
Unquoted investments	700	994	700	700
Fair value reserve	(60)	84	-	-
	9,557	5,638	700	700
Foreign investments				
Unquoted investments	6,112	6,686	5,866	6,636
Less: Provision for impairment [note 5(d)]	(2,335)	(2,382)	(2,335)	(2,382)
	3,777	4,304	3,531	4,254
Fair value reserve	76	289	125	289
	3,853	4,593	3,656	4,543
Quoted investments	-	176	-	-
Fair value reserve	-	183	-	-
	3,853	4,952	3,656	4,543
Total available for sale investments	13,410	10,590	4,356	5,243

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	24,359	19,953	-	-
	<u>24,359</u>	<u>19,953</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% (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	13,191	-
Between one and five years	11,168	19,953
	<u>24,359</u>	<u>19,953</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	94	62
Written off during the period	(148)	-
Balance at 30 June	<u>2,335</u>	<u>2,382</u>

5. INVESTMENT SECURITIES (continued)

(e) *Investments in associates*

Group

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

	2012		2011	
	Holding (%)	Carrying value (RO'000)	Holding (%)	Carrying value (RO'000)
National Finance Company SAOG	24.23	7,628	24.04	5,180
National Biscuit Industries Ltd. SAOG	21.30	518	21.30	453
National Detergent Company SAOG	20.94	2,548	20.94	2,611
		<u>10,694</u>		<u>8,244</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 10,652,789 (2011 - RO 8,795,988).

Parent Company

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

	2012		2011	
	Holding (%)	Cost (RO'000)	Holding (%)	Cost (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 10,583,666 (2011 - RO 8,727,469).

5. INVESTMENT SECURITIES (continued)

(f) *Investments in subsidiaries*

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

	<u>Incorporated in</u>	<u>2012</u>		<u>2011</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	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	5,150	100.00
Cuddalore Petroleum Investments Limited <i>(Principal activity: Investments)</i>	Mauritius	-	100.00	-	-
		<u>47,936</u>		<u>42,756</u>	

5. INVESTMENT SECURITIES (continued)

(g) *Details of significant investments*

At 30 June, 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 held</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	730	716
National Finance Co. SAOG	24.04	60,687,024	6,918	7,628
National Detergent Co. SAOG	20.94	3,561,700	3,202	2,548
Oman National Dairy Products Co. Ltd SAOC	19.65	482,726	-	-
			<u>10,850</u>	<u>10,892</u>

At 30 June, 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</u> <u>shares held</u>	<u>Fair</u> <u>value</u> (RO'000)	<u>Carrying</u> <u>value</u> (RO'000)
National Biscuit Industries Ltd SAOG	28.92	289,197	723	633
National Finance Co. SAOG	24.01	60,146,475	6,857	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>10,782</u>	<u>5,528</u>

Unquoted securities

<u>Group</u>	<u>Holding</u> %	<u>Number of</u> <u>shares held</u>	<u>Carrying</u> <u>value</u> (RO'000)
<i>Subsidiaries</i>			
Oman Arab Bank SAOC	51.00	59,160,000	87,878
Oman Investment Services SAOC	99.98	999,800	654
Salalah Resorts SAOC	99.98	499,800	185
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>94,364</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	59,148,400	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	16.08	150,000	-
Modern Steel Mills LLC	19.48	1,169,104	251
Gulf Acrylic Industries LLC	13.23	75,000	75
			<u>48,262</u>

6. LOANS AND ADVANCES TO CUSTOMERS

(a) At 30 June, 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	425,119	313,293
Overdrafts	117,179	83,842
Personal loans	381,011	320,654
Credit cards	6,421	5,661
Gross loans and advances	<u>929,730</u>	<u>723,450</u>
Less: Allowance for loan impairment and reserved interest	(28,895)	(24,003)
Net loans and advances	<u>900,835</u>	<u>699,447</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	3,135	831	3,966
Amounts written off during the period	(465)	(303)	(768)
Amounts released/recovered	(1,116)	(342)	(1,458)
Balance at 30 June	<u>22,882</u>	<u>6,013</u>	<u>28,895</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	2,522	1,173	3,695
Amounts written off during the period	(216)	(44)	(260)
Amounts released/recovered	(1,122)	(313)	(1,435)
Balance at 30 June	<u>18,585</u>	<u>5,418</u>	<u>24,003</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 24,690,757 (2011 - RO 23,097,019).

At 30 June 2012, out of the total loan impairment provision, RO 13,395,115 (2011 - RO 10,228,827) 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	387,432	326,315
Manufacturing	101,192	71,502
Transportation	97,868	10,970
Construction	73,265	64,559
Services	49,628	82,516
Import trade	41,901	33,254
Mining and quarrying	34,026	32,927
Wholesale and retail trade	23,415	36,245
Utilities	21,022	18,016
Financial institutions	16,860	14,972
Agriculture and allied activities	8,312	6,739
Export trade	350	712
Others	74,459	24,723
	<u>929,730</u>	<u>723,450</u>

7. PROJECTS WORK IN PROGRESS

At 30 June, 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>2,433</u>	<u>1,948</u>
	<u>3,374</u>	<u>2,889</u>
Budva Beach Properties d.o.o :		
Cost of land	5,231	5,150
Consultancy and other costs	<u>357</u>	<u>134</u>
	<u>5,588</u>	<u>5,284</u>
	<u><u>8,962</u></u>	<u><u>8,173</u></u>

8. DUE TO BANKS

At 30 June, 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	5,830	5,150	-	-
Loans and overdrafts	<u>19,125</u>	<u>13,829</u>	<u>23,425</u>	<u>17,729</u>
	<u><u>24,955</u></u>	<u><u>18,979</u></u>	<u><u>23,425</u></u>	<u><u>17,729</u></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

- (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.

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:

	2012		2011	
	<u>Holding %</u>	<u>Shares</u>	<u>Holding %</u>	<u>Shares</u>
Al Hilal Investment Co. LLC	20.22	56,275,040	20.22	51,159,130
Civil Service Employees Pension Fund	12.93	35,996,683	12.81	32,409,028
	<u>33.15</u>	<u>92,271,723</u>	<u>33.03</u>	<u>83,568,158</u>

11. INTEREST INCOME

	Group		Parent Company	
	<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	24,304	20,288	-	-
Placements with banks	63	77	-	-
Certificates of deposit	44	-	-	-
Oman Government Development Bonds	294	256	-	-
	<u>24,705</u>	<u>20,621</u>	<u>-</u>	<u>-</u>

12. INTEREST EXPENSE

	Group		Parent Company	
	<u>2012</u> (RO'000)	<u>2011</u> (RO'000)	<u>2012</u> (RO'000)	<u>2011</u> (RO'000)
Parent Company:				
Bank borrowings	165	167	209	218
Banking subsidiary:				
Time deposits	3,719	2,916	-	-
Call accounts	245	203	-	-
Saving accounts	182	173	-	-
	<u>4,311</u>	<u>3,459</u>	<u>209</u>	<u>218</u>

13. INVESTMENT INCOME

	Group		Parent Company	
	2012 (RO'000)	2011 (RO'000)	2012 (RO'000)	2011 (RO'000)
Dividend income from investments	1,011	1,204	7,300	9,441
Profit on sale of investments	1,261	203	492	11
Changes in fair value of local investments	319	(762)	58	(289)
Changes in fair value of foreign investments	(247)	(208)	(247)	(208)
Income from unquoted foreign investments	29	53	29	53
	<u>2,373</u>	<u>490</u>	<u>7,632</u>	<u>9,008</u>

14. COMMISSION AND OTHER INCOME

	Group		Parent Company	
	2012 (RO'000)	2011 (RO'000)	2012 (RO'000)	2011 (RO'000)
Fees and commission	7,336	5,951	-	-
Foreign exchange	2,068	1,817	-	-
Other income	519	260	21	19
	<u>9,923</u>	<u>8,028</u>	<u>21</u>	<u>19</u>

15. OPERATING EXPENSES

	Group		Parent Company	
	2012 (RO'000)	2011 (RO'000)	2012 (RO'000)	2011 (RO'000)
Staff costs	9,795	8,407	680	619
Other operating expenses	4,665	4,120	152	199
Depreciation	1,092	995	82	81
Directors' sitting fees and remuneration:				
Parent company	100	18	100	18
Banking subsidiary	52	51	-	-
	<u>15,704</u>	<u>13,591</u>	<u>1,014</u>	<u>917</u>

16. CASH AND CASH EQUIVALENTS

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

	Group		Parent Company	
	<u>2012</u> (RO'000)	<u>2011</u> (RO'000)	<u>2012</u> (RO'000)	<u>2011</u> (RO'000)
Balances with banks and money at call	120,438	52,406	810	784
Deposits with banks (note 4)	34,533	17,930	-	-
Certificates of deposit	105,000	200,000	-	-
Due to banks	(24,955)	(18,979)	(23,425)	(17,729)
	<u>235,016</u>	<u>251,357</u>	<u>(22,615)</u>	<u>(16,945)</u>

17. 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.

18. CONTINGENT LIABILITIES

At 30 June 2012, the Group had contingent liabilities as follows:

	<u>2012</u> (RO'000)	<u>2011</u> (RO'000)
Parent Company:		
Guarantees	247	170
Banking subsidiary:		
Letters of credit	244,987	327,762
Guarantees	507,989	545,203
	<u>753,223</u>	<u>873,135</u>

Letters of credit and guarantees amounting to RO 536,498,129 (2011 – RO 666,136,878) 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	Treasury/ Retail Corporate Investment Banking Banking Banking			Unallocated RO'000		
		RO'000	RO'000	RO'000			
2012							
Net operating income	7,511	18,063	9,771	2,266	1,816	(6,113)	33,314
Segmental assets	85,719	376,406	528,729	11,838	334,730	(52,175)	1,285,247
2011							
Net operating income	8,773	13,902	8,703	1,191	2,147	(8,569)	26,147
Segmental assets	78,201	316,998	386,349	10,946	330,438	(46,078)	1,076,854

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	interests
						RO’000
2012						
Group						
Statement of income						
Interest and commission income	377	-	77	126	-	174
Interest expense	176	-	-	3	-	173
Directors’ sitting fees	152	-	100	-	-	52
Statement of financial position						
Loans and advances	43,322	250	5,265	8,666	-	29,141
Deposit from customers	4,839	6	2,528	46	-	2,259
Off Statement of financial position						
Letters of credit, guarantees and Acceptances	220,025	-	-	-	-	220,025
Parent Company						
Statement of income						
Directors’ sitting fees	100	-	100	-	-	-
Operating expense	4	-	4	-	-	-
Statement of financial position						
Bank borrowings	4,300	-	-	4,300	-	-
Bank balances	506	-	-	506	-	-
Others	-	-	-	-	-	-

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	interests
				RO'000		RO'000
2011						
Group						
Statement of income						
Interest and commission income	207	4	1	102	-	100
Interest expense	178	-	-	6	-	172
Directors' sitting fees and remuneration	69	-	18	-	-	51
Statement of financial position						
Loans and advances	29,176	-	57	7,079	-	22,040
Deposit from customers	1,242	-	582	24	-	636
Off statement of financial position						
Letters of credit, guarantees and Acceptances	219,029	-	-	-	-	219,029
Parent Company						
Statement of income						
Directors' sitting fees	18	-	18	-	-	-
Operating expense	16	-	16	-	-	-
Statement of financial position						
Bank borrowings	3,900	-	-	3,900	-	-
Bank balances	245	-	-	245	-	-
Others	7	-	-	7	-	-

- (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).

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	
	<u>2012</u> (RO'000)	<u>2011</u> (RO'000)	<u>2012</u> (RO'000)	<u>2011</u> (RO'000)
Profit for the period (RO '000)	<u>7,165</u>	<u>4,617</u>	<u>6,336</u>	<u>7,830</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>0.026</u>	<u>0.018</u>	<u>0.023</u>	<u>0.031</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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