



OMAN INTERNATIONAL DEVELOPMENT AND
INVESTMENT COMPANY SAOG

GROUP AND PARENT COMPANY UNAUDITED FINANCIAL STATEMENTS

30 JUNE 2013



**GROUP AND PARENT COMPANY UNAUDITED FINANCIAL STATEMENTS
SIX MONTH PERIOD ENDED 30 JUNE 2013**

TABLE OF CONTENTS

	<u>PAGE</u>
1. REPORT ON THE PERFORMANCE OF THE GROUP	1-2
2. STATEMENTS OF FINANCIAL POSITION	3
3. STATEMENTS OF COMPREHENSIVE INCOME	4
4. STATEMENTS OF CASHFLOWS	5
5. STATEMENTS OF CHANGES IN EQUITY	6-7
6. NOTES TO THE FINANCIAL STATEMENTS	8-24



REPORT ON THE PERFORMANCE OF THE GROUP FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

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

Group

The Group recorded a profit of RO 13.98m vs. RO 13.89m in the corresponding period in 2012. The profit attributable to the Parent Company shareholders from the Group profit is RO 7.86m compared to RO 7.17m in the six month period ended 30 June 2012. The 9.62% increase in profit attributable to the shareholders of the Parent Company is mainly due to increased contribution to Group's investment income from capital market activities during the period.

Total Shareholders' Funds attributable to the shareholders of the Parent Company stood at RO 115.37m compared to RO 102.54m at 30 June 2012 and RO 110.76m at 31 December 2012.

Parent Company

Parent Company profit for the period is RO 7.47m compared to RO 6.34m in 2012. This increase in profit is mainly attributable to better performance from capital market activities during the period. Cash dividend received from Oman Arab Bank was RO 5.91m compared to RO 6.85m in 2012.

Total assets stood at RO 79.23m, an increase of 5% compared to RO 75.49m at 30 June 2012. Shareholders' funds of the Parent Company increased to RO 56.95m (+11%) from RO 51.36m at 30 June 2012.

Oman Arab Bank

Oman Arab Bank, our banking subsidiary, reported a profit of RO 12.50m compared to RO 13.72m for the six month period ended 30 June 2012. Gross loans and advances at RO 1.05 bn increased by 13% and customers' deposits at RO 1.02 bn were up by 11% compared with 30 June 2012. The Bank's share capital and shareholders' funds stood at RO 116m and RO 185.52m respectively compared with RO 106m and RO 172.31m at 30 June 2012.



Associate companies

Associates performed well during the period. Share of profits from associates was RO 746k compared to RO 624k in 2012.

Conclusion

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

KHALID MUHAMMAD AL ZUBAIR
CHAIRMAN

August 5, 2013

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

	<u>Note</u>	GROUP		PARENT COMPANY	
		2013	2012	2013	2012
		(RO '000)	(RO '000)	(RO '000)	(RO '000)
ASSETS					
Balances with banks and money at call		77,517	120,438	1,387	810
Certificates of deposit	3	90,000	105,000	-	-
Deposits with banks	4	24,894	35,033	-	-
Investment securities	5	61,156	50,330	15,226	13,507
Investments in associates	5(e)	11,221	10,694	5,330	5,330
Investments in subsidiaries	5(f)	-	-	47,936	47,936
Loans and advances to customers	6 (a)	1,016,557	900,835	-	-
Due from subsidiaries		-	-	4,943	4,241
Other assets		41,983	32,923	432	232
Projects work in progress	7	9,866	8,962	-	-
Property and equipment		30,181	21,032	3,974	3,433
TOTAL ASSETS		1,363,375	1,285,247	79,228	75,489
LIABILITIES					
Due to banks	8	22,139	24,955	21,700	23,425
Deposit from customers		1,017,145	917,634	-	-
Subordinated bonds	9	50,000	50,000	-	-
Other liabilities		66,029	103,443	579	700
Taxation		1,768	2,230	-	-
TOTAL LIABILITIES		1,157,081	1,098,262	22,279	24,125
EQUITY					
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
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	5,310	69	4,979	125
Retained earnings		24,173	26,607	13,587	15,933
		115,371	102,535	56,949	51,364
Non - controlling interests		90,923	84,450	-	-
TOTAL EQUITY		206,294	186,985	56,949	51,364
TOTAL LIABILITIES AND EQUITY		1,363,375	1,285,247	79,228	75,489
Net assets per share (Rial Omani)	22	<u>0.377</u>	<u>0.368</u>	<u>0.186</u>	<u>0.185</u>

These financial statements were approved and authorised for release by the Board of Directors on 05th August 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
SIX MONTH PERIOD ENDED 30 JUNE 2013

	Note	GROUP		PARENT COMPANY	
		2013 (RO '000)	2012 (RO '000)	2013 (RO '000)	2012 (RO '000)
Interest income	11	25,629	24,705	-	-
Interest expense	12	(5,420)	(4,311)	(244)	(209)
Net interest income		20,209	20,394	(244)	(209)
Investment income	13	3,742	2,373	8,906	7,632
Commission and other income	14	9,062	9,923	21	21
Total income		33,013	32,690	8,683	7,444
Operating expenses	15	(16,511)	(15,704)	(879)	(1,014)
Provision for impairment of investments		(334)	(94)	(334)	(94)
Allowance for loan impairment	6(b)	(3,324)	(3,135)	-	-
Recoveries from allowance for loan impairment	6(b)	2,156	1,458	-	-
OPERATING PROFIT		15,000	15,215	7,470	6,336
Share of profit from associated companies		746	624	-	-
PROFIT BEFORE TAX		15,746	15,839	7,470	6,336
Income tax expense		(1,764)	(1,949)	-	-
PROFIT FOR THE PERIOD		13,982	13,890	7,470	6,336
Other comprehensive income / (expense):					
Changes in the fair value of investments		428	(470)	(76)	(99)
Other comprehensive income / (expense) for the period		428	(470)	(76)	(99)
Total comprehensive income for the period		14,410	13,420	7,394	6,237
Profit attributable to:					
Shareholders of the Parent Company		7,855	7,165	7,470	6,336
Non - Controlling interests		6,127	6,725	-	-
		13,982	13,890	7,470	6,336
Total comprehensive income attributable to:					
Shareholders of the Parent Company		8,035	6,876	7,394	6,237
Non - controlling interests		6,375	6,544	-	-
		14,410	13,420	7,394	6,237
Basic earnings per share on profit attributable to the shareholders of the Parent Company (Rial Omani)	21	0.026	0.026	0.024	0.023

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
SIX MONTH PERIOD ENDED 30 JUNE 2013

	<u>Note</u>	GROUP		PARENT COMPANY	
		2013	2012	2013	2012
		(RO '000)	(RO '000)	(RO '000)	(RO '000)
Cash flows from operating activities					
Profit before tax		15,746	15,839	7,470	6,336
Adjustments for:					
Depreciation		875	1,092	48	82
Provision for impairment on investments		334	94	334	94
Allowance for loan impairment		3,324	3,135	-	-
Recoveries from allowance for loan impairment		(2,156)	(1,458)	-	-
Income from investments held-to-maturity		(368)	(294)	-	-
Change in fair value of financial assets at fair value through profit or loss		(895)	(72)	(513)	189
Non – controlling interests (net)		(5,437)	(1,162)	-	-
Operating profit before changes in operating assets and liabilities		11,423	17,174	7,339	6,701
Investment securities		(3,878)	(623)	534	(578)
Loans and advances to customers		(87,811)	(76,567)	-	-
Due from subsidiaries		-	-	(272)	(616)
Other assets		(10,494)	(7,493)	159	(47)
Deposits from customers		(13,014)	8,733	-	-
Subscription for IPO		-	60,992	-	-
Other liabilities		23,620	8,663	(162)	(77)
Cash (used in) / from operations		(80,154)	10,879	7,598	5,383
Tax paid		(3,846)	(3,278)	-	-
Net cash (used in) / from operating activities		(84,000)	7,601	7,598	5,383
Cash flows from investing activities					
Investments in subsidiaries		-	-	-	(5,099)
Investments in associates		1	(1,920)	-	(1,848)
Projects work in progress		(328)	(356)	-	-
Investment in property and equipment		(5,629)	(3,888)	(375)	(297)
Net cash (used in) investing activities		(5,956)	(6,164)	(375)	(7,244)
Cash flows from financing activities					
Bank borrowings		(2,425)	4,500	(2,825)	4,900
Proceeds from issue of subordinated bond		-	50,000	-	-
Dividends paid		(3,340)	(2,530)	(3,340)	(2,530)
Net cash (used in) / from financing activities		(5,765)	51,970	(6,165)	2,370
Net increase / (decrease) in cash and cash equivalents		(95,721)	53,407	1,058	509
Cash and cash equivalents at 1 January		282,693	200,734	329	301
Cash and cash equivalents at 30 June	16	186,972	254,141	1,387	810

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
SIX MONTH PERIOD ENDED 30 JUNE 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)
GROUP											
Balance at 1 January 2012	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/(expense) 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 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
Balance at 30 June 2012	27,830	19,173	17,846	9,333	-	1,677	69	26,607	102,535	84,450	186,985
Balance at 1 January 2013	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	-	-	-	-	-	-	-	7,855	7,855	6,127	13,982
Other comprehensive income for the period	-	-	-	-	-	-	180	-	180	248	428
Total comprehensive income for the period	-	-	-	-	-	-	180	7,855	8,035	6,375	14,410
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)
Balance at 30 June 2013	30,613	20,757	17,846	9,977	5,099	1,596	5,310	24,173	115,371	90,923	206,294

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 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)
PARENT COMPANY						
Balance at 1 January 2012		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 / (expense) for the period		-	-	(99)	6,336	6,237
Increase in share capital through capitalisation of retained earnings		2,530	-	-	(2,530)	-
Dividend paid relating to 2011	17	-	-	-	(2,530)	(2,530)
Balance at 30 June 2012		27,830	7,476	125	15,933	51,364
Balance at 1 January 2013		27,830	7,770	5,055	12,240	52,895
Profit for the period		-	-	-	7,470	7,470
Other comprehensive expense for the period		-	-	(76)	-	(76)
Total comprehensive income / (expense) for the period		-	-	(76)	7,470	7,394
Increase in share capital through capitalisation of retained earnings		2,783	-	-	(2,783)	-
Dividend paid relating to 2012	17	-	-	-	(3,340)	(3,340)
Balance at 30 June 2013		30,613	7,770	4,979	13,587	56,949

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 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 the periods ranging from 28 days to 6 months and carry interest at the average rate of 0.119% (30 June 2012 – 0.070%) 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 June, 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	11,958	12,561	7,674	9,151
Available for sale investments	21,441	13,410	7,552	4,356
Held-to-maturity investments	27,757	24,359	-	-
	<u>61,156</u>	<u>50,330</u>	<u>15,226</u>	<u>13,507</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 June, 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)
Quoted investments				
Local investments				
Equity investments:				
Banking sector	1,749	766	1,299	583
Investment sector	660	140	660	140
Services sector	586	1,420	528	1,118
Industrial sector	361	301	309	268
	<u>3,356</u>	<u>2,627</u>	<u>2,796</u>	<u>2,109</u>
Mutual Funds	482	2,184	-	1,755
	<u>3,838</u>	<u>4,811</u>	<u>2,796</u>	<u>3,864</u>
Foreign investments				
Equity investments	4,878	4,951	4,878	4,951
Currency and commodity related	-	336	-	336
	<u>4,878</u>	<u>5,287</u>	<u>4,878</u>	<u>5,287</u>
Total quoted investments	<u>8,716</u>	<u>10,098</u>	<u>7,674</u>	<u>9,151</u>
Unquoted investments				
Local investments	286	515	-	-
Total financial assets designated at fair value through profit or loss	<u>9,002</u>	<u>10,613</u>	<u>7,674</u>	<u>9,151</u>

Unquoted local investments held by the banking subsidiary include investment in the Financial Settlement and Guaranteed Fund of RO 189,783 (2012 – RO 175,062) 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	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Quoted	2,956	1,948	-	-
Total financial assets at fair value through profit or loss	<u>11,958</u>	<u>12,561</u>	<u>7,674</u>	<u>9,151</u>

(b) *Available for sale investments*

	Group		Parent Company	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Local investments				
Quoted investments	12,783	8,738	-	-
Fair value reserve	340	(31)	-	-
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>18,915</u>	<u>9,557</u>	<u>5,642</u>	<u>700</u>
Foreign investments				
Quoted investments	393	-	-	-
Fair value reserve	9	-	-	-
	<u>402</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unquoted investments	5,395	6,088	5,165	5,866
Less: Provision for impairment [note 5(d)]	<u>(3,291)</u>	<u>(2,335)</u>	<u>(3,291)</u>	<u>(2,335)</u>
	2,104	3,753	1,874	3,531
Fair value reserve	20	100	36	125
	<u>2,124</u>	<u>3,853</u>	<u>1,910</u>	<u>3,656</u>
Total available for sale investments	<u>21,441</u>	<u>13,410</u>	<u>7,552</u>	<u>4,356</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	27,757	24,359	-	-
	<u>27,757</u>	<u>24,359</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 4%) 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	13,191
Between one and five years	23,757	11,168
	<u>27,757</u>	<u>24,359</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	334	94
Written off during the period	-	(148)
Balance at 30 June	<u>3,291</u>	<u>2,335</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:

	2013		2012	
	Holding (%)	Carrying value (RO'000)	Holding (%)	Carrying value (RO'000)
National Finance Company SAOG	24.22	8,081	24.22	7,628
National Biscuit Industries Ltd. SAOG	21.30	613	21.30	518
National Detergent Company SAOG	20.94	2,527	20.94	2,548
		<u>11,221</u>		<u>10,694</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 14,135,238 (2012 - RO 10,652,789).

Parent Company

At 30 June, 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 14,033,720 (2012 - RO 10,583,666).

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>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 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	1,095	909
National Finance Co. SAOG	24.22	60,687,024	10,135	8,081
National Detergent Co. SAOG	20.94	3,561,700	3,202	2,527
Oman National Dairy Products Co. Ltd SAOC	19.65	482,726	-	-
			<u>14,432</u>	<u>11,517</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	1,084	732
National Finance Co. SAOG	24.01	60,146,475	10,045	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>14,331</u>	<u>5,627</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	591,600,000	94,615
Oman Investment Services SAOC	99.98	999,800	705
Salalah Resorts SAOC	99.98	499,800	218
Budva Beach Properties d.o.o	100.00	-	5,027
<i>Others</i>			
Al Shamal Plastics LLC	21.44	200,000	172
Modern Steel Mills LLC	19.48	1,363,950	4,828
Gulf Acrylic Industries LLC	17.64	100,000	364
			<u>105,929</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	16.08	150,000	136
Modern Steel Mills LLC	19.48	1,363,950	4,828
Gulf Acrylic Industries LLC	13.23	75,000	305
			<u>53,205</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>2013</u> (RO'000)	<u>2012</u> (RO'000)
Commercial loans	534,971	425,119
Overdrafts	103,526	117,179
Personal loans	405,167	381,011
Credit cards	<u>6,036</u>	<u>6,421</u>
Gross loans and advances	1,049,700	929,730
Less: Allowance for loan impairment and reserved interest	(33,143)	(28,895)
Net loans and advances	<u>1,016,557</u>	<u>900,835</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)
2013			
Balance at 1 January	24,777	6,744	31,521
Provided during the period	3,324	1,143	4,467
Amounts written off during the period	(155)	(534)	(689)
Amounts released/recovered	<u>(1,781)</u>	<u>(375)</u>	<u>(2,156)</u>
Balance at 30 June	<u>26,165</u>	<u>6,978</u>	<u>33,143</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)
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>

- (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 26,629,647 (2012 - RO 24,690,757).

At 30 June 2013, out of the total loan impairment provision, RO 14,331,738 (2012 - RO 13,395,115) 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	411,203	387,432
Transportation	140,361	97,868
Manufacturing	115,423	101,192
Construction	91,366	73,265
Utilities	45,881	21,022
Services	44,820	49,628
Import trade	39,238	41,901
Wholesale and retail trade	37,877	23,415
Mining and quarrying	23,999	34,026
Financial institutions	18,096	16,860
Agriculture and allied activities	7,160	8,312
Export trade	326	350
Others	73,950	74,459
	<u>1,049,700</u>	<u>929,730</u>

7. PROJECTS WORK IN PROGRESS

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

	<u>2013</u> (RO'000)	<u>2012</u> (RO'000)
Salalah Resorts SAOC:		
Initial stage	1,067	1,067
Consultancy charges	<u>2,661</u>	<u>2,307</u>
	3,728	3,374
Budva Beach Properties d.o.o :		
Cost of land	5,231	5,231
Consultancy and other costs	<u>907</u>	<u>357</u>
	6,138	5,588
	<u>9,866</u>	<u>8,962</u>

8. DUE TO BANKS

At 30 June, 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	4,939	5,830	-	-
Loans and overdrafts	<u>17,200</u>	<u>19,125</u>	<u>21,700</u>	<u>23,425</u>
	<u>22,139</u>	<u>24,955</u>	<u>21,700</u>	<u>23,425</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

- (a) 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.
- (b) 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	
	<u>Holding %</u>	<u>Shares</u>	<u>Holding %</u>	<u>Shares</u>
Al Hilal Investment Co. LLC	20.22	61,902,542	20.22	56,275,040
Civil Service Employees Pension Fund	12.90	39,495,960	12.93	35,996,683
	<u>33.12</u>	<u>101,398,502</u>	<u>33.15</u>	<u>92,271,723</u>

11. INTEREST INCOME

	Group		Parent Company	
	<u>2013</u> (RO'000)	<u>2012</u> (RO'000)	<u>2013</u> (RO'000)	<u>2012</u> (RO'000)
Loans and advances to customers	25,164	24,304	-	-
Placements with banks	39	63	-	-
Certificates of deposit	58	44	-	-
Oman Government Development Bonds	<u>368</u>	<u>294</u>	<u>-</u>	<u>-</u>
	<u>25,629</u>	<u>24,705</u>	<u>-</u>	<u>-</u>

12. INTEREST EXPENSE

	Group		Parent Company	
	<u>2013</u> (RO'000)	<u>2012</u> (RO'000)	<u>2013</u> (RO'000)	<u>2012</u> (RO'000)
Parent Company:				
Bank borrowings	190	165	244	209
Banking subsidiary:				
Time deposits	4,705	3,719	-	-
Call accounts	340	245	-	-
Saving accounts	<u>185</u>	<u>182</u>	<u>-</u>	<u>-</u>
	<u>5,420</u>	<u>4,311</u>	<u>244</u>	<u>209</u>

13. INVESTMENT INCOME

	Group		Parent Company	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Dividend from investments	1,219	1,011	7,331	7,300
Quoted local investments:				
Profit on sale	942	880	376	111
Changes in fair value	643	319	261	58
Quoted foreign investments:				
Profit on sale	438	381	438	381
Changes in fair value	252	(247)	252	(247)
Unquoted foreign investments:				
Profit on sale	248	29	248	29
	<u>3,742</u>	<u>2,373</u>	<u>8,906</u>	<u>7,632</u>

14. COMMISSION AND OTHER INCOME

	Group		Parent Company	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Fees and commission	6,276	7,336	-	-
Foreign exchange	2,254	2,068	-	-
Other income	532	519	21	21
	<u>9,062</u>	<u>9,923</u>	<u>21</u>	<u>21</u>

15. OPERATING EXPENSES

	Group		Parent Company	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Staff costs	10,711	9,795	596	680
Other operating expenses	4,773	4,665	135	152
Depreciation	875	1,092	48	82
Directors' sitting fees and remuneration:				
Parent company	100	100	100	100
Banking subsidiary	52	52	-	-
	<u>16,511</u>	<u>15,704</u>	<u>879</u>	<u>1,014</u>

16. CASH AND CASH EQUIVALENTS

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

	Group		Parent Company	
	2013 (RO'000)	2012 (RO'000)	2013 (RO'000)	2012 (RO'000)
Balances with banks and money at call	77,517	120,438	1,387	810
Deposits with banks (note 4)	24,394	34,533	-	-
Certificates of deposit	90,000	105,000	-	-
Due to banks	(4,939)	(5,830)	-	-
	<u>186,972</u>	<u>254,141</u>	<u>1,387</u>	<u>810</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 June 2013, the Group had contingent liabilities as follows:

	2013 (RO'000)	2012 (RO'000)
Parent Company:		
Guarantees	-	247
Banking subsidiary:		
Letters of credit	616,423	244,987
Guarantees	497,690	507,989
	<u>1,114,113</u>	<u>753,223</u>

Letters of credit and guarantees amounting to RO 894,209,685 (2012 – RO 536,498,129) 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						
	Investments	Treasury/			Unallocated	Adjustments	Total
		Retail Banking	Corporate Banking	Investment Banking			
RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	
2013							
Net operating income	<u>8,740</u>	<u>15,975</u>	<u>11,515</u>	<u>2,373</u>	<u>1,072</u>	<u>(5,916)</u>	<u>33,759</u>
Segmental assets	<u>90,360</u>	<u>399,161</u>	<u>621,896</u>	<u>17,490</u>	<u>287,405</u>	<u>(52,937)</u>	<u>1,363,375</u>
2012							
Net operating income	<u>7,511</u>	<u>18,063</u>	<u>9,771</u>	<u>2,266</u>	<u>1,816</u>	<u>(6,113)</u>	<u>33,314</u>
Segmental assets	<u>85,719</u>	<u>376,406</u>	<u>528,729</u>	<u>11,838</u>	<u>334,730</u>	<u>(52,175)</u>	<u>1,285,247</u>

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 Management	Non- controlling interests
	RO’000	shareholders	RO’000	RO’000	RO’000	RO’000
	RO’000	RO’000	RO’000	RO’000	RO’000	RO’000
2013						
Group						
Statement of income						
Interest and commission income	196	-	5	81	-	110
Interest expense	176	-	-	-	-	176
Directors’ sitting fees	152	-	100	-	-	52
Statement of financial position						
Loans and advances	26,459	750	142	6,727	-	18,840
Deposit from customers	3,659	35	1,769	94	-	1,761
Off Statement of financial position						
Letters of credit, guarantees and Acceptances	173,060	-	-	-	-	173,060
Parent Company						
Statement of income						
Directors’ sitting fees	100	-	100	-	-	-
Operating expenses	56	-	56	-	-	-
Statement of financial position						
Bank borrowings	4,500	-	-	4,500	-	-
Bank balances	820	-	-	820	-	-

20. RELATED PARTY TRANSACTIONS (continued)

	Total	Major shareholders	Directors	Associates/ Subsidiary	Key Management	Non- controlling interests
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
2012						
Group						
Statement of income						
Interest and commission income	377	-	77	126	-	174
Interest expense	176	-	-	3	-	173
Directors' sitting fees and remuneration	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 expenses	4	-	4	-	-	-
Statement of financial position						
Bank borrowings	4,300	-	-	4,300	-	-
Bank balances	506	-	-	506	-	-

- (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>7,855</u>	<u>7,165</u>	<u>7,470</u>	<u>6,336</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>0.026</u>	<u>0.026</u>	<u>0.024</u>	<u>0.023</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>115,371</u>	<u>102,535</u>	<u>56,949</u>	<u>51,364</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>0.377</u>	<u>0.368</u>	<u>0.186</u>	<u>0.185</u>

•••