



OMAN INTERNATIONAL DEVELOPMENT AND
INVESTMENT COMPANY SAOG

GROUP AND PARENT COMPANY UNAUDITED FINANCIAL STATEMENTS

31 MARCH 2008



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THREE MONTH PERIOD ENDED 31 MARCH 2008

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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 financial statements for the period ended 31 March 2008 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. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the period presented, unless otherwise stated. These principal accounting policies are applicable to both the consolidated and separate financial statements unless otherwise stated in the respective accounting policy notes.

2.2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the minimum requirements of the Commercial Companies Law of 1974, as amended, and the disclosure requirements of the Capital Market Authority.

These financial statements are prepared under the historical cost convention, as modified by the revaluation to fair value of investment securities and financial assets and financial liabilities at fair value through profit or loss. Available for sale financial assets are carried at fair value and changes in the fair value of available for sale financial assets are recognised in equity.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements, are disclosed in note 3.

2.3.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3.1 Subsidiaries (continued)**

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

In the Parent Company's separate financial statements investments in subsidiaries are stated at cost, less provision for impairment in value of any individual investment. Dividend income is recognised in the income statement in the period in which entitlement is established.

2.3.2 Transactions and minority interest

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the statement of income. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.3.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of income, and its share of post-acquisition movements in reserves is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Parent Company's separate financial statements investments in associates are stated at cost, less provision for impairment in value of any individual investment. Dividend income is recognised in the income statement in the period in which entitlement is established.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 *Financial assets*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available for sale, loans and advances and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

2.4.1 *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as 'held-for-trading' unless they are designated as hedges.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost;
- certain investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit or loss; and
- financial instruments, such as debt securities held, containing one or more embedded derivatives that significantly modify the cash flows, are designated at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs relating to financial assets carried at fair value through profit or loss are expensed in the income statement. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss category are presented in the income statement in the period in which they arise.

The fair value of quoted investments is based on current market prices.

2.4.2 *Available for sale investments*

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of other categories. Available for sale financial assets are initially recognised at fair value including transaction costs. Available for sale financial assets are subsequently carried at fair value. Changes in the fair value of available for sale financial assets are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value changes recognised in equity are included in the income statement as 'gains and losses from investment securities'.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 *Financial assets (continued)*

2.4.2 *Available for sale investments (continued)*

Fair value of unquoted investments cannot be determined without extensive, subjective, judgemental and possibly speculative estimates by the Group. Such investments are measured at cost less estimated impairment losses.

2.4.3 *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. Held to maturity investments are initially recognised at fair value plus transaction cost. These are subsequently carried at amortised cost using the effective interest method.

2.4.4 *Loans and advances*

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money directly to a debtor with no intention of trading the receivable. Loans and receivables are initially recognised at fair value when cash is advanced to customers and are subsequently carried at amortised cost using the effective interest method.

2.4.5 *Derecognition*

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.4.6 *Impairment and uncollectability of financial assets, loans and receivables*

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the Income statement.

A financial asset or a group of financial assets is impaired and an impairment loss is incurred if, and only if, there is evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4.6 Impairment and uncollectability of financial assets, loans and receivables**

- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; and
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group, or national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and advances or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4.6 *Impairment and uncollectability of financial assets, loans and receivables***

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the Income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

The recoverable amount of the Group's investment in held-to-maturity securities and receivables is calculated as the present value of expected future cashflows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

2.5 *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities up to six months or less and bank overdrafts. Bank overdrafts are shown within borrowings on the balance sheet.

2.6 *Provisions*

Provisions are recognised when the Group and the Parent Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.7 Revenue recognition**

Interest income is recognised on a time-proportion basis using the effective interest method unless collectability is in doubt. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument. Investment income includes gains and losses arising from disposals and changes in fair value of financial assets at fair value through profit or loss. Dividend income is recognised when the right to receive payment is established. Commission and fees are credited to income at the time of effecting the transaction.

2.8 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and the Parent Company and accordingly are shown as off-balance sheet items in these financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and the Parent Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Impairment of financial assets at fair value through profit or loss

The Group and the Parent Company follows the guidance of IAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group and the Parent Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Fair value of unquoted financial assets at fair value through profit or loss

The Group assesses fair values of unquoted investments and estimates impairment by reference to external reports received from external sources. Fair values of unquoted investments cannot be determined without extensive, subjective, judgemental and possibly speculative estimates by the Group. Such investments are measured at cost less estimated impairment losses.

(d) Income taxes

There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Parent Company recognise liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Held-to-maturity investments

The Group follows the guidance in International Accounting Standards (IAS) 39: Financial instruments – Recognition and measurement, on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value and not at amortised cost.

4. CERTIFICATES OF DEPOSIT

Certificates of deposit held are issued by the Government of Sultanate of Oman and carry interest at the average rate of 0.99% (2007 - 3.61%).

5. DEPOSITS WITH BANKS

Deposits with banks include RO 935,000 (2007 - RO 935,000) being a capital deposit and an insurance deposit with the Central Bank of Oman in terms of regulations applicable to the banking subsidiary which earn interest at 1.5% (2007 – 2%) per annum. These deposits cannot be withdrawn without prior written approval of the Central Bank of Oman.

6. INVESTMENT SECURITIES

As at the balance sheet date, investment securities comprised the following:

	Group		Parent Company	
	2008	2007	2008	2007
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Financial assets at fair value through profit or loss	25,826	20,570	18,368	14,870
Available for sale investments	3,437	5,901	2,956	5,419
Held-to-maturity investments	26,270	10,832	1,000	-
	<u>55,533</u>	<u>37,303</u>	<u>22,324</u>	<u>20,289</u>

6. 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*

As at the balance sheet date, financial assets designated as at fair value through profit or loss comprised the following:

	Group		Parent Company	
	2008	2007	2008	2007
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Quoted investments				
Local investments				
Banking sector	3,195	2,214	2,875	2,031
Investment sector	216	477	210	477
Services sector	4,811	2,647	4,096	2,204
Industrial sector	2,955	1,927	2,627	1,876
	<u>11,177</u>	<u>7,265</u>	<u>9,808</u>	<u>6,588</u>
Foreign investments				
Equity and equity related	6,943	6,304	6,943	6,304
Currency and commodity related	1,617	1,978	1,617	1,978
	<u>8,560</u>	<u>8,282</u>	<u>8,560</u>	<u>8,282</u>
Total financial assets designated at fair value through profit or loss	<u>19,737</u>	<u>15,547</u>	<u>18,368</u>	<u>14,870</u>

(ii) *Financial assets held for trading*

	Group		Parent Company	
	2008	2007	2008	2007
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Quoted	6,000	4,766	-	-
Unquoted	89	257	-	-
Financial assets held for trading	<u>6,089</u>	<u>5,023</u>	<u>-</u>	<u>-</u>
Total financial assets at fair value through profit or loss	<u>25,826</u>	<u>20,570</u>	<u>18,368</u>	<u>14,870</u>

6. INVESTMENT SECURITIES (continued)

(b) Available for sale investments

	Group		Parent Company	
	2008	2007	2008	2007
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Unquoted investments				
Local investments	1,181	1,182	700	700
Foreign investments	4,984	7,452	4,984	7,452
Less: Provision for impairment [note 7(g)]	(2,728)	(2733)	(2,728)	(2733)
	2,256	4,719	2,256	4,719
Total available-for-sale investments	3,437	5,901	2,956	5,419

These investments were stated at fair value through profit or loss in prior period financial statements. These investments have been classified by management as available for sale investments since inception and reported correctly in the current period. The prior period amounts have been reclassified accordingly. This change did not have any impact on the reported results and equity of prior periods, due to the variability in the estimates of these investments' fair value; since such investments were carried at the lower of cost and recoverable amount.

Unquoted local investments held by the Group include investment in the Financial Settlement and Guaranteed Fund of RO 147,593 (2007 – RO 135,000) which is not recoverable until the date the banking subsidiary ceases its brokerage activities or the fund is liquidated, whichever is earlier.

(c) Held-to-maturity investments

	Group		Parent Company	
	2008	2007	2008	2007
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Certificates of deposit	11,000	-	1,000	-
Oman Government Development Bonds				
- held by the banking subsidiary	15,270	10,832	-	-
	26,270	10,832	1,000	-

6. INVESTMENT SECURITIES (continued)

(c) *Held-to-maturity investments (continued)*

Certificates of deposits held by the Group and the Parent Company are issued by a commercial bank regulated by Central Bank of Oman and carry an interest rate of 5.25% per annum. Certificates of deposits mature two years from date of issue.

All the bonds are denominated in Rial Omani and are issued by the Government of Oman. They carry interest rates varying between 4% to 5.25% (2007 4% to 4.5%) per annum. The maturity profile of the bonds, based on the remaining period to maturity from the balance sheet date, is as follows:

	2008 (RO'000)	2007 (RO'000)
Within one year	4,050	2,562
Between one and five years	11,220	8,270
	<u>15,270</u>	<u>10,832</u>

(d) *Investments in associates*

Group

As at the balance sheet date, investments in associates represented holdings in the following companies registered in the Sultanate of Oman:

	2008		2007	
	Holding (%)	Carrying value (RO'000)	Holding (%)	Carrying value (RO'000)
Muscat Finance Company SAOG	22.85	3,053	22.85	2,904
National Finance Company SAOG	21.56	2,738	21.56	2,364
National Biscuit Industries SAOG	21.30	370	21.30	362
National Detergent Company SAOG	20.94	1,688	20.94	1,008
		<u>7,849</u>		<u>6,638</u>

All the Group's associated companies' shares are listed on the Muscat Securities Market (MSM). The market value of investments in associated companies as of the balance sheet date amounted to RO 11,832,832 (2007 - RO 7,995,838).

6. INVESTMENTS IN SECURITIES (continued)

Parent Company

As at the balance sheet date, investments in associates represented holdings by the Parent Company in the following companies registered in the Sultanate of Oman:

	2008		2007	
	Holding (%)	Cost (RO'000)	Holding (%)	Cost (RO'000)
Muscat Finance Company SAOG	22.78	1,220	22.78	1,220
National Finance Company SAOG	21.28	1,223	21.28	1,223
National Biscuit Industries SAOG	21.00	435	21.00	435
National Detergent Company SAOG	20.94	713	20.94	713
		<u>3,591</u>		<u>3,591</u>

All the Parent Company's associated companies' shares are listed on the Muscat Securities Market (MSM). The market value of investments in associated companies as of the balance sheet date amounted to RO 11,756,636 (2007 - RO 7,936,824).

(e) *Investments in subsidiaries*

As at the balance sheet date, investments in subsidiaries incorporated in the Sultanate of Oman are:

	2008		2007	
	Cost (RO'000)	Holding %	Cost (RO'000)	Holding %
<u>Group</u>				
Oman Arab Bank SAOC (Principal activity: Banking)	19,402	51.00	15,832	51.00
Oman Investment Services SAOC (Principal activity: Investments)	903	99.98	903	99.98
	<u>20,305</u>		<u>16,735</u>	
<u>Parent Company</u>				
Oman Arab Bank SAOC (Principal activity: Banking)	19,376	50.99	15,807	50.99
Oman Investment Services SAOC (Principal activity: Investments)	903	99.98	903	99.98
	<u>20,279</u>		<u>16,710</u>	

During the period, Parent Company subscribed to its share (50.99%) of the rights issue of RO 3.6 million (2007 RO 1.5 million) by the banking subsidiary.

6. INVESTMENTS IN SECURITIES (continued)

(f) Details of significant investments

As at balance sheet date, 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</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	789	584
Muscat Finance Co. Ltd SAOG	22.96	20,836,112	5,563	3,080
National Finance Co. SAOG	21.56	1,952,237	3,936	2,738
National Detergent Co. SAOG	20.94	356,170	1,785	1,688
Oman National Dairy Products Co. Ltd SAOG	19.65	482,726	-	-
			<u>12,073</u>	<u>8,090</u>

As at balance sheet date, 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:

Quoted securities

	<u>Holding</u> %	<u>Number of</u> <u>shares</u>	<u>Fair</u> <u>value</u> (RO'000)	<u>Carrying</u> <u>value</u> (RO'000)
<u>Parent Company</u>				
National Biscuit Industries Ltd SAOG	28.92	289,197	781	649
Muscat Finance Co. Ltd SAOG	22.78	20,669,837	5,519	1,220
National Finance Co. SAOG	21.28	1,927,237	3,885	1,223
National Detergent Co. SAOG	20.94	356,170	1,785	713
Oman National Dairy Products Co. Ltd SAOG	19.65	482,726	-	-
			<u>11,970</u>	<u>3,805</u>

6. INVESTMENTS IN SECURITIES (continued)

(f) Details of significant investments (continued)

Unquoted securities

	<u>Holding</u> %	<u>Number of</u> <u>shares</u>	<u>Carrying</u> <u>value</u> (RO'000)
<u>Group</u>			
<i>Subsidiaries</i>			
Oman Arab Bank SAOC	51.00	30,600,000	47,380
Oman Investment Services SAOC	99.98	999,800	1,464
<i>Others</i>			
Al Shamal Plastics LLC	21.44	200,000	11
Modern Steel Mills LLC	19.49	250,800	251
Gulf Acrylic Industries LLC	17.64	100,000	148
Muscat Depository & Securities Registration Company SAOC	12.13	121,294	124
			<u>49,378</u>
<u>Parent Company</u>			
<i>Subsidiaries</i>			
Oman Arab Bank SAOC	50.99	30,594,000	19,376
Oman Investment Services SAOC	99.98	999,800	903
<i>Others</i>			
Al Shamal Plastics LLC	16.00	150,000	-
Modern Steel Mills LLC	19.49	250,800	251
Gulf Acrylic Industries LLC	13.23	75,000	75
Muscat Depository & Securities Registration Company SAOC	12.13	121,294	124
			<u>20,729</u>

(g) Movement in provision for impairment of investments

	<u>Group and Parent Company</u>	
	<u>Unquoted foreign investments</u>	
	<u>2008</u>	<u>2007</u>
	(RO'000)	(RO'000)
Balance at 1 January	2,728	2,800
Written off during the period	-	(67)
Balance at 31 March	<u>2,728</u>	<u>2,733</u>

6. INVESTMENTS IN SECURITIES (continued)

(h) *Provision for impairment of an investment*

The Group holds 482,726 equity shares in Oman National Dairy Products Company SAOG ('ONDP').

In its unaudited financial statements for the quarter ended 31 March 2008, ONDP has disclosed receipt of insurance monies against its claim for impairment of its entire fixed assets (excluding land) due to the cyclone in 2007. Furthermore, ONDP has indicated a range of valuations for its land.

The unaudited financial statements at 31 March 2008 has reported negative shareholders funds of RO 4.5m.

On a prudent basis, considering the uncertainties surrounding the potential value of our investment in ONDP and as the shares have not been actively traded, the impairment provision of RO 785,527 charged to income statement in 2006 has been retained. This position will be reviewed as more information becomes available in establishing a fair value of our investment in ONDP.

7. LOANS AND ADVANCES TO CUSTOMERS

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

	<u>2008</u> (RO'000)	<u>2007</u> (RO'000)
Commercial loans	225,854	169,940
Overdrafts	83,749	83,037
Personal loans	134,988	112,217
Credit cards	3,366	2,901
Gross loans and advances	447,957	368,095
Less: allowance for loan impairment and reserved interest	(17,880)	(18,689)
Net loans and advances	<u>430,077</u>	<u>349,406</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 loan impairment</u> (RO 000)	<u>Reserved interest</u> (RO 000)	<u>Total</u> (RO 000)
2008			
Balance at 1 January	13,734	6,040	19,774
Provided during the period	502	117	619
Amounts written off during the period	(331)	(51)	(382)
Amounts released/recovered	(1,755)	(376)	(2,131)
Balance at 31 March	<u>12,150</u>	<u>5,730</u>	<u>17,880</u>

7. LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	Allowance for loan impairment	Reserved interest	Total
	(RO 000)	(RO 000)	(RO 000)
2007			
Balance at 1 January	13,002	5,629	18,631
Provided during the period	392	141	533
Amounts written off during the period	(108)	(58)	(166)
Amounts released/recovered	(301)	(8)	(309)
Balance at 31 March	<u>12,985</u>	<u>5,704</u>	<u>18,689</u>

- (c) At 31 March 2008 loans and advances on which contractual interest was not recognised or has not been accrued amounted to RO 14,121,915 (2007 - RO 16,742,494).

At 31 March 2008, out of the total loan impairment provision, RO 5,555,185 (2007 - RO 4,655,030) 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>2008</u>	<u>2007</u>
	(RO'000)	(RO'000)
Personal and consumer loans	138,354	115,118
Manufacturing	80,794	59,009
Construction	57,518	42,169
Services	36,013	29,686
Wholesale and retail trade	28,056	22,128
Mining and quarrying	23,182	12,176
Import trade	11,287	8,399
Financial institutions	7,749	2,583
Utilities	7,288	20,812
Agriculture and allied activities	6,728	7,957
Transportation	5,720	6,945
Government	2,216	2,257
Export trade	594	253
Others	42,458	38,603
	<u>447,957</u>	<u>368,095</u>

8. BANK BORROWINGS

- (a) As at the balance sheet date, bank borrowings are as follows :

	Group		Parent Company	
	2008 (RO'000)	2007 (RO'000)	2008 (RO'000)	2007 (RO'000)
Loans and overdrafts	<u>10,469</u>	<u>9,850</u>	<u>10,969</u>	<u>12,350</u>

Bank borrowings bear interest at rates between 3.36% and 5.54% per annum (2007 – between 5.00% and 6.67%).

Borrowings from Oman Arab Bank SAOC, the Group's banking subsidiary, amounting to RO 0.5 million (2007 – RO 2.5 million) have been set off against loans and advances to customers in the Group balance sheet.

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

	Group		Parent Company	
	2008 (RO'000)	2007 (RO'000)	2008 (RO'000)	2007 (RO'000)
Due within:				
One year	10,469	6,000	10,969	8,500
More than one year	-	3,850	-	3,850
	<u>10,469</u>	<u>9,850</u>	<u>10,969</u>	<u>12,350</u>

9. SHARE CAPITAL

- (a) The authorised share capital of the Parent Company is 300,000,000 (2007 – 300,000,000) shares of 100 baisa each. 180,000,000 shares of 100 baisa each have been issued and fully paid.
- (b) Bonus shares of 30,000,000 shares were issued at 100 baisa per share during the period after approval at the Annual General Meeting held on 29 March 2008 by transferring RO 3,000,000 from retained profits to share capital.
- (c) Shareholders of the Parent Company who own 10% or more of the Company's shares, whether in their name or through a nominee account, and the number of shares they hold are as follows:

	2008		2007	
	Holding %	Shares	Holding %	Shares
Al Hilal Investment Co. LLC	20.09	36,157,764	20.22	30,331,470
Civil Service Employees Pension Fund	12.32	22,173,049	9.74	14,606,294
	<u>32.41</u>	<u>58,330,813</u>	<u>29.96</u>	<u>44,937,764</u>

10. INTEREST INCOME

	Group		Parent Company	
	2008	2007	2008	2007
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Loans and advances to customers	7,502	6,330	-	-
Placements with banks and other money market	503	1,132	-	-
Certificates of deposit	691	757	-	-
Oman Government Development Bonds	170	79	-	-
	<u>8,866</u>	<u>8,298</u>	<u>-</u>	<u>-</u>

11. INTEREST EXPENSE

	Group		Parent Company	
	2008	2007	2008	2007
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Parent Company:				
Bank borrowings	123	151	137	191
Banking subsidiary:				
Time deposits	1,997	2,099	-	-
Government deposits & Call accounts	222	213	-	-
Bank borrowings	16	438	-	-
Saving accounts	79	56	-	-
	<u>2,437</u>	<u>2,957</u>	<u>137</u>	<u>191</u>

12. INVESTMENT INCOME

	Group		Parent Company	
	2008	2007	2008	2007
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Profit on sale of local investments	1,078	164	342	168
Dividend income from local investments	434	372	5,859	4,448
Profit on sale of unquoted foreign investments	28	140	28	140
Change in fair value of foreign investments	(743)	183	(743)	183
Change in fair value of local investments	161	240	586	200
Income from certificate of deposit	13	-	13	-
	<u>971</u>	<u>1,099</u>	<u>6,085</u>	<u>5,139</u>

13. COMMISSION AND OTHER INCOME

	Group		Parent Company	
	2008	2007	2008	2007
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Fees and commission	2,653	1,718	34	24
Foreign exchange	923	552	-	-
Other income	325	460	24	19
	<u>3,901</u>	<u>2,730</u>	<u>58</u>	<u>43</u>

14. OTHER OPERATING EXPENSES

	Group		Parent Company	
	2008	2007	2008	2007
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Staff cost	2,854	2,275	116	95
Other operating expenses	1,252	1,126	129	57
Depreciation	360	364	11	12
Directors' sitting fees and remuneration				
Parent company	14	9	14	9
Banking subsidiary	13	10	-	-
	<u>4,493</u>	<u>3,784</u>	<u>270</u>	<u>173</u>

15. CASH AND CASH EQUIVALENTS

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

	Group		Parent Company	
	2008	2007	2008	2007
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Balances with banks and money at call	71,062	21,347	3,733	1,410
Deposits with banks (note 6)	20,605	106,578	-	33
Certificates of deposit	191,000	101,000	-	-
Bank borrowings	(10,469)	(9,850)	(10,969)	(12,350)
	<u>272,198</u>	<u>219,075</u>	<u>(7,236)</u>	<u>(10,907)</u>

16. DIVIDENDS PER SHARE

At the Annual General Meeting, held on Saturday, 29 March 2008, a cash dividend in respect of year ended 31 December 2007 of RO 0.030 per share (2006 – RO 0.015 per share) amounting to a total of RO 4,500,000 (2007 – RO 2,250,000) has been approved. Following this, the dividend is accounted for in shareholders' changes in equity as an appropriation of retained profits in the period.

Banking subsidiary

Dividends relating to the banking subsidiary for the year ended 31 December 2007 were approved at the Annual General Meeting held in March 2008 and the amount relating to minority interest amounted to RO 4,704,000. Dividends relating to the banking subsidiary for the year 2006 were approved at the Annual General Meeting held in March 2007 and the amount relating to minority interests was RO 3,724,000.

17. CONTINGENT LIABILITIES

At 31 March 2008, the Group had contingent liabilities as follows:

	<u>2008</u> (RO'000)	<u>2007</u> (RO'000)
Parent Company:		
Guarantees	204	102
Banking subsidiary:		
Letters of credit	310,549	297,809
Guarantees	340,685	237,465
Other commitments	15,883	13,829
	<u>667,321</u>	<u>549,205</u>

Letters of credit and guarantees amounting to RO 485,508,770 (2007 – RO 392,094,421) and relating to banking subsidiary were counter guaranteed by other banks.

18. RELATED PARTY TRANSACTIONS

(a) These represent transactions with related parties defined in International Accounting Standard 24 – Related Party Disclosures. Pricing policies and the terms of the transactions are approved by the Parent Company's and subsidiaries' respective Boards of Directors.

(b) Parent Company

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 statement of income and balance sheet are as follows:

	<u>2008</u> (RO'000)	<u>2007</u> (RO'000)
Income statement		
Brokerage fees paid to banking subsidiary	12	3
Directors' sitting fees and remuneration (note 14)	<u>14</u>	<u>9</u>

18. RELATED PARTY TRANSACTIONS (continued)

(c) Banking subsidiary

The banking subsidiary accepts deposits from its directors and other related concerns including its affiliate banks. It provides loans and advances, and other banking services to these parties. These transactions are entered into in the normal course of its business, on an arm's length basis at open market prices. All loans and advances to related parties are performing advances and are free of any provision for possible credit losses. Transactions and balances with related parties of the banking subsidiary, included in the statement of income, balance sheet and off balance sheet are as follows:

	<u>2008</u> (RO'000)	<u>2007</u> (RO'000)
Income statement		
Interest and commission income	151	226
Interest expense	35	-
Loss on sale of a property	-	236
Directors' sitting fees and remuneration (note 14)	<u>13</u>	<u>10</u>
Balance sheet		
Loans and advances	20,443	20,819
Current, deposit and other accounts	16,541	3,749
Current, deposit and other accounts	<u>-</u>	<u>250</u>
Off balance sheet		
Letters of credit, guarantees and acceptances	<u>174,903</u>	<u>119,779</u>

- (d) 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 (2007 - US\$ 75,000), equivalent to RO 28,850 (2007 - RO 28,850).

19. COMPARATIVE FIGURES

Certain of the prior comparative amounts have been reclassified to conform with the presentation adopted in the current period.

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