

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 2009 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 2008, except as noted below.

During the period, the Group has adopted the following standards effective for the annual periods beginning on or after 1 January 2009.

IAS 1 'Presentation of Financial Statements' (Revised):

The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (i.e. owner changes in income) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in a performance statement (consolidated statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

IFRS 8 'Operating segments':

The new standard which replaced IAS 14 'Segment reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision - maker.

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 0.13% (2008 – 0.96%).

4. DEPOSITS WITH BANKS

Deposits with banks include RO 935,000 (2008 - 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% (2008 – 1.5%) per annum. 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	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Financial assets at fair value through profit or loss	15,136	27,206	11,771	20,175
Available for sale investments	8,054	3,569	2,814	2,750
Held-to-maturity investments	19,848	26,270	1,000	1,000
	<u>43,038</u>	<u>57,045</u>	<u>15,585</u>	<u>23,925</u>

(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	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Quoted investments				
Local investments				
Banking sector	596	3,337	591	3,039
Investment sector	255	412	255	412
Services sector	2,650	5,984	2,605	5,106
Industrial sector	1,091	4,713	1,091	4,321
	<u>4,592</u>	<u>14,446</u>	<u>4,542</u>	<u>12,878</u>
Foreign investments				
Equity and equity related	6,386	5,748	6,386	5,748
Currency and commodity related	843	1,549	843	1,549
	<u>7,229</u>	<u>7,297</u>	<u>7,229</u>	<u>7,297</u>
Total financial assets designated at fair value through profit or loss	<u>11,821</u>	<u>21,743</u>	<u>11,771</u>	<u>20,175</u>

5. INVESTMENT SECURITIES (continued)

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

(ii) *Financial assets held for trading*

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Quoted	3,180	5,134	-	-
Unquoted	135	329	-	-
Financial assets held for trading	3,315	5,463	-	-
Total financial assets at fair value through profit or loss	15,136	27,206	11,771	20,175

(b) *Available for sale investments*

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Local investments				
Investment Stabilization Fund	4,223	-	-	-
Unquoted investments	1,188	1,181	700	700
Fair value reserve	233	-	-	-
	5,644	1,181	700	700
Foreign investments				
Unquoted investments	4,217	4,879	4,186	4,878
Less: Provision for impairment [note 5(g)]	(2,472)	(2,828)	(2,472)	(2,828)
	1,745	2,051	1,714	2,050
Fair value reserve	400	-	400	-
	2,145	2,051	2,114	2,050
Quoted investments	130	165	-	-
Fair value reserve	135	172	-	-
	2,410	2,388	2,114	2,050
Total available for sale investments	8,054	3,569	2,814	2,750

5. INVESTMENT SECURITIES (continued)

(b) Available for sale investments (continued)

Unquoted local investments held by the Group include investment in the Financial Settlement and Guaranteed Fund of RO 157,621 (2008 – RO 147,593) 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	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Certificates of deposits	11,000	11,000	1,000	1,000
Oman Government Development Bonds				
- held by the banking subsidiary	8,848	15,270	-	-
	<u>19,848</u>	<u>26,270</u>	<u>1,000</u>	<u>1,000</u>

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 within one year.

Bonds are denominated in Rial Omani and are issued by the Government of Oman. They carry interest rates varying between 4% to 5.25% (2008 4% to 4.5%) per annum. The maturity profile of these bonds, based on the remaining period to maturity from the balance sheet date, is as follows:

	2009	2008
	(RO'000)	(RO'000)
Within one year	1,000	4,050
Between one and five years	7,848	11,220
	<u>8,848</u>	<u>15,270</u>

5. INVESTMENT SECURITIES (continued)

(d) *Investment in associates*

Group

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

	2009		2008	
	Holding (%)	Carrying value (RO'000)	Holding (%)	Carrying value (RO'000)
National Finance Company SAOG	24.02	4,275	21.56	2,825
National Biscuit Industries SAOG	21.30	409	21.30	375
National Detergent Company SAOG	20.94	2,380	20.94	1,704
		<u>7,064</u>		<u>4,904</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 7,346,006 (2008 - RO 6,280,834).

Parent Company

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

	2009		2008	
	Holding (%)	Cost (RO'000)	Holding (%)	Cost (RO'000)
National Finance Company SAOG	23.74	2,334	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>3,482</u>		<u>2,371</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 7,285,818 (2008 - RO 6,221,734).

5. INVESTMENT SECURITIES (continued)

(e) Investments in subsidiaries

At 30 June, investment in subsidiaries incorporated in the Sultanate of Oman are:

	2009		2008	
	Cost (RO'000)	Holding %	Cost (RO'000)	Holding %
<u>Group</u>				
Oman Arab Bank SAOC (Principal activity: Banking)	25,522	51.00	19,402	51.00
Oman Investment Services SAOC (Principal activity: Investments)	903	99.98	903	99.98
	<u>26,425</u>		<u>20,305</u>	
<u>Parent Company</u>				
Oman Arab Bank SAOC (Principal activity: Banking)	25,495	50.99	19,376	50.99
Oman Investment Services SAOC (Principal activity: Investments)	903	99.98	903	99.98
	<u>26,398</u>		<u>20,279</u>	

During the period, Parent Company subscribed to its share (50.99%) of the rights issue of RO 6.1 million (2008 - RO 3.6 million) by the banking subsidiary.

(f) 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

	Holding %	Number of shares	Fair value (RO'000)	Carrying value (RO'000)
<u>Group</u>				
National Biscuit Industries Ltd SAOG	29.22	292,197	877	646
National Finance Co. SAOG	24.02	30,288,975	4,392	4,275
National Detergent Co. SAOG	20.94	3,561,700	2,315	2,380
Oman National Dairy Products Co. Ltd SAOG	19.65	482,726	-	-
			<u>7,584</u>	<u>7,301</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:

5. INVESTMENT SECURITIES (continued)

(f) Details of significant investments (continued)

	<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	868	673
National Finance Co. SAOG	23.74	29,935,951	4,341	2,334
National Detergent Co. SAOG	20.94	3,561,700	2,315	713
Oman National Dairy Products Co. Ltd SAOG	19.65	482,726	-	-
			<u>7,524</u>	<u>3,720</u>

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	38,250,000	58,740
Oman Investment Services SAOC	99.98	999,800	632
<i>Others</i>			
Al Shamal Plastics LLC	21.44	200,000	44
Modern Steel Mills LLC	19.48	584,400	251
Gulf Acrylic Industries LLC	17.64	100,000	111
Muscat Depository & Securities Registration Company SAOC	12.13	121,294	124
			<u>59,902</u>
<u>Parent Company</u>			
<i>Subsidiaries</i>			
Oman Arab Bank SAOC	50.99	38,242,500	25,495
Oman Investment Services SAOC	99.98	999,800	903
<i>Others</i>			
Al Shamal Plastics LLC	16.08	150,000	-
Modern Steel Mills LLC	19.48	584,400	251
Gulf Acrylic Industries LLC	13.23	75,000	75
Muscat Depository & Securities Registration Company SAOC	12.13	121,294	124
			<u>26,848</u>

5. INVESTMENT SECURITIES (continued)

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

	Group and Parent Company	
	Unquoted foreign investments	
	2009	2008
	(RO'000)	(RO'000)
Balance at 1 January	2,841	2,728
Provided during the period	-	100
Release from provision for impairment of investments	(6)	-
Written off during the period	(363)	-
Balance at 30 June	<u>2,472</u>	<u>2,828</u>

6. LOANS AND ADVANCES TO CUSTOMERS

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

	2009	2008
	(RO'000)	(RO'000)
Commercial loans	283,047	256,637
Overdrafts	91,767	85,599
Personal loans	183,815	152,588
Credit cards	3,925	3,546
Gross loans and advances	<u>562,554</u>	<u>498,370</u>
Less: allowance for loan impairment and reserved interest	(15,922)	(14,125)
Net loans and advances	<u>546,632</u>	<u>484,245</u>

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

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

	Allowance for loan impairment	Reserved interest	Total
	(RO 000)	(RO 000)	(RO 000)
2009			
Balance at 1 January	11,988	2,995	14,983
Provided during the period	1,198	614	1,812
Amounts written off during the period	(84)	(46)	(130)
Amounts released/recovered	(566)	(177)	(743)
Balance at 30 June	<u>12,536</u>	<u>3,386</u>	<u>15,922</u>

6. 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)
2008			
Balance at 1 January	13,734	6,040	19,774
Provided during the period	1,773	249	2,022
Amounts written off during the period	(1,593)	(1,671)	(3,264)
Amounts released/recovered	(3,313)	(1,094)	(4,407)
Balance at 30 June	<u>10,601</u>	<u>3,524</u>	<u>14,125</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 9,307,301 (2008 - RO 9,268,897).

At 30 June 2009, out of the total loan impairment provision, RO 7,559,139 (2008 - RO 5,982,992) 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:

	2009 (RO'000)	2008 (RO'000)
Personal and consumer loans	187,740	156,134
Construction	60,345	64,817
Manufacturing	57,093	109,797
Services	56,416	47,933
Wholesale and retail trade	55,994	30,686
Mining and quarrying	45,429	32,576
Import trade	16,757	12,304
Transportation	10,438	5,928
Utilities	10,293	5,591
Agriculture and allied activities	9,864	6,512
Financial institutions	8,956	7,638
Government	759	1,640
Export trade	168	559
Others	42,302	16,254
	<u>562,554</u>	<u>498,369</u>

7. BANK BORROWINGS

- (a) At 30 June, bank borrowings are as follows :

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Loans and overdrafts	<u>7,850</u>	<u>9,699</u>	<u>9,450</u>	<u>10,699</u>

Bank borrowings bear interest at rates between 3.59% and 6.50% per annum (2008 – between 3.71% and 4.00%).

Borrowings from Oman Arab Bank SAOC, the Group's banking subsidiary, amounting to RO 1.6 million (2008 – RO 1 million) have been set off against loans and advances to customers in the Group statement of financial position.

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

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Due within:				
One year	<u>7,850</u>	<u>9,699</u>	<u>9,450</u>	<u>10,699</u>

8. SHARE CAPITAL

- (a) The authorised share capital of the Parent Company is 300,000,000 (2008 – 300,000,000) shares of 100 baisa each. 200,000,000 (2008 – 180,000,000) shares of 100 baisa each have been issued and fully paid.
- (b) Bonus shares of 20,000,000 shares were issued at 100 baisa per share during the period after approval at the Annual General Meeting of the shareholders of the Parent company held on 31 March 2009 by transferring RO 2,000,000 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:

	2009		2008	
	Holding %	Shares	Holding %	Shares
Al Hilal Investment Co. LLC	20.09	40,175,290	20.09	36,157,764
Civil Service Employees Pension Fund	12.62	25,232,446	11.44	20,592,273
	<u>32.71</u>	<u>65,407,736</u>	<u>31.53</u>	<u>56,750,037</u>

9. INTEREST INCOME

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Loans and advances to customers	18,599	15,377	-	-
Placements with banks	379	831	-	-
Certificates of deposit	123	1,236	26	35
Oman Government Development Bonds	224	338	-	-
	<u>19,325</u>	<u>17,782</u>	<u>26</u>	<u>35</u>

10. INTEREST EXPENSE

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Parent Company:				
Bank borrowings	116	223	160	254
Banking subsidiary:				
Time deposits	3,208	3,566	-	-
Call accounts	408	403	-	-
Saving accounts	330	145	-	-
Bank borrowings	5	56	-	-
	<u>4,067</u>	<u>4,393</u>	<u>160</u>	<u>254</u>

11. INVESTMENT INCOME

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
(Loss)/profit on sale of local investments	(404)	3,028	(285)	1,779
Change in fair value of local investments	(21)	1,929	(92)	1,918
Change in fair value of foreign investments	604	(1,099)	604	(1,099)
Dividend income from investments	867	526	11,232	5,941
Income from unquoted foreign investments	11	159	11	159
	<u>1,057</u>	<u>4,543</u>	<u>11,470</u>	<u>8,698</u>

12. COMMISSION AND OTHER INCOME

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Fees and commission	6,179	5,947	37	38
Foreign exchange	1,932	1,875	-	-
Other income	416	900	43	42
	<u>8,527</u>	<u>8,722</u>	<u>80</u>	<u>80</u>

13. OTHER OPERATING EXPENSES

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Staff costs	6,603	5,760	571	243
Other operating expenses	3,221	2,896	267	232
Depreciation	827	690	37	21
Directors' sitting fees and remuneration				
Parent company	21	22	21	22
Banking subsidiary	30	26	-	-
	<u>10,702</u>	<u>9,394</u>	<u>896</u>	<u>518</u>

14. CASH AND SHORT TERM FUNDS

Cash and short term funds included in the statement of cash flow comprise the following:

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Balances with banks and money at call	93,028	19,150	345	4,087
Deposits with banks (note 4)	15,289	11,829	-	3,000
Certificates of deposit	55,000	274,000	-	-
Bank borrowings	(7,850)	(9,699)	(9,450)	(10,699)
Due to banks (included under current Deposit and other accounts)	(13,197)	(59,242)	-	-
	<u>142,270</u>	<u>236,038</u>	<u>(9,105)</u>	<u>(3,612)</u>

15. DIVIDENDS PER SHARE

At the Annual General Meeting, held on Tuesday, 31 March 2009 (2008 – Saturday, 29 March 2008), a cash dividend of RO 0.010 per share (2008 – RO 0.030 per share) amounting to a total of RO 1,800,000 (2008 – RO 4,500,000) and a stock dividend of RO 0.011 per share (2008 – RO 0.020) amounting RO 2,000,000 (2008 – RO 3,000,000) in respect of year ended 31 December 2008 was 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 2008 were approved at the Annual General Meeting held in Feb 2009 and the amount relating to non-controlling interests amounted to RO 9,800,000. Dividends relating to the banking subsidiary for the year 2007 were approved at the Annual General Meeting held in March 2008 and the amount relating to non-controlling interests was RO 4,704,000.

16. CONTINGENT LIABILITIES

At 30 June 2009, the Group had contingent liabilities as follows:

	<u>2009</u> (RO'000)	<u>2008</u> (RO'000)
Parent Company:		
Guarantees	111	204
Banking subsidiary:		
Letters of credit	153,643	404,622
Guarantees	432,352	371,801
Other commitments	16,566	23,093
	<u>602,672</u>	<u>799,720</u>

Letters of credit and guarantees amounting to RO 422,783,552 (2008 – RO 597,075,757) and relating to banking subsidiary were counter guaranteed by other banks.

17. SEGMENTAL INFORMATION

The Group is organised into two main business segments:

- 1) Banking Segment – incorporating corporate, retail and treasury/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 Segment (RO'000)	Investment Segment (RO'000)	Consolidation adjustments (RO'000)	Total (RO'000)
2009				
Revenue	27,970	11,614	(10,198)	29,386
Expense	(14,187)	(1,037)	-	(15,224)
Release of provision for an investment	-	6	-	6
Operating profit	<u>13,783</u>	<u>10,583</u>	<u>(10,198)</u>	<u>14,168</u>
Depreciation	<u>789</u>	<u>38</u>	<u>-</u>	<u>827</u>
Impairment charges (net)	<u>455</u>	<u>-</u>	<u>-</u>	<u>455</u>
Total Assets	<u>754,149</u>	<u>55,858</u>	<u>(26,398)</u>	<u>783,709</u>
Total Liabilities	<u>640,290</u>	<u>9,295</u>	<u>-</u>	<u>649,585</u>
2008				
Revenue	27,720	13,180	(5,145)	35,755
Expense	(10,441)	(812)	-	(11,253)
Release of provision for an investment	-	724	-	724
Operating profit	<u>17,279</u>	<u>13,092</u>	<u>(5,145)</u>	<u>25,226</u>
Depreciation	<u>669</u>	<u>21</u>	<u>-</u>	<u>690</u>
Impairment release (net)	<u>(2,634)</u>	<u>(624)</u>	<u>-</u>	<u>(3,258)</u>
Total Assets	<u>835,432</u>	<u>55,396</u>	<u>(20,279)</u>	<u>870,549</u>
Total Liabilities	<u>731,114</u>	<u>10,870</u>	<u>-</u>	<u>741,984</u>

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) Transactions and balances with related parties of the Parent Company or holders of 10% or more of the Parent Company's shares or their family members, included in the income statement, balance sheet and off-balance sheet are as follows:

	<u>Total</u>	<u>Major</u>	<u>Directors</u>	<u>Associates</u>	<u>Key</u>	<u>Non-</u>
	<u>RO'000</u>	<u>shareholders</u>	<u>RO'000</u>	<u>RO'000</u>	<u>Management</u>	<u>controlling</u>
		<u>RO'000</u>	<u>RO'000</u>	<u>RO'000</u>		<u>interests</u>
						<u>RO'000</u>
<u>2009</u>						
Group						
Statement of income						
Interest and commission income	216	1	3	12	-	200
Interest expense	37	-	-	-	-	37
Directors' sitting fees and remuneration	51	-	29	-	-	22
Salaries and benefits	721	-	-	-	721	-
Terminal benefits	78	-	-	-	78	-
Statement of financial position						
Investment securities	1,595	-	-	-	1,595	-
Loans and advances	29,961	-	308	3,306	-	26,347
Current, deposit and other accounts	10,210	-	231	-	-	9,979
Off statement of financial position						
Letters of credit, guarantees and Acceptances	359,664	-	-	-	-	359,664
Parent Company						
Statement of income						
Directors' sitting fees	21	-	21	-	-	-
Salaries and benefits	286	-	-	-	286	-
Terminal benefits	38	-	-	-	38	-
Statement of financial position						
Investment securities	1,595	-	-	-	1,595	-

18. RELATED PARTY TRANSACTIONS (continued)

	Total RO'000	Major shareholders RO'000	Directors RO'000	Associates RO'000	Key Management	Non- controlling interests RO'000
2008						
Group						
Statement of income						
Interest and commission income	151	1	3	45	-	102
Interest expense	35	-	-	-	-	35
Directors' sitting fees and remuneration	48	-	31	-	-	17
Salaries and benefits	524	-	-	-	524	-
Terminal benefits	127	-	-	-	127	-
Statement of financial position						
Investment securities	-	-	-	-	-	-
Loans and advances	20,443	-	431	9,408	-	10,604
Current, deposit and other accounts	16,541	-	77	1,476	-	14,988
Off statement of financial position						
Letters of credit, guarantees and Acceptances	174,903	-	-	409	-	174,494
Parent Company						
Statement of income						
Directors' sitting fees	22	-	22	-	-	-
Salaries and benefits	150	-	-	-	150	-
Terminal benefits	10	-	-	-	10	-
Statement of financial position						
Investment securities	-	-	-	-	-	-

- (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 (2008 - US\$ 75,000), equivalent to RO 28,850 (2008 - RO 28,850).

19. 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	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Profit for the period (RO '000)	<u>6,587</u>	<u>15,672</u>	<u>10,526</u>	<u>14,501</u>
Weighted average number of shares outstanding during the period	<u>200,000,000</u>	<u>180,000,000</u>	<u>200,000,000</u>	<u>180,000,000</u>
Basic earnings per share (RO)	<u>0.033</u>	<u>0.087</u>	<u>0.053</u>	<u>0.081</u>

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Oman Arab Bank SAOC
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

1 Legal status and principal activities

Oman Arab Bank SAOC (the Bank) was incorporated in the Sultanate of Oman on 1 October 1984 as a closed joint stock company. It is principally engaged in commercial and investment banking activities through a network of branches in the Sultanate of Oman. The registered head office of the Bank is at Muttrah Business District, PO Box 2010, Ruwi, Postal Code 112, Sultanate of Oman.

The Bank has a management agreement with Arab Bank Plc Jordan, which owns 49% of the Bank's share capital. In accordance with the terms of the management agreement, Arab Bank Plc Jordan provides banking related technical assistance and other management services, including the secondment of managerial staff. The bank employed 801 staff as at 30 June 2009 (30 June 2008: 745)

2 PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the Commercial Companies Law of 1974, as amended and the disclosure requirements of the Central Bank of Oman.

Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation of investment securities, financial assets and financial liabilities at fair value through profit or loss and all derivative contracts.

Financial assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available for sale investments, loans and advances and held-to-maturity investments. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial securities held for trading which are acquired principally for the purpose of selling in the short-term and instruments so designated by management upon inception. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Unrealised gains or losses arising from changes in fair value are included in the income statement in the period in which they arise. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Loans and advances

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

Available for sale investments

Available for sale investments are that non-derivative financial assets that are either designated in this category or not classified in any other categories of investment. Available for sale financial assets are initially recognised at fair value including transaction costs. Subsequently these assets are carried at fair value. The changes in fair value are recognised in equity. When assets 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 investments.



Oman Arab Bank SAOC
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Held-to-maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank 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 carried at amortised cost using the effective interest method.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market bid price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated based on discounted cash flow and other valuation techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counter-parties.

Derecognition

Financial assets are derecognised when the right to receive cash from the financial asset has expired or when the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the liability is extinguished.

Impairment of financial assets

(a) Assets carried at amortised cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and an impairment loss is incurred if, and only if, there is objective 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 Bank 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;
- the Bank 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;
- 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 Bank, or national or local economic conditions that correlate with defaults on the assets in the Bank; or
- Any other guidelines issued by the Central Bank of Oman.



Oman Arab Bank SAOC
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

2 PRINCIPAL ACCOUNTING POLICIES (continued)

The Bank 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 Bank 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 receivables 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.

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.

When a loan is uncollectible, 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.

(b) Renegotiated loans

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.

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in these financial statements.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Trade and settlement date accounting

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.



Oman Arab Bank SAOC
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are initially recorded at cost and are subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down to their recoverable amount. Depreciation is calculated so as to write off the cost of property and equipment, other than freehold land and capital work in progress, using the straight-line basis over the estimated useful lives, as follows:

Freehold property	25 years
Leasehold property	25 years or period of lease if less
Equipment, furniture and fixtures	5 years
Motor vehicles	5 years

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expense is incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Employee Terminal Benefits

End of service benefits are accrued in accordance with the terms of employment of the Bank's employees at the balance sheet date, having regard to the requirements of the Oman Labour Law 2003. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the balance sheet date. These accruals are included in liabilities.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Law 1991, are recognised as an expense in the income statement as incurred.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



Oman Arab Bank SAOC
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Bank are measured and presented in Rial Omani being the currency of the primary economic environment in which the Bank operates.

(b) Transactions and balances

Transactions in foreign currencies are translated into Rial Omani and recorded at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Rial Omani at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Rial Omani at the foreign exchange rate ruling at the date of the transaction.

Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis. Asset management fees related to investment funds are recognised rateably over the period the service is provided. The same principle is applied for custody services that are continuously provided over an extended period of time.

Provisions

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits 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.



Oman Arab Bank SAOC
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash and non-restricted balances with the Central Bank of Oman, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Financial guarantees contracts

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the beneficiary for a loss incurred because the debtor fails to make payments when due, in accordance with the terms of the debt. Such guarantees are given to banks, financial institutions or other entities on behalf of the customers.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was issued. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of initial measurement, less amortization calculated to recognize in the income statement the fee income earned on the straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the income statement.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Risk management policies

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

The Bank manages its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate.

For details of the composition of the loans and advances portfolio refer Note 6.



Oman Arab Bank SAOC
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Risk management policies (continued)

Credit risk (continued)

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding balance of the debt. Repossessed assets are classified as other assets in the balance sheet.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Bank is exposed to interest/mark-up rate risk as a result of mismatches or gaps in the amount of interest/mark-up based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest/mark-up rate risk as its assets and liabilities are re-priced frequently. The Assets and Liabilities Committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank's funding activities are based on a range of instruments including deposits, other liabilities and assigned capital. Consequently, funding flexibility is increased and dependence on any one source of funds is reduced. The Bank maintains liquidity by continually assessing, identifying and monitoring changes in funding needs required to strategic goals set in terms of the overall strategy. In addition the Bank holds certain liquid assets as part of its liquidity risk management strategy.

Currency risk

Currency risk arises where the value of financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure the Bank enters into ready, spot and forward transactions in the inter bank market.

The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placements and foreign currencies assets and liabilities. The net open position is managed within the acceptable limits by buying and selling foreign currencies at spot rates when considered appropriate segregation of duties exist between the front and back office functions while compliance with the net open position is independently monitored on an ongoing basis.

Fair value of financial assets and liabilities

The estimate of fair values of the financial instruments is based on information available to management as at 30 June 2008. Whilst management has used its best judgment in estimating the fair value of the financial instruments, there are inherent weaknesses in any estimation technique. The estimates involve matters of judgment and cannot be determined with precision. The bases adopted in deriving the fair values are as follows:

Treasury bills, Certificate of Deposit and current account balances due to and from banks

The carrying amount of treasury bills, certificate of deposit and current account balances due to and from banks was considered to be a reasonable estimate of fair value due to their short-term nature.



Oman Arab Bank SAOC
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Risk management policies (continued)

Loans and advances

The estimated fair value of loans whose interest rates are materially different from the prevailing market interest rates are determined by discounting the contracted cash flows using market interest rates currently charged to similar loans. The fair value of non-performing loans approximates to the book value adjusted for provision for loan impairment. For the remainder, the fair value has been taken at book value as the prevailing interest rates offered on similar loans are not materially different from the actual loan rates.

Investments

Quoted market prices, when available are used as the measure for fair value. However, when the quoted market prices do not exist, fair values presented are estimates derived using the net present value or other valuation techniques.

Customers' deposits

The fair value of demand, call, and savings deposits is the amount payable on demand at the reporting date, which equals the carrying value of those liabilities. The estimated fair values of fixed rates deposits are determined by discounting the contractual cash flows using the market interest rates currently offered for similar deposits.

Directors' remuneration

The Directors' remuneration is governed as set out in the Memorandum of Association of the Bank, the Commercial Companies Law, regulations issued by the Capital Market Authority and regulations issued by the Central Bank of Oman.

The Annual General Meeting shall determine and approve the remuneration and the sitting fees for the Board of Directors and its sub-committees provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders provided that such fees shall not exceed RO 200,000. The sitting fees for each director shall not exceed RO 10,000 in one year.

Comparative figures

Certain previous year figures have been adjusted to conform with changes in presentation in the current year.



Oman Arab Bank SAOC
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

3 Cash and balances with Central Bank of Oman

	30-Jun-09 RO 000	30-Jun-08 RO 000
Cash	12,554	11,806
Balances with Central Bank of Oman		
-Clearing account and other balances	71,263	315
-Insurance deposit	435	435
-Statutory capital deposit	<u>500</u>	<u>500</u>
	<u>84,752</u>	<u>13,056</u>

The capital deposit and the insurance deposit cannot be withdrawn without the approval of the Central Bank of Oman. Balances with Central Bank of Oman are non-interest bearing except for the capital deposit and insurance deposit, which earn interest at 1.5% per annum (2008 – 1.5% per annum).

4 Certificates of deposit

Certificates of deposit are issued by the Government of Sultanate of Oman and carry interest at the average rate of 0.06% as at 30 June 2009 (30 June 2008 – 0.96%).

5 Due from banks

	30-Jun-09 RO 000	30-Jun-08 RO 000
Money market placements	15,290	8,828
Current accounts	<u>8,622</u>	<u>6,794</u>
	<u>23,912</u>	<u>15,622</u>

6 Loans and advances

	30-Jun-09 RO 000	30-Jun-08 RO 000
Commercial loans	284,647	257,637
Overdrafts	91,767	85,599
Personal loans	183,815	152,588
Credit cards	<u>3,925</u>	<u>3,546</u>
	<u>564,154</u>	<u>499,370</u>
Less: Allowance for loan impairment and reserved interest	<u>(15,922)</u>	<u>(14,125)</u>
	<u>548,232</u>	<u>485,245</u>



Oman Arab Bank SAOC
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

(a) Allowance for loan impairment and reserved interest

The movements in the provision for loan impairment and reserved interest were as follows:

30-Jun-09	Allowance for loan impairment	Reserved interest	Total
	RO 000	RO 000	RO 000
Balance at beginning of period	11,988	2,995	14,983
Provided during the period	1,198	614	1,812
Amounts written off during the period	(84)	(46)	(130)
Amounts recovered during the period	(566)	(177)	(743)
Balance at end of period	12,536	3,386	15,922

30-Jun-08	Allowance for loan impairment	Reserved interest	Total
	RO 000	RO 000	RO 000
Balance at beginning of period	13,734	6,040	19,774
Provided during the period	1,773	249	2,022
Amounts written off during the period	(1,593)	(1,671)	(3,264)
Amounts recovered during the period	(3,313)	(1,094)	(4,407)
Balance at end of period	10,601	3,524	14,125

Total allowance for the potential loss on the performing loans as at 30 June 2009 is RO 7,559,139 (30 June 2008 5,982,992). 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 9,307,301 (30 June 2008: RO 9,268,897)



Oman Arab Bank SAOC
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

(b) Concentration of loans and advances

Loans and advances were granted to customers within the Sultanate of Oman. The concentration of gross loans and advances by industry sector is as follows:

	30-Jun-09	30-Jun-08
	RO 000	RO 000
Personal loans including credit cards	187,740	156,134
Manufacturing	57,093	109,797
Construction	60,345	64,817
Services	56,416	47,933
Mining and quarrying	45,429	32,576
Wholesale and retail trade	55,994	30,686
Import trade	16,757	12,304
Financial Institutions	10,556	8,638
Agriculture and allied activities	9,864	6,512
Transportation	10,438	5,928
Utilities	10,293	5,591
Government	759	1,640
Export trade	168	559
Others	42,302	16,254
	564,154	499,369



Oman Arab Bank SAOC
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

7 Investment securities

	30-Jun-09 RO' 000	30-Jun-08 RO' 000
Financial assets available for sale		
-quoted	265	337
-unquoted	<u>4,487</u>	<u>-</u>
	4,752	337
Financial assets designated as at fair value through profit or loss		
- quoted	114	221
- unquoted	<u>488</u>	<u>482</u>
-Total investment at fair value through profit or loss	602	703
Financial assets held for trading		
- quoted	3,416	5,348
- unquoted	<u>135</u>	<u>329</u>
	3,551	5,677
Investments held- to- maturity		
Certificates of Deposit	10,000	10,000
Oman Government Development Bonds	<u>8,848</u>	<u>15,277</u>
Total investments held to maturity	18,848	25,277
Total investment securities	27,753	31,994

	Financial assets designated as at fair value through profit or loss RO' 000	Financial assets at fair value through profit or loss RO' 000	Investmen ts available for sale RO' 000	Investments held to maturity RO' 000	Total RO' 000
At 1 January 2009	593	2,863	254	25,224	28,934
Additions	-	4,727	4,000	-	8,727
Disposals(sale and redemption)	-	(4,104)		(6,376)	(10,480)
Gain / (loss) from changes in fair value	9	65	498	-	572
At 30 June 2009	602	3,551	4,752	18,848	27,753

The sector-wise analysis of investments at fair value through profit or loss is as follows :

	30-Jun-09 RO 000	30-Jun-08 RO 000
Services	2,446	1,542
Industrial	937	2,733
Financial services	523	1,716
Investment fund units	<u>4,999</u>	<u>726</u>
	8,905	6,717



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7 Investment securities (continued)

All the bonds are denominated in Rial Omani and are issued by the Government of Oman. They carry interest rates varying between 4% and 5.25% (2008– 4% to 5.25%) per annum. The maturity profile of the bonds, based on the remaining maturity from the balance sheet date, is as follows:

	30-Jun-09 RO'000	30-Jun-08 RO'000
Within one year	1,000	4,050
1 to 5 years	<u>7,848</u>	<u>11,227</u>
	<u>8,848</u>	<u>15,277</u>

8 Property and equipment

	Land and buildings RO 000	Computer equipment RO 000	Furniture and fixture RO 000	Motor Vehicles RO 000	Total RO 000
Cost					
At 1 January 2009	6,521	8,588	3,795	509	19,413
Additions	-	646	511	24	1,181
Disposals	-	(5)	(94)	-	(99)
At 30 June 2009	<u>6,521</u>	<u>9,229</u>	<u>4,212</u>	<u>533</u>	<u>20,494</u>
Depreciation					
At 1 January 2009	2,303	5,387	3,413	125	11,228
Charge for the period	90	451	222	27	790
Disposals	-	(5)	(89)	-	(94)
At 30 June 2009	<u>2,393</u>	<u>5,833</u>	<u>3,546</u>	<u>152</u>	<u>11,924</u>
Net book value					
At 30 June 2009	<u>4,128</u>	<u>3,396</u>	<u>666</u>	<u>381</u>	<u>8,571</u>
At 30 June 2008	4,308	3,345	175	381	8,209

9 Other assets

	30-Jun-09 RO 000	30-Jun-08 RO 000
Interest receivable	2,764	2,598
Clearing cheques	499	1,797
Prepayments	2,157	1,275
Others	<u>2,105</u>	<u>2,650</u>
	<u>7,525</u>	<u>8,320</u>

Others as at June 30 2009 include the value of repossessed collateral property RO 250,000 (June 30 2008: 675,000)



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10 Due to banks

	30-Jun-09	30-Jun-08
	RO 000	RO 000
Money at call and short term deposits	-	43,165
Current accounts	<u>13,197</u>	<u>16,077</u>
	<u>13,197</u>	<u>59,242</u>

11 Customers' deposits

	30-Jun-09	30-Jun-08
	RO 000	RO 000
Demand and call accounts	276,440	289,457
Term deposits	230,268	243,248
Savings accounts	<u>104,870</u>	<u>114,936</u>
	<u>611,578</u>	<u>647,641</u>

The concentration of customers' deposits by government and private sector is as follows:

	30-Jun-09	30-Jun-08
	RO 000	RO 000
Private	522,287	532,926
Government	<u>89,291</u>	<u>114,715</u>
	<u>611,578</u>	<u>647,641</u>

12 Other liabilities

	30-Jun-09	30-Jun-08
	RO 000	RO 000
Accrued expenses and others	1,514	2,153
Balances in investment customers accounts	2,630	5,922
Staff related provisions	2,637	2,555
Interest payable	3,870	2,572
Acceptances and certified cheques	1,878	5,361
Interest and commission received in advance	1,657	2,170
Subscription for IPO	<u>2</u>	<u>5,287</u>
	<u>14,188</u>	<u>26,020</u>

The charge and amounts paid in respect of employee terminal benefits were RO 167,830 (30 June 2008: RO 233,189) and RO 119,684 (30 June 2008: RO 25,748).

13 Taxation

The Bank is liable for income tax in accordance with the income tax laws of the Sultanate of Oman. The tax has been provided at 12%, the rate applicable to the Bank. The Bank is exempt from tax for the period from 16 April 1994 to 31 July 2000. The assessments for the years up to 2005 are complete. The bank has adequate provisions for the tax liability, if any.



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14 Share capital

The authorised and issued share capital comprises 75,000,000 fully paid shares of RO 1 each. On 18th March 2009 the Bank has increased the share capital to RO 75 million by rights issue of RO 12 million and by transfer of RO 3 million from retained earnings to share capital. The shareholders at the balance sheet date were as follows:

	Country Of in- corporation	30-Jun-09		30-Jun-08	
		Share holding %	RO 000	Share holding %	RO 000
Oman International Development & Investment Co. SAOG	Oman	50.99	38,243	50.99	30,594
Arab Bank Plc	Jordan	49.00	36,750	49.00	29,400
Oman Investment Services SAOC	Oman	0.01	7	0.01	6
		<u>100.00</u>	<u>75,000</u>	<u>100.00</u>	<u>60,000</u>

15 Legal reserve

According to the Omani Commercial Companies Law of 1974, the Bank is required to transfer 10% of the profit for the year to legal reserve until the accumulated balance of this reserve equals at least one third of the Bank's Paid up share capital. The legal reserve is not available for distribution.

16 Interest income

	6 months ended	
	30-Jun-09	30-Jun-08
	RO 000	RO 000
Loans and advances	18,642	15,399
Placements with banks	379	831
Interest from Certificate of Deposits	97	1,210
Interest from Government Development Bonds	224	338
	<u>19,342</u>	<u>17,778</u>

Interest bearing assets earned interest at an average rate of 5.76% for the six months ended 30 June 2009 (30 June 2008: 5.16%)



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17 Interest expense

	6 months ended	
	30-Jun-09	30-Jun-08
	RO 000	RO 000
Time deposits	3,208	3,566
Call accounts	408	403
Bank borrowings	5	56
Savings accounts	<u>330</u>	<u>145</u>
	<u>3,951</u>	<u>4,170</u>

For the six months ended 30 June 2009, the average cost of funds was 1.32% (30 June 2008: 1.34%)

18 Investment income

	6 months ended	
	30-Jun-09	30-Jun-08
	RO 000	RO 000
Income from investments at fair value through profit or loss		
Profit / (Loss) on sale of investments	(25)	1,446
Dividend income	165	230
Changes in fair value	<u>74</u>	<u>(355)</u>
Total investment income	<u>214</u>	<u>1,321</u>

19 Other operating income

	6 months ended	
	30-Jun-09	30-Jun-08
	RO 000	RO 000
Fees & Commissions	6,165	6,309
Exchange income	1,932	1,937
Other income	<u>360</u>	<u>466</u>
	<u>8,457</u>	<u>8,712</u>



Oman Arab Bank SAOC
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20 Related party transactions

The Bank accepts deposits from its directors and other related concerns including its affiliate banks. Similarly, the Bank provides loans and advances, and other banking services to these parties. These transactions are entered into in the normal course of the Bank's 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. At 30 June, balances with directors and other related parties were as follows:

	Jun-09 RO' 000		Jun-08 RO' 000	
	Major	Others	Major	Others
	Shareholders		Shareholders	
Loans and advances	1,600	19,305	500	17,426
Customers' deposits	340	5,942	3,248	15,325
Due from banks	17,361	-	3,017	-
Due to banks	10,746	-	1,186	-
Letters of credit, guarantees and acceptances	152,162	400	172,988	10,306

The Income Statement includes the following amounts in relation to the transactions with related parties:

Interest & commission income	166	250	93	125
Interest expense	193	3	168	32

Key management compensation

	Jun-09 RO'000	Jun-08 RO'000
Salaries and other short-term benefits	435	374
End of service benefits	40	117

21 (a) Commitments and Contingent Liabilities

The Bank is a party to financial instrument with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers. These financial instruments include standby letters of credit, financial guarantees to third parties, commitments to extend credit and others. The Bank's exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract value or the notional amount of the instrument. However, generally the credit risk on these transactions is lower than the contract value or the notional amount. In addition, some commitments to extend credit can be cancelled or revoked at any time at the banks option.

The risk involved is essentially the same as the credit risk involved in extending loan facilities and therefore these transactions are subject to the same credit organisation, portfolio maintenance and collateral requirements for customers applying for loans and advances. The outstanding contract value or the notional amount of these instruments at 30 June were as follows:



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21 (a) Commitments and Contingent Liabilities (continued)

	30-Jun-09	30-Jun-08
	RO 000	RO 000
Letters of credit	153,643	404,622
Guarantees	432,352	371,801
Acceptances	16,566	23,093
	<u>602,561</u>	<u>799,516</u>

Letters of credit and guarantees amounting to RO 422,783,552 (30 June 2008: RO 597,075,757) were counter guaranteed by other banks.

NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
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(b) Forward foreign exchange contracts

At the balance sheet date, there were outstanding forward foreign exchange contracts, all maturing within one year, on behalf of customers for the sale and purchase of foreign currencies. The contract values are summarised below:

	30-Jun-09	30-Jun-08
	RO 000	RO 000
Sales	56,674	72,403
Purchases	<u>(56,732)</u>	<u>(72,475)</u>
	<u>58</u>	<u>(72)</u>

(c) Assets pledged as Security

At the balance sheet date, the bank has not pledged any of its assets as security. (30 June 2008 no assets pledged).

22 Basic Earnings per share

	30-Jun-09	30-Jun-08
Profit for the period (RO 000)	12,213	15,267
Weighted average number of shares in issue	<u>71,835,616</u>	<u>60,041,096</u>
Basic Earnings per share annualized	<u>RO 0.343</u>	<u>RO 0.513</u>

The par value of each share is RO 1. The basic earnings per share is the profit for the period divided by the weighted average number of shares outstanding.



Oman Arab Bank SAOC
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23 Capital adequacy

The principal objective of the Central Bank of Oman's (CBO) capital adequacy requirement is to ensure that an adequate level of capital is maintained to withstand any losses which may result from the risks in a bank's balance sheet, in particular credit risk. CBO's risk based capital adequacy framework is consistent with the international standards of the Bank of International Settlement (BIS).

CBO requires the banks' registered in the Sultanate of Oman to maintain the capital adequacy a minimum of 10% based on guidelines of the Basel II accord from January 2007 onwards. The ratio calculated in accordance with the CBO and BIS capital adequacy guidelines as per Basle II accord is as follows. :

	30-Jun-09	30-Jun-08
Capital	RO 000	RO 000
Tier 1	102,239	85,680
Tier 2	<u>7,196</u>	<u>5,351</u>
Total capital base	<u>109,435</u>	<u>91,031</u>
Risk weighted assets		
Credit risk	715,143	602,351
Market risk	34,482	38,834
Operational risk	<u>71,431</u>	<u>61,027</u>
Total risk weighted assets	<u>821,056</u>	<u>702,212</u>
Capital adequacy ratio	<u>13.33%</u>	<u>12.96%</u>

24 Segmental Information

The bank operates in only one geographical location, the Sultanate of Oman. The bank's operating revenues arise primarily from three business segments-corporate, retail and treasury/investment banking.

The following table shows the distribution of the bank's net operating income and total assets by business segments.

	Corporate	Retail	Treasury/ Investment banking	Unallocated	Total
	RO 000	RO 000	RO 000	RO 000	RO 000
At 30 June 2009					
Net operating income	<u>10,716</u>	<u>9,840</u>	<u>3,506</u>	-	<u>24,062</u>
Segmental assets	<u>376,414</u>	<u>187,740</u>	<u>186,063</u>	<u>21,450</u>	<u>755,745</u>
At 30 June 2008					
Net operating income	<u>7,867</u>	<u>8,720</u>	<u>7,054</u>	-	<u>23,641</u>
Segmental assets	<u>333,269</u>	<u>151,976</u>	<u>333,632</u>	<u>17,569</u>	<u>836,446</u>



OMAN INVESTMENT SERVICES SAOC
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1 Legal status and principal activities

Oman Investment Services SAOC (the Company) is registered as a closed joint stock company incorporated in the Sultanate of Oman. The Company commenced commercial operations on 14 January 1989 and is a subsidiary of Oman International Development and Investment Company SAOG (the Parent Company).

The Company is primarily engaged in investment related activities.

2 Summary of significant accounting policies

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 periods presented, unless otherwise stated.

2.1 Statement of compliance

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

2.2 Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation to fair value of investments securities.

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 Company's accounting policies.

2.3 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale and receivables and prepayments. 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 by management at fair value through profit or loss at inception. Financial assets held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the short-term.

Regular-way purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value. Transaction costs for all financial assets and financial liabilities carried at fair value through profit or loss are expensed as incurred.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

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

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



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2.4.2 Available-for-sale investments (continued)

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'.

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 Receivables and prepayments

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise during the ordinary course of the business. Receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition origination. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the 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 within 'general and administrative costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

2.5 Impairment and uncollectability of financial assets, receivables and prepayments

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 statement of income.

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 Company 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;
- the disappearance of an active market for that financial asset because of financial difficulties;

The Company 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 Company 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.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.



OMAN INVESTMENT SERVICES SAOC
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2.6 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.7 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset these in Oman.

The tax returns of the Company for the years 2003 to 2008 have not yet been agreed with the Secretariat General for Taxation at the Ministry of Finance. The Board of Directors consider that additional tax, if any, in respect of the open assessment years will not be material to the financial position of the Company at 30 June 2009.

2.8 Employees' end of service benefits

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the balance sheet date, having regard to the requirements of the Oman Labour Law 2003 as amended. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the balance sheet date.

Contributions to the Omani Government Social Security Scheme under Royal Decree No. 72/91 for Omani employees in accordance with the Omani Social Insurance Law 1991, are recognised as an expense in the statement of income as incurred.

2.9 Revenue recognition

Investment income includes gains and losses arising from disposals and changes in fair value of trading and 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.

2.10 Fiduciary assets

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

2.11 Trade and settlement date accounting

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.



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3 Investment income

Investment income comprises the following:

	2009	2008
	RO	RO
Realised (loss)/gain on sale of investments	(93,373)	120,476
Unrealised (loss)/gain on investments	(3,451)	366,392
Dividend income	<u>12,007</u>	<u>28,578</u>
	<u>(84,817)</u>	<u>515,446</u>

4 Employee costs

	2009	2008
	RO	RO
Salaries, allowances and other expenses	23,817	26,334
Social security costs	158	399
Employee terminal benefits	<u>600</u>	<u>538</u>
	<u>24,575</u>	<u>27,271</u>

5 Administrative and general expenses

	2009	2008
	RO	RO
Stock market and statutory fees	899	1,243
Communication costs	267	184
Audit fees	830	850
Other expenses	<u>480</u>	<u>460</u>
	<u>2,476</u>	<u>2,737</u>

6 Taxation

- (a) The tax returns of the Company for the years 2003 to 2008 have not yet been agreed with the Secretariat General for Taxation at the Ministry of Finance. The Board of Directors consider that additional tax, if any, in respect of the open assessment years will not be material to the financial position of the Company at 30 June 2009.



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7 Property, plant and equipment

	Furniture and fixtures RO
Cost	
1 January 2009	3,308
Additions	<u>121</u>
30 June 2009	<u>3,429</u>
Depreciation	
1 January 2009	2,324
Charge for the period	<u>256</u>
30 June 2009	<u>2,580</u>
Net book value	
30 June 2009	<u>849</u>

	Furniture and fixtures RO
Cost	
1 January 2008	2,759
Additions	<u>131</u>
30 June 2008	<u>2,890</u>
Depreciation	
1 January 2008	1,720
Charge for the period	<u>275</u>
30 June 2008	<u>1,995</u>
Net book value	
30 June 2008	<u>895</u>



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8 Investment securities

8.1 Financial assets at fair value through profit or loss

	Fair value 2009 RO	Carrying amount 2009 RO	Fair value 2008 RO	Carrying amount 2008 RO
Quoted investments				
Banking and investment sector	56,353	56,353	348,753	348,753
Industrial sector	9,000	9,000	114,530	114,530
Services sector	39,984	39,984	1,145,277	1,145,277
Total quoted investments	<u>105,337</u>	<u>105,337</u>	<u>1,608,560</u>	<u>1,608,560</u>

Quoted investments are securities listed on the Muscat Securities Market.

8.2 Available for sale investments

	2009 RO	2008 RO
Unquoted investments		
Banking and investment sector	<u>26,872</u>	<u>25,672</u>

The total investment securities as at 30 June were as follows:

	2009 RO	2008 RO
Total financial assets	<u>132,209</u>	<u>1,634,232</u>
At 1 January	761,280	1,536,698
Purchases	1,200	46,299
Sales proceeds	(533,447)	(435,632)
Realised (loss)/gain on sales	(93,373)	120,476
Fair value gains (net)	<u>(3,451)</u>	<u>366,391</u>
At 30 June	<u>132,209</u>	<u>1,634,232</u>

9 Receivables and prepayments

	2009 RO	2008 RO
Prepayments and advances	1,952	1,977
Other receivables	<u>1,023</u>	<u>27,298</u>
	<u>2,975</u>	<u>29,275</u>

10 Cash and bank balances

	2009 RO	2008 RO
Cash in hand	31	75
Call accounts	5,245	5,375
Current accounts	<u>519,414</u>	<u>173,384</u>
	<u>524,690</u>	<u>178,834</u>



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11 Share capital

The Company's authorised, issued and fully paid-up share capital at 30 June 2009 comprises 1,000,000 (2008 - 1,000,000) ordinary shares of RO 1 each.

12 Legal reserve

Article 106 of the Commercial Companies Law 1974 requires that 10% of a company's net profit be transferred to a non-distributable legal reserve until the amount of the legal reserve equals one-third of the company's issued share capital.

13 End of service benefits

	2009	2008
	RO	RO
At 1 January	17,642	16,384
Charge for the year	<u>600</u>	<u>538</u>
At 30 June	<u>18,062</u>	<u>16,922</u>

14 Payables and accruals

	2009	2008
	RO	RO
Accruals	8,356	10,020
Client payables	<u>670</u>	<u>892</u>
	<u>9,026</u>	<u>10,912</u>

15 Related party transactions

The Company is controlled by Oman International Development and Investment Company SAOG (the Parent Company), which owns 100% of the company's shares.

The Company has entered into transactions with entities over which certain Directors are able to exercise significant influence in the ordinary course of business. Such related parties provide services to the Company, and the Company provides them with services. The Parent Company provided the Company with office space during the period in respect of which no rent has been charged to the company and management services. Further, at 30 June 2009 the Company has bank balances of approximately RO 519,414 (2008 - RO 173,384) with a related party.

- (a) In addition, the Company entered into the following transactions in the ordinary course of business with the Parent Company and other parties in which certain Directors and senior management have an interest:

	2009	2008
	RO	RO
Parent Company		
Loan to OIS for securities	-	1,325,000
Office and administration costs	1,264	60
Dividend paid	<u>-</u>	<u>250,000</u>



OMAN INVESTMENT SERVICES SAOC
NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

15 Related party transactions (continued)

- (b) The balance payable to the Parent Company at 30 June 2009 amounted to **RO 1,164** (2008: RO 25,293).

16 Fiduciary activities

	2009 RO	2008 RO
Investments syndicated by the Company and registered in its name, held beneficially for and on behalf of:		
Parent Company	-	9,146
Other investors	<u>-</u>	<u>20,120</u>
	<u><u>-</u></u>	<u><u>29,266</u></u>

17 Basic earnings per share

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period, calculated as follows:

	2009	2008
(Loss)/Profit for the period (RO)	<u>(102,347)</u>	<u>505,400</u>
Weighted average number of shares outstanding	<u>1,000,000</u>	<u>1,000,000</u>
Basic earnings per share (RO)	<u><u>(0.102)</u></u>	<u><u>0.505</u></u>

18 Net assets value per share

The calculation of net assets value per share is based on net assets at the end of the period and the number of ordinary shares outstanding at the period end and is as follows:

	2009	2008
Net assets (RO)	<u>632,471</u>	<u>1,790,109</u>
Number of shares outstanding	<u>1,000,000</u>	<u>1,000,000</u>
Net assets per share (RO)	<u><u>0.632</u></u>	<u><u>1.790</u></u>