Oman Investment & Finance Co. SAOG

Notes to the financial statements for the period ended 30 September 2008

General

Oman Investment and Finance Company SAOG ("the Company") is an Omani General Joint Stock Company incorporated in the Sultanate of Oman. The principal activities and the significant agreements of the Company are as follows:

- Meter reading, Billing, Collection, Customer Service and Debt Factoring (for Private Customers) for water charges in the Muscat Governorate under an agreement with Ministry of Housing, Electricity and Water ("MHEW") for a period of 5 years from 1 October 2006 to 30 September 2011.

- Meter reading, Billing, Collection, Customer Service and Debt Factoring (for Private Customers) for wastewater charges in the Muscat Governorate under an agreement with Oman Wastewater Services Company SAOC ("OWASCO") for a period of 5 years from 1 October 2006 to 30 September 2011.

- Bill Printing and Delivery, Collection, Customer Service and Debt Factoring (for Private Customers) for Private Switched Telephone Network (PSTN), Mobile and Internet services under an agreement with Oman Telecommunications Company SAOG ("Omantel") for a period of 3 years from 1 July 2007 to 30 June 2010.

- Meter reading, Billing, Collection and Customer Service for electricity charges in the Muscat Governorate under an agreement with Muscat Electricity Distribution Company SAOC ("MEDC") for a period of 3 years from 1 January 2008 to 31 December 2010.

- Purchase and Sale of prepaid GSM, Telephone and Internet cards pursuant to appointment as a Principal dealer by Oman Mobile Telecommunication Services Company SAOC with effect from January 1, 2008.

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

For the period ended 30 September 2008, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 April 2007.

The adoption of these standards and interpretations has not resulted in changes to the Company's accounting policies and has not affected the amounts reported for the current period.

2. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

	Effective for annual period beginning or after
IFRIC 12 : Service Concession Arrangements	1 January 2008
IFRIC 13 : Customer Loyalty Programmes	1 July 2008
IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008
IFRS 2 : (Revised) Share-based Payment	1 January 2009
IFRS 8 : Operating Segments	1 January 2009
IAS 1 : (Revised) Presentation of Financial Statements	1 January 2009
IAS 23 : (Revised) Borrowing Costs	1 January 2009
IAS 32 : (Revised) Financial Instruments : Presentation	1 January 2009
IFRS 3 : (Revised) Business Combinations	1 July 2009
IAS 27 : (Revised) Consolidated and Separate Financial Statements	1 July 2009
IAS 28 : (Revised) Investment in Associates	1 July 2009
IAS 31 : (Revised) Interests in Joint Ventures	1 July 2009

The management anticipates that the adoption of the above standards and interpretations in future periods will have no material impact on the financial statements of the Company.

3. Summary of significant accounting policies

A summary of significant accounting policies which have been adopted consistently is set out below:

Basis of accounting

The financial statements are prepared on the historical cost basis, except for certain financial assets that are measured at fair value.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

	Years
Buildings	20
Office equipment	6.67
Furniture and fixtures	3
Motors vehicles	3

3. Summary of significant accounting policies (continued)

Property and equipment (continued)

The gain or loss on the disposal or retirement of an item of property and equipment is determined on the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets (or cash-generating units) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

Available-for-sale investments

Available-for-sale investments are initially measured at cost, which includes transaction costs, and are, in general, subsequently carried at fair value. The fair value is based on the market price. Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are recognized directly in equity until subsequent derecognition or impairment when the Company transfer the cumulative gain or loss to the income statement. Investment that do not have a quoted market price in an active market, and for which other methods of reasonably estimating fair value are inappropriate, are measured at cost, reduced by allowance for estimated impairment, if any.

Investments are classified as investments at fair value through profit or loss account if the fair value can be reliably measured and the classification is in accordance with strategy of the Company.

Dividend income on investments is recognised when the right to receive payment is established

3. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs including an appropriate portion of fixed and variable expenses being valued on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

The principal financial assets are cash and bank balances, investments and trade and other receivables.

Trade and other receivables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

The principal financial liabilities are trade and other payables bank borrowings and are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method.

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 Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

End of service benefits

End of service benefits for Omani employees is contributed in accordance with the terms of the Social Securities Law of 1991.

Provision for end of service benefits for non-Omani employees' are made in accordance with the Oman labour laws, and is based on current remuneration and cumulative years of service at the balance sheet date.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

3. Summary of significant accounting policies (continued)

Revenue

Revenue represents commission earned on amounts billed and for other services is accounted in the period in which it is earned.

Interest revenue is recognized as it accrues taking into account the effective interest rate.

Revenue from prepaid cards are recorded at the time sale of prepaid cards.

Taxation

Income taxes on the profit or loss for the period comprise 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 period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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 unused tax losses and credits 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.

Foreign currencies

Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date. Gains and losses arising from foreign currency transactions are dealt with in the income statement.

Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks with an original maturity of three months or less from the date of placement that are free of any encumbrances.

3. Summary of significant accounting policies (continued)

Directors' remuneration

Directors' remuneration is calculated in accordance with the Commercial Companies Law of Sultanate of Oman.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the period. In particular, considerable judgement by management is required in the estimation of the provision for impaired debts. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

(i) Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

(ii) Provision for impaired debts

Provision for impaired debts is based on management's best estimates of recoverability of the amounts due along with the number of days for which such debts are due.

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Notes to the financial statements for the period ended 30th September 2008

1. Realised investment income

Realised investment income represents profits and losses on disposal of investments and other realised gains and losses from investing activities.

2. Other income

Other income represents profit on sale of fixed assets and miscellaneous income.

3. Investment in associates and subsidiaries

	30.09.2008	30.09.2007
Associates	**Nil**	Nil
Subsidiaries	**Nil**	Nil

4. Investments

Investment income	**30.09.2008**	30.09.2007	Change %
	RO	RO	
Realised	**47,959**	-	
Unrealised	**(164,814)**	10,969	-1602.5%
Dividend	**2,412**	2,955	-18.4%
	(114,444)	13,924	-921.9%

Investments can be analysed as follows:

	Market value 30.09.2008	Market value 30.09.2007	Book value 30.09.2008	Book value 30.09.2007
	RO	**RO**	RO	**RO**
Available-for-sale investments				
Quoted				
Financial	**188**	646	188	646
Insurance	**-**	-	-	-
Services	**23,880**	17,917	23,880	17,917
Industrial	**9**	34,017	9	34,017
Portfolio investment	**581,072**	-	581,072	-
	605,149	52,580	605,149	52,580
Unquoted				
Insurance	**-**	-	-	-
Services	**323,455**	20,215	323,455	20,215
	323,455	20,215	323,455	20,215
Total of quoted and unquoted investments	**928,604**	72,795	928,604	72,795

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		30.09.2008	30.09.2007
5. Bank loans and overdrafts	**RO**	**5,148,507**	1,543,176

6. Related parties and holders of 10% of the company's shares

The nature of significant related party transactions and the amounts involved during the period were as follows:-

		30.09.2008	30.09.2007
Operating costs	**RO**	**-**	-
Bank charges / Facility document charges/Gttee fees	**RO**	**14,325**	-
Interest expenses	**RO**	**28,842**	-
Interest income	**RO**	**2,359**	-
Sitting fees for Board/Audit Committee & EC meeting	**RO**	**25,100**	4,300

		30.09.2008	30.09.2007
Due to related parties	**RO**	**-**	-
Loans, advances or receivables due from related parties	**RO**	**100,000**	**Nil**
Value of investment transactions through related party b	**RO**	**342,488**	**Nil**
Brokerage paid to related party broker for above	**RO**	**1,367**	**Nil**

7. Provisions

Changes to level of provisions during the period can be analysed as follows:-

Provisions for	Advances & Receivable	Investments	Other	Total RO
Balance as on 01.04.2008	4,283,189	-	-	4,283,189
Provided during the period	344,468	-	-	344,468
Released during the period	-	-	-	-
Written off during the period	(51)	-	-	(51)
Balance as on 30.09.2008	**4,627,606**	**-**	**-**	**4,627,606**

The book value of assets before and after provisions can be analysed as follows:-

Book value of assets	Advances & Receivable	Investments	Other	Total RO
Value before provisions	30,062,036	928,604	-	30,990,640
Provision as on 30.09.2008	(4,627,606)	-	-	(4,627,606)
Book value as on 30.09.2008	**25,434,430**	**928,604**	**-**	**26,363,034**

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8. Shareholders

The details of major shareholders who own 10% or more of the company's shares are as follows:

	Holding %	**30.09.2008** No. of shares	30.09.2007 No. of shares	Holding %
Al Khonji Investments	22.22%	20,000,000	7,561,000	15.12%
Civil Services Pension Fund	12.63%	11,363,965	5,000,000	10.00%
Rasmala Investments	11.26%	10,133,847		
First International			5,200,870	10.40%

9. Segment Reporting

Class of business

The company currently operates in following business segments in the Sultanate of Oman:
1. Debt collection and factoring
2. Purchase and Sale of prepaid GSM, Telephone and Internet cards

Geographical segment

The company operations are geographically limited to the Sultanate of Oman.