OMINVEST

Annual Report 2017

Investing in a Shared Future


OMINVEST

Contents

Vision

To be the Premier Investment Company
in Oman and the Region.

Mission

Achieving Sustainable and
Superior Shareholders' Returns

Core Values

Teamwork
Working together as one to deliver on stakeholders' objectives.

Performance
Aiming to deliver to full potential to maximize shareholders' value.

Integrity
Commitment to maintain transparency and trust in our interactions.

Discipline
Maintaining professionalism in communication and dealings.

Reputation
Earning trust and credibility through people, processes and practices.

Empowerment with Accountability
Encouraging and motivating individuals to perform at their best while taking ownership of their responsibility.

Value Enablers and Enhancers

BANKING

بنك عُمان العربي
OMAN ARAB BANK

INSURANCE

الوطنية للتأمين على الحياة والعام
NATIONAL LIFE & GENERAL INSURANCE
Ominvest Group
مجموعة أومينفست

FINANCE & LEASING

الوطنية للتمويل
National Finance

ORIX
Oman ORIX Leasing Company SAOG

INVESTMENT BANKING

U Capital
Ubhar Capital
أوبار كابيتال

FINANCIAL INVESTMENTS

NIC أوانك
Ominvest Group
مجموعة أومينفست

REAL ESTATE

ORIS

Board of Directors

Khalid Muhammad Al Zubair

Chairman

Chairman of the Nomination, Remuneration and Executive Committee

Khalid Abdullah Al Khalili

Deputy Chairman

Member of the Nomination, Remuneration and Executive Committee

(Appointed as Deputy Chairman on 13/11/2017, previously member of the Audit and Control Committee)

Hassan Ahmed Al Nabhani

Deputy Chairman

Member of the Nomination, Remuneration and Executive Committee

(Resigned on 16/10/2017)

Taya Jandal Ali

Director

Member of the Nomination, Remuneration and Executive Committee

Jamal Shamis Al Hooti

Director

Member of the Audit and Control Committee

Majid Salim Al Araimi

Director

Member of the Audit and Control Committee

C S Badrinath

Director

Member of the Nomination,
Remuneration and Executive Committee

Qais Mohammed Al Yousef

Director

Chairman of the Audit
and Control Committee

(Resigned on 23/11/2017)

Anwar Hilal Al Jabri

Director

Member of the Audit
and Control Committee

Abdulaziz Khalifa Al Saadi

Director

Member of the Nomination,
Remuneration and Executive Committee

Shaheen Mohammed Amin

Director

Member of the Nomination,
Remuneration and Executive Committee

(Resigned on 17/1/2017)

Saif Said Al Yazidi

Director

Member of the Nomination,
Remuneration and Executive Committee

(Replaced with Director Abdulaziz Al Saadi
as of 30/3/2017)

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the audited Financial Statements of the Group and the Parent for the year ended 31 December 2017. In addition, I am pleased to provide details on the performance of our major Subsidiaries & Associates and significant business decisions and milestones at OMINVEST.

Strategic Business Updates

Capital Intelligence Ratings, on 5 October 2017, assigned initial corporate ratings of BBB (Long-Term) and A3 (Short-Term) to OMINVEST – along with a Stable Outlook. The ratings reflected various strengths of OMINVEST, including: (i) strong position as one of the largest listed investment companies in the MENA region, (ii) low debt to equity ratio due to moderate leverage, (iii) high quality investments, (iv) adequate maturity profile of the funding base, (v) comfortable debt servicing position, (vi) large cash inflows expected from disposal of equity stake in Oman ORIX Leasing Company and the IPOs of National Life and Al Ahlia Insurance.

OMINVEST Board of Directors in its 3 October 2017 meeting approved issuance of Perpetual Bonds, subject to the Shareholders' and Regulators' approvals. The Board also authorized the management to initiate the process. The proposed Bond Issue will significantly strengthen OMINVEST's capital structure, funding position and allow us to pursue long-term investments expected to generate attractive returns.

During second-half of 2017, OMINVEST's insurance subsidiary National Life & General Insurance Company (NLGIC) successfully completed its IPO at a total valuation of OMR 84.5 million. OMINVEST sold 25% stake in NLGIC, generating net proceeds of OMR 20 million for OMINVEST. In addition, our Associate Al Ahlia Insurance Company also went public and received overwhelming investor response with an oversubscription of 2.4x the issue size of OMR 7.5m at a total valuation of OMR 30 million. OMINVEST also sold its pro-rata stake (25% of 20% equity stake in Al Ahlia). Both NLGIC and Al Ahlia are now listed on Muscat Securities Market (MSM). We expect to bring more of our privately held portfolio companies to public in the years to follow.

Group's Consolidated Financial Performance

For the year ended 31 December 2017, total Group revenues rose by 9% to RO 237.4m while Group net profit dropped by 10.5% to RO 33.6m, over the same period in 2016. OMINVEST shareholders' share of the Group net profits stood at RO 20.5m, compared to RO 23.9m, a decline of 14% over the same period in 2016. While our major subsidiaries (Oman Arab Bank in the Banking Sector and National Life in the Insurance Sector) produced stellar performance in 2017, we saw significant yet temporary weakness in the results of two of our portfolio companies – ONIC and IGI. We believe that these companies will resume their growth trends in the years ahead and begin contributing in line with our expectations. Another source of lower profits at the Group level was the fact that we were unable to recognize capital gains resulting from the IPO of NLGIC due to International Accounting Standards. On the brighter side, our leasing businesses, led by National Finance Company, continued to deliver healthy profits despite challenging conditions in the broader financial services sector.

Parent Company Performance

For the year ended 31 December 2017, total revenues rose by 7% to RO 37.7m and net profit by 12% to RO 27.9m, over the same period in 2016. The increase in the Parent-Level net profit was mainly due to increase in share of results from subsidiaries and investment income and recognition of capital gains from the IPO of NLGIC.

Performance of Major Subsidiaries

Oman Arab Bank (OAB), our banking subsidiary, reported a profit of RO 26.5m for the year ended 31 December 2017 compared to RO 24.5m, a growth of 8% over the same period in 2016. The Bank increased its Loans & Advances by 4% to RO 1.65bn compared to RO 1.59bn at 31 December 2016. Customer deposits rose by 7% to RO 1.75bn compared to RO 1.63bn at 31 December 2016. The Shareholders' funds increased by 9% to RO 276m compared to RO 253m as at 31 December 2016. OAB has shown a healthy growth during the period backed by increase in business volumes and better interest rate margins. OAB has a strong balance sheet, an established brand, committed shareholders, well-anchored and a growing market position.

National Life & General Insurance Company (NLGIC), our subsidiary in the insurance sector, reported a gross insurance premium of RO 116.1m compared to RO 96m for the same period in 2016, a growth of 21%, signifying the underlying growth in the broader insurance sector and more importantly major gains in NLGIC's market share. For the year 2017, NLGIC reported net profit of RO 8.40 compared to RO 4.70m for the same period of last year, a growth of 78.7%. We believe that NLGIC's growth prospects are strong, its recurring revenues from insurance business are stable and on a clear growth trend. NLGIC is already in a leading position in the Omani insurance market, growing fast in the UAE and also successfully commenced operations in Kuwait. NLGIC is looking to expand outside the GCC markets and also diversifying into new products within its areas of expertise.

Our Subsidiary, Oman National Investment Corporation SAOC (ONIC), is a dedicated platform to manage all financial investments across private equity, public equity, fixed income and other structured investments. ONIC reported a net profit of RO 1.13m in 2017, down by 70%. ONIC reported lower profits as it took a conscious decision to not take trading positions in GCC public equities due to rising geo-political risks and increased market volatility. Therefore, ONIC's profitability was primarily based on dividends from its underlying investments. We expect ONIC to further expand and diversify its investment portfolio, which will result in recurring investment income stream in the years ahead.

Performance of Major Associates

During the year 2017, our share of profit in the associate companies stood at RO 7m compared to RO 7.99m, a decline of 12.4%. While our associate companies including National Finance, Oman ORIX Leasing and Al Ahlia Insurance delivered strong results, the overall decline was mainly due to the losses suffered by International General Insurance (IGI). IGI had large exposure to the catastrophic events that occurred in Central American region (Hurricane IRMA, Hurricane Maria in the Caribbean and Mexico Quakes 1 & 2) during 2017. As a result, we saw significant decline in OMINVEST's share of profits from IGI. However, we expect IGI to recover from this one-off decline in profits and regain its footing in 2018.

Acknowledgements

We would like to thank our shareholders and partners for their continued support and trust. We would also like to thank the management team and all our employees for their hard work and commitment.

We take this opportunity to sincerely thank the leadership at Capital Market Authority, Ministry of Commerce and Industry and Muscat Securities Market for their guidance and supportive measures to strengthen the financial market and operating environment for our businesses.

We are profoundly thankful to His Majesty Sultan Qaboos Bin Said for his great vision and wise leadership for the steady growth, stability and enduring prosperity of our great country.

Khalid Muhammad Al Zubair
Chairman

Corporate Governance Report

Building a better working world

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Sultanate of Oman

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C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

REPORT OF FACTUAL FINDING

TO THE SHAREHOLDERS OF OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' corporate governance report of Oman International Development and Investment Company SAOG (the "Company") as at and for the year ended 31 December 2017 and its application of the corporate governance practices in accordance with amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the Code as issued by the CMA and are summarised as follows:

1) We obtained the corporate governance report (the "report") issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and

2) We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2017. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of Oman International Development and Investment Company SAOG to be included in its annual report for the year ended 31 December 2017 and does not extend to any financial statements of Oman International Development and Investment Company SAOG, taken as a whole.

Ernst & Young LLC

Muscat
8 March 2018

ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

The principles of Corporate Governance mainly deals with the way companies are led and managed, the role of the Board of Directors and the framework of internal controls. At OMINVEST, the Board supports the highest standards of Corporate Governance. The Board is responsible for approving and monitoring the Company's overall strategy and policies, including risk management policies, control systems, business plan and annual budget. The Management is responsible to provide the Board with appropriate and timely information to monitor and maintain effective control over strategic, financial, operational and compliance issues. The Board confirms that OMINVEST applies the principles set out in the Capital Market Authority's (CMA) Code of Corporate Governance for Public Listed Companies (the "Code") and other rules and guidelines issued by the CMA from time to time.

BOARD OF DIRECTORS

Nomination of Directors

The Articles of Association of the Company provides for ten (10) directors. Each director on the Board is required to own/represent at least two hundred thousand (200,000) shares in the Company as qualification shares. The Nomination, Remuneration and Executive Committee assists the General Meeting in the nomination of proficient directors and the election of the fit for purpose. Election to the Board is subject to approval by the regulatory authorities based on nomination form filed by the candidate who meets the minimum qualification requirements as per CMA guidelines. The election for the Board of Directors was held at the Ordinary General Meeting (OGM) on 19 November 2015 for a term of three years and the next election to the Board is due to be held at the Annual General Meeting (AGM) on the 27th of March 2018. As of date 31 December 2017; OMINVEST has two vacant board seats.

Composition of the Board

During the year 2017, the Board consisted of ten (10) directors who have varied backgrounds and experience and who individually and collectively exercise independent and objective judgement. The composition and the independence of the board of directors is in accordance with the Code as of 31 December 2017:

i) All Directors, including the Chairman, are non-executive. three (3) out of the eight (8) Directors are independent, which is in compliance with the existing regulations.

ii) Four (4) out of the eight (8) Directors represent institutional shareholders, while four (4) Directors were elected by the shareholders in their individual capacities.

Number of Board meetings

OMINVEST held eight (8) Board meetings during the year ended 31 December 2017. These were held on 15 January, 28 February, 09 May, 11 June, 14 August, 07 September, 03 October and 13 November. The maximum interval between any two meetings was seventy (70) days. This is in compliance with the Code which requires meetings to be held within a maximum time gap of four (4) months.

Directors' attendance record

Director	No. of Board meetings attended	Whether attended last AGM
Khalid Muhammad Al Zubair	8	Yes
Hassan Ahmed Al Nabhani(1)	5	No
Taya Jandal Ali	8	No
Jamal Shamis Al Hooti	8	Yes
Ceruseri Sreenivas Badrinath	7	Yes
Khalid Abdullah Al Khalili	8	No
Qais Mohammed Al Yousef(1)	4	Yes
Anwar Hilal Al Jabri	6	No
Majid Salim Al Araimi(2)	4	No
Abdulaziz Khalifa Al Saadi(2)	5	No
Saif Said Al Yazidi(1)	-	No

1) Resigned / Replaced during the year

2) Appointed during the year

None of the Directors during their directorship was a member of the board of more than four public joint stock companies whose principal place of business is in the Sultanate of Oman, or a chairman of more than two such companies. Particulars of directorships of other joint stock companies and memberships of other Board Committees is set out in Appendix I of this Report. Furthermore, no director was a member of the board of directors of a joint stock company which practices similar activities to the Company and whose principal place of business is in the Sultanate of Oman.

Directors with materially significant related party transactions, pecuniary or business relationship with the Company

All details relating to financial and commercial transactions where directors may have a potential interest are provided to the Board, and the interested directors neither participate in the discussion, nor do they vote on such matters. All such matters are also discussed in detail by the Audit and Control Committee.

The company has its related party policy & procedures and all related party transactions are reviewed by the Audit and Control Committee and approved by the Board.

The following shareholders are deemed to be related parties by virtue of their shareholding during the year (10% or more of the voting power) in the Company:

	At 31 Dec 2017 (% Holding)
Ubhar Capital – Asset Management/ Local Trust	24.08%
Al Hilal Investment Company llc	20.09%
Civil Service Employees' Pension Fund	11.45%

Board Evaluation

The Code requires that the Board of Directors performance is appraised impartially and independently by a third party appointed by the AGM in accordance with a benchmark and standards set by the board or the general meeting. The AGM held in March 2017 approved the appointment of an independent third-party as per the evaluation framework parameters. The appointed consultants "Protiviti" carried out the evaluation exercise during the year and presented a report to the Board with recommendations.

Committees of the Board

Audit and Control Committee (AC)

The AC as of 31 December 2017 consists of three (3) non-executive members, of which two (2) are independent and one (1) non-independent directors. All members of the Committee are familiar with finance, industry, Omani laws and regulations governing SAOG companies.

The AC met five times during the year on 24 January, 27 February, 08 May, 13 August and 07 November and the attendance record is tabled below.

Attendance record of Audit and Control Committee Members:

Name of Committee Member	Position	Meetings attended during the year
Qais Mohammed Al Yousef (1)	Chairman	4
Anwar Hilal Al Jabri	Deputy Chairman	5
Jamal Shamis Al Hooti	Member	5
Khalid Abdullah Al Khalili (1)	Member	5
Majid Salim Al Araimi (2)	Member	-

1) Resigned / Replaced during the year
2) Appointed during the year

The Committee receives reports on the findings of internal and external audits and on actions taken by the Management in response to these. It meets with the external auditors at least once every year and with internal auditors on quarterly basis. The Committee reviews the scope, findings and cost effectiveness of the Company's statutory audit and the independence and objectivity of the external auditors. It also reviews changes to the accounting policies and reviews the audited annual and unaudited quarterly financial statements and recommends for Board approval. In addition, the Committee periodically reviews and reports to the Board on the effectiveness of the Company's system of internal control and risk management process.

Nomination, Remuneration and Executive Committee (NREC)

The NREC is delegated powers and authority to facilitate the smooth running of the operations of the Company and exercise all of the responsibilities of the Board between its meetings within the limits set out in the Delegation of Authority Manual approved by the Board. The NREC is also responsible for nomination of competent directors and developing appropriate remuneration policies. The exceptions to the delegated powers are:

1) Approval of the Company's annual budget and business plan;
2) Approval of the Group's and Company's quarterly unaudited financial statements and the annual audited financial statements; and
3) Acquisition and disposal of strategic investments.

The NREC as of 31 December 2017 consists of one (1) independent and three (2) non-independent Directors. All members are non-executive Directors.

The Committee met two times during the year on 28 February and 11 June and the attendance record of the members is tabled below:

Name of Committee Member	Position	Meetings attended during the year
Khalid Muhammad Al Zubair	Chairman	2
Hassan Ahmed Al Nabhani (1)	Deputy Chairman	2
Khalid Abdullah Al Khalili (2)	Deputy Chairman	-
Taya Jandal Ali	Member	2
Ceruseri Sreenivas Badrinath	Member	2
Abdulaziz Khalifa Al Saadi (2)	Member	1

1) Resigned during the year
2) Appointed during the year

Remuneration of Directors

During the year, following the approval by the shareholders at the AGM held on 29 March 2017, the Directors were paid a remuneration of RO 163,500 for 2016.

Directorship sitting fees of RO 500 was paid to the Directors for each Board/ Board Committee meeting attended during the year. Total sitting fees for Board and Board Committee meetings held during 2017 were as follows:

	(RO)
Board	31,500
NREC	4,500
AC	9,500
	45,500

There was no other remuneration paid by the company to any of the Directors.

There were no travel and incidental expenses relating to Group's business paid by the Parent Company to any Board members during the year.

Remuneration for 2016 paid in 2017 and sitting fees paid for 2017 relating to individual Directors was (in RO):

Director	Sitting Fees				Remuneration for 2016	Total
	Board	NREC	Audit Committee	Total		
Khalid Muhammad Al Zubair	4,000	1,000		5,000	22,500	27,500
Hassan Ahmed Al Nabhani (1)	2,500	1,000		3,500	21,000	24,500
Taya Jandal Ali	4,000	1,000		5,000	15,000	20,000
Jamal Shamis Al Hooti	4,000		2,500	6,500	15,000	21,500
Saif Said Al Yazidi (1)	-	-	-	-	15,000	15,000
Khalid Abdullah Al Khalili	4,000		2,500	6,500	15,000	21,500
Qais Mohammed Al Yousef (1)	2,000		2,000	4,000	15,000	19,000
Anwar Hilal Al Jabri	3,000	-	2,500	5,500	15,000	20,500
Ceruseri Sreenivas Badrinath	3,500	1,000	-	4,500	15,000	19,500
Shaheen Mohammed Amin (1)	-	-	-	-	15,000	15,000
Abdulaziz Khalifa Al Saadi (2)	2,500	500		3,000	-	3,000
Majid Salim Al Araimi (2)	2,000	-	-	2,000	-	2,000
Total	**31,500**	**4,500**	**9,500**	**45,500**	**163,500**	**209,000**

1) *Resigned / Replaced during the past two years*

2) *Appointed during the year*

Directors' Remuneration proposed for 2017 is RO 154,500 and this is subject to shareholders' approval at the AGM scheduled to be held on Tuesday, 27 March 2017. As per Royal Decree 99/2005 of 5 December 2005, the maximum permissible limit on Board remuneration, including sitting fees is 5% of annual net profit, subject to an overall limit of RO 200,000. Each Director's sitting fees per annum is limited to RO 10,000 after deduction at a rate not less than 5% of the capital.

INTERNAL CONTROL REVIEW

The Code requires that the directors should, at least annually, review the effectiveness of the Company's system of internal controls and report to the shareholders that they have done so. The Board attach great importance to maintaining a strong control environment and confirm that its review has covered the financial statements, all controls, including financial, operational, compliance and risk management. The Board has reviewed the Parent Company's internal control policies and procedures and is satisfied that appropriate procedures are in place to implement the Code's requirement.

MANAGEMENT

Management Remuneration

At 31 December 2017, the Company had thirty eight (38) full-time employees. The expense (salaries, allowances, other statutory payments and bonuses) incurred for 2017 relating to the (5) full-time executive management team of the Company was RO 1,331,336.

In addition, Sitting fees and funds received by the Company from the investee companies was RO 149,368. Travel and incidental expenses for Group's business incurred by any of the above executives for the year 2017 amounted to RO 8,840.

All employees are employed on two year renewable employment contracts. Notice period is three (3) months for all positions or salary in lieu thereof.

Profile of Executive Management

AbdulAziz Mohammed Al Balushi

Group Chief Executive Officer

AbdulAziz Mohammed Al Balushi has been the Group CEO of Oman International Development and Investment Company SAOG (OMINVEST) since January 2014.

With experience of more than 33 years, AbdulAziz has extensive in-depth knowledge of global financial services industry. At OMINVEST, AbdulAziz was the key driver behind the merger of OMINVEST and ONIC Holding, which has created the largest publicly listed investment company in Oman.

Before joining OMINVEST, AbdulAziz was the CEO of Ahlibank SAOG from 2007 to 2013 and was primarily responsible in converting a single product mortgage bank into a full-fledged commercial bank. During his tenure, Ahlibank won many prestigious awards including; the best bank of Oman for three consecutive years by OER, the best bank in Oman 2012 by World Finance and the Bankers award 2013. AbdulAziz has held positions of increasing responsibility in all major areas of Banking. Abdulaziz started his career with Oman International Bank and prior to joining Ahlibank, he was Deputy CEO of National Bank of Oman.

AbdulAziz holds Master of Science Degree in Finance from the University of Strathclyde (UK) and a Fellow Chartered Institute of Bankers (UK). He has attended a host of Specialized Executive Management Development Programs at International Institutes of worldwide repute including, London Business School, INSEAD Business School and Strathclyde University Business School. In November 2012, he was ranked as the "Second Best CEO in the Arab Banking World" by Forbes Magazine.

AbdulAziz is the Chairman of Board of Directors at Oman Electricity Transmission Company SAOC (a wholly government-owned entity), Oman Real Estate Investments and Services SAOC and Oman National Investment Corporation SAOC. He is also a Board member at Oman Arab Bank SAOC, Ubhar Capital SAOC, National Finance Company SAOG and National Life and General Insurance Company SAOG. Additionally, he is a member of Oman American Business Center, an organization formed to foster the development of commercial activity between the United States of America and the Sultanate of Oman.

Shahid Rasool

Chief Investment Officer

Shahid is the Chief Investment Officer at OMINVEST and joined the firm in August 2014. Over the last 20 years, he has held leadership responsibilities at prominent Investment Banks and Investment Firms in the Middle East. Shahid has managed substantially large investment platforms across public equities, private equity, fixed income and alternative investments across regional and int'l markets. Before joining OMINVEST, Shahid was Head of Public Securities at QInvest (Qatar's largest investment bank) and managed the bank's proprietary capital and client portfolios focusing on MENA and Global Equities. Earlier, he was Head of Investments Group at First Abu Dhabi Bank (FAB) in Abu Dhabi, where he led a large team and managed multi-asset investment portfolios covering MENA and Global markets. Shahid also extensively managed private equity investments at ADIC – an Abu Dhabi based Sovereign Wealth Fund. Previously, he was a Senior Analyst in the Asset Management Division at Riyad Bank and an Equity Analyst with ABN AMRO Hoare Govett. Shahid is a CFA charter holder and received his MBA from The University of Chicago, Booth School of Business, Illinois, USA.

Bikram Monga

Chief Risk Officer

Bikram is a senior risk management professional with 20 years of extensive international experience in financial services industry across Commercial & Investment Banking, Brokerage, Advisory, and Islamic Banking. His experience includes working with leading institutions across GCC, Western & Eastern Europe and Central Asia, where he has accumulated an extensive understanding of various markets and advised businesses in multicultural environments. Bikram holds a BSc (with honors) in Mechanical Engineering from Moscow and an MBA from University of Alberta, Canada. Bikram is currently pursuing Senior Executive Leadership Program at the Harvard Business School. At OMINVEST, Bikram is responsible for the Risk Management, Corporate Governance, Compliance and Legal functions.

Nashat Helal

Chief Financial Officer

Nashat is the Chief Financial Officer of OMINVEST and Joined the firm in July 2013. He is a member of the Institute of Management accountants and CFA Institute with over than 16 years of professional experience in managing the finance functions, formulating strategic business plans, budgeting and financial planning. Before joining OMINVEST, he was the Chief Financial Officer of Oman Sail LLC, where he led the finance and operation teams. Previously, he worked with Ernst & Young in Jordan and Oman where he was the Executive manager leading the risk management team and led projects across various industries covering government, utilities, insurance, energy, banking and financial services. He is a CFA charter holder, CPA & CMA by profession and holds Bachelor degree in Marketing from Yarmouk University in Jordan. Nashat currently pursuing his Executive MBA at London Business School.

Hamid Al Harthi

Head of Support Services

Hamid joined OMINVEST in 2009 as a Vice President Internal Audit, reporting to Audit Committee. Currently, He changed his career to Head of Support Services at OMINVEST. Hamid is a Certified Internal Auditor (CIA) – from the Institution of Internal Auditors (IIA), United State of America (USA) and Certified Internal Quality Auditor (CIQA). He is a Member of Institution of Internal Auditor (IIA), USA. He is also a member of Information Systems Audit and Control Association (ISACA), USA. He has over 12 years of professional experience in internal audit in various institutions in Oman includes; Oman Development Bank, Gulf Investment Services (GIS) as a Head of Internal Audit & Group Compliance Officer, at Gulf Baadar Capital Markets as Management representative of GIS. Hamid graduated from Sultan Qaboos University with a bachelor degree of Science in Accounting from College of Commerce and Economics.

Muneer Al Mughairy

Chief Internal Auditor

Muneer has over 15 years of experience in Internal Audit. He worked for various reputable companies such as Oman LNG, Takamul Investment Company and Al Maha Petroleum Marketing Company. Muneer is providing strategic direction to the audit department that also covers other subsidiaries and associates within the group. He is a board member in the Institute of Internal Audit and the Chairman of the Advocacy Committee, Oman Chapter. Muneer is a Certified Internal Audit, a Certified Fraud Examiner and a Certified Information System Auditor.

SHAREHOLDERS

Communication to shareholders and investors

Information relating to the Company and its quarterly and annual financial statements are posted on the Company's website - www.ominvest.net. Financial statements, in Arabic and English, are also available at the Company's offices during the Company's business hours. The quarterly unaudited and annual audited sections of the financial statements of the Group and Parent Company are published in leading Arabic and English newspapers in the Sultanate of Oman.

Audited financial statements (abridged), in Arabic together with the Notice and Agenda for the AGM are sent by post to all shareholders to their registered addresses provided by the Muscat Clearing and Depository Company saoc and have also been disclosed on the MSM website. Extracts from the financial statements are published in an Arabic and English newspaper within five days of filing it through electronic transmission system of MSM.

Distribution of shareholding

The shareholding pattern as on 31 December 2017 was:

Number of Shares	% Held	Number of shareholders	Total Shares	% of Share Capital
69,936,998 and above	Above 10%	3	388,962,503	55.62%
34,968,499 and 69,936,998	5% - 10%	1	34,968,500	5.00%
6,993,700 and 34,968,499	1% - 5%	7	88,708,490	12.68%
Below 6,993,700	Below 1%	2,573	186,730,489	26.70%
GRAND TOTAL		**2,584**	**699,369,982**	**100%**

Professional profile of the statutory auditor

The shareholders of the Company have appointed Ernst & Young as the auditors for the year ended 31 December 2017.

Ernst & Young (EY) – Statutory Auditors'

EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923 and employs over 6,500 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,400 partners and approximately 1,00,000 professionals. Globally, EY operates in more than 150 countries and employs 231,000 professionals in 700+ offices. Please visit ey.com for more information about EY.

Remuneration to statutory auditors

	(RO)
Audit fees for 2017: Parent Company	13,000
Subsidiaries	125,350
IFRS 9 adoption review	17,000
	155,350

LEGAL ADVISOR

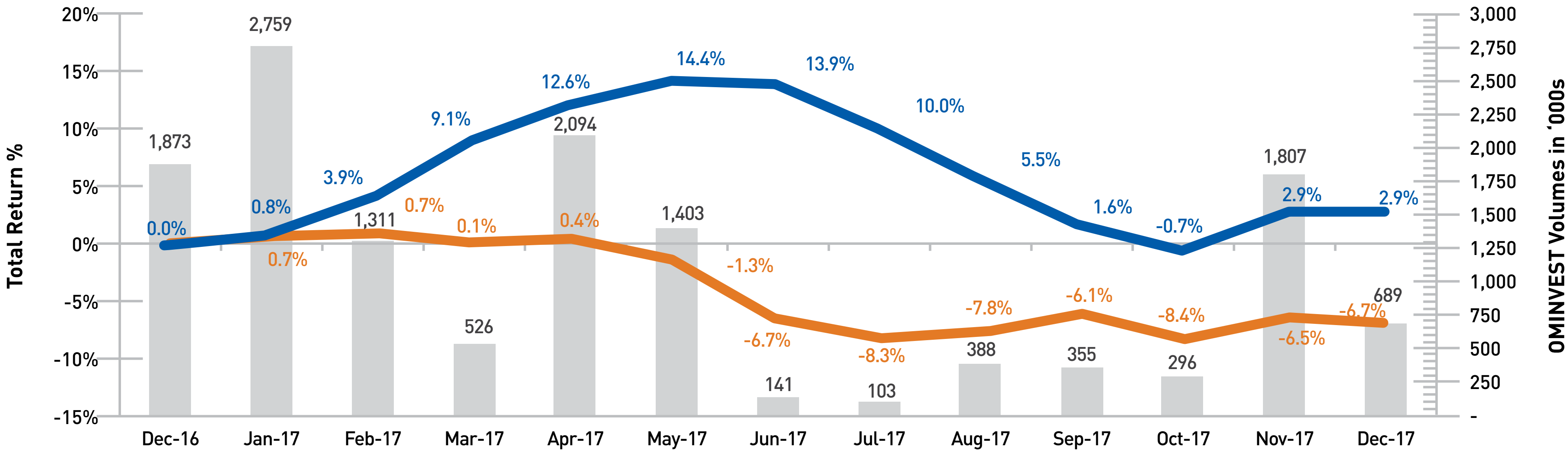
Curtis, Mallet-Prevost, Colt & Mosle LLP

Curtis has been lead adviser on some of the largest and most significant projects in Oman, and is regularly recognized as one of the country's foremost law firms. In the latest edition of its Europe, Middle East and Africa guide, Legal 500 identified our firm as a leading legal service provider in Oman. Curtis and our Muscat-based lawyers were recognized for our extensive experience in the areas of banking and finance, corporate and mergers and acquisitions, projects and energy, and shipping.

MARKET PRICE DATA

The performance of the Company's share price (total returns) in 2017 versus MSM-30 Index is shown below:

TOTAL RETURN IN 2017 - MSM30 Index vs OMINVEST



Source Bloomberg
*Total Returns for OMINVEST adjusted for stock dividends and cash dividends
**OMINVEST Volumes in November 2017 excludes a large special transaction

OMINVEST Volume MSM30 Index - Total Return OMINVEST - Total Return

During November 2017, 167 million shares were transacted by OMINVEST subsidiary, not included in above graph.

Details of OMINVEST's high, low and closing share prices during each month are as follows:

	Dec'16	Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17
High	0.518	0.530	0.540	0.550	0.530	0.520	0.516	0.508	0.494	0.464	0.462	0.496	0.466
Low	0.486	0.508	0.520	0.530	0.494	0.508	0.516	0.490	0.478	0.450	0.450	0.440	0.464
Close	0.512	0.516	0.532	0.494	0.510	0.518	0.516	0.498	0.478	0.460	0.450	0.466	0.466

Source: MSM Monthly Bulletin

DETAILS OF NON-COMPLIANCE

There have been no instances of non-compliance on any matter relating to the Commercial Companies Law No. 4/1974, CMA's Code of Corporate Governance for Public Listed Companies, CMA regulations or the MSM listing agreements.

ACKNOWLEDGEMENT BY THE BOARD

The Board acknowledges its responsibilities and confirm that:

a. the Audited Group and Parent Company financial statements have been prepared in accordance with the IFRS, the minimum requirements of the Commercial Companies Laws, No. 4/1974 and the disclosure requirements of the Capital Market Authority;

b. the internal controls and procedures have been reviewed through an established process of regular internal audit, review by the Audit and Control Committee and the final clearance by the Board;

c. the Parent Company and the Group have a strong financial standing to carry on their successful operations in the foreseeable future.

APPENDIX 1

PARTICULARS OF DIRECTORSHIPS OF OTHER PUBLIC JOINT STOCK COMPANIES AND MEMBERSHIPS OF THEIR COMMITTEES AS OF 31 DECEMBER 2017

Director	OTHER DIRECTORSHIPS			
	Company	Position	Committee	Position
Khalid Abdullah Ali Al Khalili	Bank Nizwa	Director	EC	Member
	Al Ahila Insurance	Director	NRI	Member
Taya Jandal bin Ali	National Finance Co.	Chairman	EC	Chairman
Abdulaziz Khalifa Al Saadi	Bank Nizwa	Director	EC RC	Member Member
Anwar Hilal Al Jabri	National Life and General Insurance	Chairman	EC HR	Member Member
	Ahli Bank	Director	ERC	Member
	Taageer Finance	Director	EC	Chairman
Majid Salim Said Al Fannah Al Araimi	Galfar Engineering & Contracting	Chairman	SAFCOM HR	Chairman Chairman
	A'Saffa Foods	Director	EC	Member

NRI = Nomination, Remuneration and Investment Committee
EC = Executive Committee
RC = Risk Committee
ERC = Executive Risk Committee
HR = Human Resources Committee
SAFCOM = Supervisory and Follow-up Committee

Management Discussion and Analysis (MD&A)

Overview

OMINVEST continued to pursue its strategic direction and achieved major milestones in 2017. OMINVEST delivered a strong return on equity, enhanced its asset and revenue diversification. The company's prudent financial and risk management has resulted in a strong balance sheet and its progressing well to achieve the vision and strategic objectives of its shareholders.

Business Model and Strategy

Our business model entails reducing concentration and reliance on any one major portfolio company. Through prudent diversification across sectors and geographies, we aim to further diversify our revenue base. It will enhance stability & growth and help mitigate downside risks caused by sudden and sharp economic downturns.

To achieve our strategic goals, OMINVEST is focusing on the following six major initiatives:

i) further build our presence in the banking sector and help improve performance of our strategic investments,

ii) expand our footprint in the regional insurance sector through organic expansion and acquisitions,

iii) explore strategic collaborations among our leasing associates to realize synergies,

iv) grow our investment banking and asset management platform to generate fee income,

v) develop a diverse and high quality portfolio of financial investments in public and private equity through our new subsidiary ONIC, and

vi) establish a top-tier real estate investment and projects advisory business.

We believe these initiatives, which are already well under way, will help diversify our revenue streams and create durable value for the shareholders.

Group Audited Consolidated Financial Statements

The Group audited consolidated financial statements include the audited financial statements of the following companies for the financial year ended 31 December 2017:

Company	Activity	Country	Staff *	Status
Oman International Development & Investment Company SAOG	Investment	Oman	38	Parent Company
Oman Arab Bank SAOC	Banking	Oman	1,172	Subsidiary (51.00%)
National Life & General Insurance Company SAOG	Insurance	Oman	348	Subsidiary (78.26%)
Oman National Investment Corporation SAOC	Investment	Oman	1	Subsidiary (100%)
Oman Real Estate Investment & Services SAOC	Investment	Oman	2	Subsidiary (99.98%)
Salalah Resorts SAOC	Integrated Tourism	Oman	1	Subsidiary (99.98%)
Al Jabal Al Aswad Investment LLC	Tourism	Oman	0	Subsidiary (99.98%)
Budva Beach Properties d.o.o.	Tourism	Montenegro	2	Subsidiary (100%)

** As at 31 December 2017*

The financial highlights based on the audited financial statements for the financial year ended 31 December 2017 are:

	Group		Parent Company	
	2017 (RO '000)	2016 (RO '000)	2017 (RO '000)	2016 (RO '000)
Profit for the year attributable to the shareholders of the Parent Company	20,539	23,875	27,863	24,796
Share capital	69,937	63,579	69,937	63,579
Shareholders' equity	164,020	241,135	246,001	237,603
Proposed cash dividend	10,491	9,537	10,491	9,537
Proposed stock dividend	6,994	6,358	6,994	6,358
Basic earnings per share (RO)	0.030	0.034	0.040	0.035
Net assets per share (RO)	0.309	0.379	0.352	0.374
Cash dividend per share (RO)	0.015	0.015	0.015	0.015
Stock dividend per share (RO)	0.010	0.010	0.010	0.010

Performance for the year

The Group consolidated profit for the year was RO 33.62 (2016: RO 37.58m) and is attributable to:

	2017 RO'000)	2016 (RO'000)
Shareholders of the Parent Company	20,539	23,875
Non-Controlling interests	13,083	13,700
	33,622	**37,575**

As of 31 December 2017, the non-controlling interests represents:

- 49% of Oman Arab Bank's equity is owned by the minority shareholder, Arab Bank, Jordan. Accordingly, 49% of Oman Arab Bank's profit for the year is attributable to non-controlling interests.
- 21.74% of National Life & General Insurance Co.'s equity is owned by public shareholders. Accordingly, 21.74% of National Life & General Insurance Co.'s profit for the year is attributable to non-controlling interests.

Earnings per share decreased to RO 0.030 (2016: RO 0.034) for the Group and increased to RO 0.040 (2016: RO 0.035) for the Parent Company. Net Asset Value (NAV) per share decreased to RO 0.309 (2016: RO 0.379) for the Group and to RO 0.352 (2016: RO 0.374) for the Parent Company.

IFRS Standards, Amendments And Interpretations Effective In 2017

For the year ended 31 December 2017, the Group 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 and mandatory to its operations and effective for periods beginning on 1 January 2016.

Consequent to the amendments in IAS 27 effective from 1 January 2016, the company has adopted equity method to account for investments in associates and subsidiaries in the Company's parent financial statements.

The Group has elected to apply IFRS 9 Financial Instruments as issued in July 2014, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows.

Investment in Subsidiaries

The Parent Company's investments in subsidiaries, which are unquoted, are stated at their carrying value based on equity method and comprise the following:

	2017		2016	
	%held	(RO'000)	%held	(RO'000)
Oman Arab Bank SAOC	50.99	140,503	50.99	129,056
National Life & General Insurance Co. SAOG	73.45	46,813	97.93	57,435
Oman National Investment Corporation SAOC	99.00	38,514	98.00	25,382
Oman Real Estate Investment & Services SAOC	99.98	331	99.98	719
Salalah Resorts SAOC	99.98	173	98.98	-
Al Jabal Al Aswad Investment LLC	100.00	100	100.00	100
Budva Beach Properties	100.00	1,964	100.00	1,632

Investment in Associates

In accordance with International Accounting Standard 28; investment in associates are stated "at cost". Income from such investments is recognised in the Parent Company's financial statements when cash dividend is received from these companies.

However, consequent to the amendments in IAS 27 effective from 1 January 2016, the company has adopted equity method to account for investments in associates and subsidiaries in the Company's parent financial statements.

Investment in the fourteen associates comprises seven associates listed on the Muscat Securities Market and seven unquoted associates. Performance of associates accounted during the year is as follows:

Name of the associate	Share of profit (RO'000)	
	2017	2016
National Finance Company SAOG	1,794	1,623
International General Insurance Holding Limited	980	3,137
Oman Orix Leasing Company SAOG	1,900	1,936
Ubhar Capital SAOC	291	-
Takaful Oman Insurance Company SAOG	196	-
Al Ahlia Insurance Company SAOG	761	414
National Biscuit Industries SAOG	122	187
National Detergent Company SAOG	188	232
Oman Chlorine SAOG	156	297
National Finance House B.S.C.	214	226
Shamal Plastic Industries LLC	37	26
Gulf Acrylic Industries LLC	27	41
Modern Steel Mill LLC	215	(134)
Horizon (AD) Investment Ltd	115	-
Total Share of Results	**6,996**	**7,985**

On 27 December 2017, NFC entered into a merger agreement with OOLC, pursuant to the merger agreement signed between NFC and OOLC, OOLC's Board's power are effective only up-to date of merger agreement and steering committee was formed on 28 December 2017 to oversee the operations of OOLC.

During the year, the Group disposed off its investments in NDC, Oman Chlorine SAOG and NABIL for a consideration of RO 11.5 million.

During the year, Group's associate Ahlia listed its shares on Muscat Securities Market (MSM) through an Initial Public Offer (IPO). As a part of IPO offerings, the Group has partially divested (5.01%) of its holding in Ahlia for a net consideration of RO 1.4 million. Further, post IPO, the Group acquired an additional stake of 9.28% valued at RO 3 million.

During the year, the Group classified its investment in Takaful from fair value through profit or loss to investment in an associate upon obtaining board representation. The Group's holding in Takaful has not changed during the year.

During the year, ARON Investment Ltd (SPV) which is 99% held by Oman National Investment Company SAOC acquired 15% of the share capital in Horizon (AD) Investment Ltd.

Bank Borrowing – Parent Company

	2017 (RO'000)	2016 (RO'000)	Increase (RO'000)
Bank Borrowings	139,300	138,900	400

The borrowing is mainly to fund Parent Company's investment activities. All outstanding borrowing is clean facilities without any tangible securities and is due for settlement within one to five years.

OMINVEST's debt/equity ratio at the balance sheet date stood at 0.56:1, based on total shareholders' equity of RO 246,001K in the Parent Company.

Dividends and Share Capital

The Parent Company's objective is to provide its shareholders with a reasonable and consistent annual cash return on their investment in the share capital of the Company.

The Parent Company has a track record of consistently paying dividend since its inception. Cash dividends of RO 90.1m have been declared and distributed to shareholders. In addition, stock dividends totalling RO 36.99m have been distributed since inception.

Paid-up Share Capital amounted to RO 69,937K as of 31 December 2017, of which RO 8m was paid in November 1983 when the Company was incorporated.

The market capitalisation of the Parent Company as of the year ended 31 December 2017 stood at RO 325.9m (2016: RO 326m).

Internal Controls

The Board has collective responsibility for the establishment and maintenance of a system of Internal Controls that provides reasonable assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations. However, the Board recognises that any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The system of internal controls is monitored regularly by the Board, its Committees, Management and Internal Audit. The Company's business is conducted with a regulated control framework, underpinned by policy statements, written procedures and control manuals. The Board has established a management structure which clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

The business performance of the Company is reported regularly to its management and the Board. Performance trends, forecasts as well as actual performance against budgets and prior periods are closely monitored. Financial information is prepared using appropriate accounting policies fully in compliance with the IFRS which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls also include the segregation of duties, the regular reconciliation of accounts and the valuation of assets and positions.

Risk Management Framework

OMINVEST follows a robust board approved risk management framework. Through the delegation of authority and various policies; the board sets the guidelines and operating parameters for the management. These policies are reviewed periodically to capture the current operating environment.

Risk Management is core function at OMINVEST which follows a centralized approach with emphasis throughout the Company and its Investments. A proactive risk culture and awareness has been built across the organization. OMINVEST follows a four-step process in its Risk Management approach; Identification, Analysis, Monitoring & Control and On-going Review.

Risk Management covers all applicable risks and concerns to ensure a robust and thorough coverage across all fields, including, strategy, business, investments, compliance, financial, operational, legal, human resources and other. Risk Management team uses tools like risk registers to capture and monitor risk events (potential and existing).

A very comprehensive compliance mechanism has been put in place to ensure regulatory and internal compliance.

Corporate Social Responsibility ("CSR")

OMINVEST has always been a firm believer of CSR and is committed towards the development and growth of the Omani youth, society and economy. At OMINVEST we are driven by our core values of Teamwork, Performance, Integrity, Discipline, Reputation, Empowerment and Accountability.

In-line with our business strategy and activities; our CSR Policy focuses on the following main pillars:

- Social Responsibility,
- Environmental Responsibility,
- Good Corporate Citizen; and
- Other Regulatory Commitments.

In light of OMINVEST values and to incorporate our pillars as part of our CSR activities, we are committed in partnering with well-established entities targeting our values whilst engaging our staff. OMINVEST has on-going relationship with all its partners; providing assistance in various fields. Based on this strategy during 2017 we have partnered with Zubair SEC; an incubator of Small Enterprises and has also joined as a corporate member with the Environment Society of Oman ("ESO"); a promotor for the conservation of the environment for a value of OMR 1,000.

A further OMR 4,000 was paid to ESO to sponsor the Inter-College Environmental Public Speaking Competition. The aim of the competition is to give college students the opportunity to develop and present strong cases on contemporary issues relating to the environment. This enhances their presentation, research and public speaking capabilities; hence increasing their confidence and building upon their leadership skills. This consequently creates a platform for young Omani's to express their concerns.

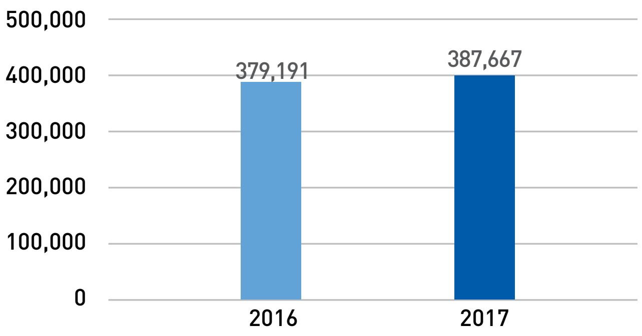
In Collaboration with Zubair SEC; OMINVEST sponsored a seat under the Direct Support Program to help support an SME owner; the founder of Recycling Services LLC for the value of OMR 10,000. OMINVEST along with its' group companies were involved in many aspects by providing funding & professional advice; whilst spreading awareness. In partnership with National Finance Company, and OMINVEST further support of OMR 7,179; it allowed the SME to secure financing for a Fuso recycling truck crane; increasing the business efficiency to a large extent.

A subsequent social endeavour was supporting the Children's Summer Workshop held during summer at 2017 at Bait Al Baranda; a history museum part of the Muscat Municipality located in Mutrah. Since its inception in 2006, they have dedicated themselves to inculcate art workshops for children during their summer holidays. The target was to spread art culture to the underprivileged children within the neighbourhood. The total cost of the workshops amounted to OMR 2,000.

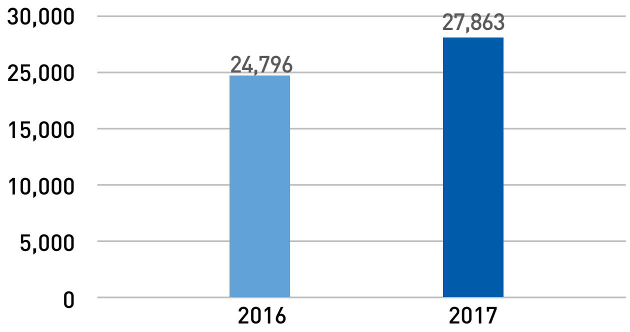
At OMINVEST we apply best industry practises and give high priority to the protection of our surroundings and compliance with the relevant regulations and standards. Within our framework of high standards of corporate governance; we wish to work with a purpose to reinforce our relationships with all of our stakeholders and to ensure sustainability. Corporate sustainability is an approach OMINVEST follows that creates long-term shareholder value by ensuring our CSR activities are sustainable.

February 28, 2018

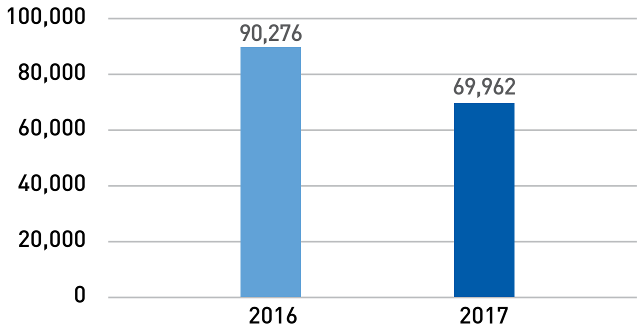
Total Assets - Parent Company (in RO '000)



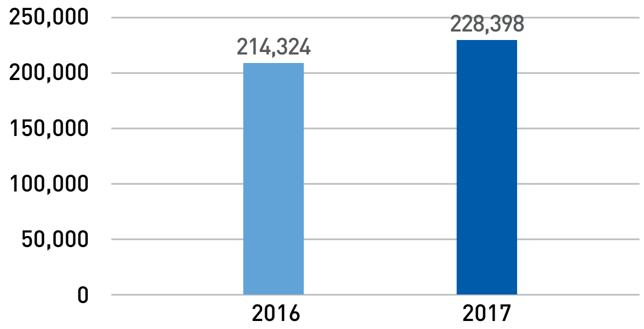
Profit for the year - Parent Company (in RO '000)



Investments in Associates - Parent Company (in RO '000)



Investments in Subsidiaries - Parent Company (in RO '000)



Financial Statements
31 December 2017

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PR No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements (the "financial statements") of Oman International Development and Investment Company SAOG (the "Company" or the "Parent Company") and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group and separate financial position of the Company as at 31 December 2017 and their respective financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG (CONTINUED)

Key audit matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Impairment provision for loans and advances to customers in the consolidated financial statements The valuation of loans and advances to customers of the Group's banking subsidiary represents a significant part of the Group's total assets and due to the significance of the judgments used in classifying loans and advances to customers into various stages stipulated in IFRS 9 and determining related provision requirements, this audit area is considered a key audit risk. The basis of the banking subsidiary's impairment provision policy is presented in the accounting policies in note 2.5.1 (c) to the financial statements. The critical accounting estimates and judgements, related disclosures and the credit risk management are set out in notes 3, 9 and 42.2 to the financial statements.	Our audit procedures included, among others, the following: • Assessed the modelling techniques and methodology against the requirement of IFRS 9; • Assessed and tested the material modelling assumptions as well as overlays with focus on the: - Key modelling assumptions adopted by the Group - Basis for and data used to determine overlays; and - Sensitivity of the ECL provisions to changes in modelling assumptions • Examined a sample of exposures and performed procedures to evaluate the - Timely identification of exposure with a significant deterioration in credit quality; and - Expected loss calculation for exposures assessed on an individual basis • Assessed and tested relevant controls over credit granting, booking, monitoring and settlement and those relating to the calculation of credit provisions. • For exposures determined to be individually impaired (stage 3), we tested a sample of loans and advances to customers and examined management's estimate of future cash flows and checked the resultant provision calculations; and • Assessed whether the financial statement disclosures appropriately reflect the requirements of IFRS.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG (CONTINUED)

Key audit matters (continued)

Estimates used in calculation of insurance funds in the consolidated financial statements National Life and General Insurance Company SAOC (NLIGC), a Group company, has material insurance liabilities as on reporting date. The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on a best-estimate of the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling cost. A range of methods may be used to determine these liabilities. Underlying these methods are a number of assumptions relating to the expected settlement amount and settlement patterns of claims. The basis of the Group's estimation of insurance contract liabilities is presented in the accounting policies section at note 2.26 to the financial statements. Also, attention is drawn to the critical accounting estimates and judgements, disclosures of outstanding claims and the insurance risk management set out in notes 3 and 19 to the financial statements respectively.	We assessed management's calculation of insurance liabilities by performing the following procedures: • We evaluated and tested key controls around the claims handling and reserve setting processes of the Group. We examined evidence of the operation of controls over the valuation of individual claims reserves and internal peer reviews (whereby reviewers examine documentation supporting claims reserves and consider if the amount recorded in the financial statements is valued appropriately). • We checked a sample of claims reserves, through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters and where relevant, the inspection of the Group's correspondence with lawyers for claims under investigation. • We reviewed management's reconciliation of the underlying Group data recorded in the insurance policy administration systems with the data used in the actuarial reserving calculations. • We matched the insurance contract liabilities as recommended by the Group's actuary to the liabilities in the financial statements. • We assessed the experience and competency of the Group's actuary to perform the year end valuation. • We involved our actuarial specialist team members, to apply appropriate industry knowledge and experience and we compared the methodology, models and assumptions used against recognised and acceptable actuarial practices.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG (CONTINUED)

Key audit matters (continued)

Fair valuation of investment securities in the consolidated and separate financial statements The Group invests in several securities, which are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost in the statement of financial position. Valuation technique for majority of these financial assets at fair value through profit or loss and other comprehensive income is performed at level 1 of the fair value hierarchy under IFRS, using quoted prices. The Group's financial assets at fair value through profit or loss and other comprehensive income portfolio represents a material component of total assets, thus we have identified this as a key audit matter. The accounting policies relating to financial assets at fair value through profit or loss and through other comprehensive income and the related disclosures are set out in notes 2.5.1 (a) and 8 to the financial statements, respectively.	For valuation of financial assets at fair value through profit or loss and other comprehensive income, we have performed the following procedures: • Obtained an understanding of the process surrounding the fair valuation of those securities and performed a test of transaction to confirm our understanding; • On a sample basis, checked availability of prices in the liquid market and validated the fair valuation of those securities; • For the samples selected, ensured that the related changes in fair values of securities is appropriately recognised; and • Assessed the appropriateness of the disclosures in the financial statements in accordance with IFRS.

Other information included in the Group's 2017 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Group's 2017 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2017 Annual Report after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG (CONTINUED)

Other information included in the Group's 2017 Annual Report (continued)
If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements
Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law of 1974, as amended, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 1974, as amended, and CMA of the Sultanate of Oman.

Ernst & Young LLC

Sanjay

ارنست ويونغ ش م م
ERNST & YOUNG LLC

Sanjay Kawatra
Muscat
8 March 2018

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	Group		Parent Company	
		2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Assets					
Balances with banks and money at call		**169,531**	269,405	**878**	1,564
Deposits with banks	**6**	**154,036**	71,492	**-**	-
Premium and insurance balance receivable	**7**	**37,462**	34,607	**-**	-
Re-insurance share in insurance funds	**19**	**23,596**	26,685	**-**	
Investment securities	**8**	**232,854**	200,293	**19,676**	11,080
Investments in associates	**8(d)**	**72,807**	90,276	**69,962**	90,276
Investments in subsidiaries	**8(e)**	**-**	-	**228,398**	214,324
Loans and advances to customers	**9**	**1,642,513**	1,590,799	**-**	-
Due from subsidiaries		**-**	-	**67,875**	49,831
Other assets	**10**	**52,292**	51,299	**852**	2,830
Investment properties	**11(a)**	**14,609**	10,475	**-**	9,143
Projects work in progress	**11(b)**	**3,399**	2,970	**-**	-
Property and equipment	**11(c)**	**30,896**	30,189	**26**	143
Intangible assets	**12**	**17,298**	18,054	**-**	-
Total assets		**2,451,293**	2,396,544	**387,667**	379,191
Equity and liabilities					
Capital and reserve					
Share capital	**13(a)**	**69,937**	63,579	**69,937**	63,579
Share premium	**14(a)**	**54,678**	61,036	**54,678**	61,036
Treasury shares	**13(c)**	**(81,464)**	-	**-**	-
Legal reserve	**14(b)**	**30,714**	27,523	**30,714**	27,523
General reserve	**14(c)**	**13,033**	13,033	**13,033**	13,033
Other non-distributable reserves	**15**	**28,567**	48,419	**6,835**	30,573
Cumulative changes in fair value reserve		**(11,093)**	(5,033)	**(6,410)**	(149)
Retained earnings		**59,648**	32,578	**77,214**	42,008
Equity attributable to equity holders of the Parent Company		**164,020**	241,135	**246,001**	237,603

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (continued)

	Notes	Group		Parent Company	
		2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Perpetual Tier I capital bonds	13(b)	**30,000**	30,000	**-**	-
		194,020	271,135	**246,001**	237,603
Non-controlling interests		**149,514**	125,336	**-**	-
Total equity		**343,534**	396,471	**246,001**	237,603
Liabilities					
Due to banks	17	**131,811**	150,856	**139,300**	138,900
Deposits from customers	18	**1,738,428**	1,625,381	**-**	-
Insurance funds	19	**68,179**	67,833	**-**	-
Subordinated debt	20	**20,000**	70,000	**-**	-
Other liabilities	21	**143,261**	81,037	**2,366**	2,688
Taxation	22	**6,080**	4,966	**-**	-
Total liabilities		**2,107,759**	2,000,073	**141,666**	141,588
Total equity and liabilities		**2,451,293**	2,396,544	**387,667**	379,191
Net assets per share (Rial Omani)	46	**0.309**	0.379	**0.352**	0.374

The financial statements were authorised for issue by the Board of Directors on 28 February 2018 and signed by:

Khalid Muhammad Al Zubair
Chairman

AbdulAziz Mohammed Al Balushi
Group CEO

The attached notes 1 to 46 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Parent Company	
	Notes	**2017 (RO'000)**	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Continuing operations					
Gross premium earned	**23**	**116,098**	95,953	**-**	-
Interest income	**24**	**89,598**	78,604	**2,599**	2,538
Investment income – net	**26**	**3,272**	10,373	**5,287**	2,089
Fee and commission income – net	**27**	**14,214**	18,055	**-**	-
Other operating income	**28**	**7,203**	6,561	**729**	961
Share of results from subsidiaries	**8(e)**	**-**	-	**22,236**	21,604
Share of results from associates	**8(d)**	**6,996**	7,985	**6,881**	7,985
Total revenue		**237,381**	217,531	**37,732**	35,177
Premium ceded to re-insurers	**23**	**(45,817)**	(38,566)	**-**	-
Net claims	**19**	**(53,557)**	(48,466)	**-**	-
Interest expense	**25**	**(37,608)**	(30,244)	**(5,648)**	(4,045)
Operating expenses	**29**	**(60,318)**	(59,003)	**(4,221)**	(4,627)
Provision for impairment of due from a subsidiary		**-**	-	**-**	(1,709)
Provision for impairment of project work in progress	**11(b)**	**-**	(2,411)	**-**	-
Allowance for loan impairment, net of recoveries	**9(b)**	**(144)**	(7,679)	**-**	-
Total expenses		**(197,444)**	(186,369)	**(9,869)**	(10,381)
Profit before tax from continuing operations		**39,937**	31,162	**27,863**	24,796
Income tax expense	**22**	**(6,315)**	(3,469)	**-**	-
Profit for the year from continuing operations		**33,622**	27,693	**27,863**	24,796

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

	Notes	Group		Parent Company	
		2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Discontinuing operations					
Profit after tax for the year from discontinuing operations	**31**	**-**	9,882	**-**	-
Profit for the year		**33,622**	37,575	**27,863**	24,796
Profit for the year attributable to:					
Equity holders of the Parent Company		**20,539**	23,875	**27,863**	24,796
Non-controlling interests		**13,083**	13,700	**-**	-
		33,622	37,575	**27,863**	24,796
Basic earnings per share attributable to the equity holders of the Parent Company (RO)	**45**	**0.030**	0.034	**0.040**	0.035
Other comprehensive income / (expense):					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation reserve		**398**	(104)	**398**	(104)
Items not to be reclassified subsequently to profit or loss:					
Fair value changes of financial assets fair value through other comprehensive income		**(9,379)**	2,936	**(8,838)**	2,972
Other comprehensive (expense)/ income for the year		**(8,981)**	2,832	**(8,440)**	2,868
Total comprehensive income for the year		**24,641**	40,407	**19,423**	27,664
Total comprehensive income for the year attributable to:					
Equity holders of the Parent Company		**12,300**	26,743	**19,423**	27,664
Non-controlling interests		**12,341**	13,664	**-**	-
		24,641	40,407	**19,423**	27,664

The attached notes 1 to 46 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

GROUP	Attributable to equity holders of the Parent Company Share capital (RO'000)	Share premium (RO'000)	Treasury Shares (RO'000)	Legal reserve (RO'000)	General reserve (RO'000)	Other non-distributable reserves (RO'000)	Cumulative changes in fair value (RO'000)	Retained earnings (RO'000)	Total (RO'000)	Perpetual Tier 1 capital bonds (RO'000)	Attributable to equity holders (RO'000)	Non-controlling interests (RO'000)	Total (RO'000)
At 1 January 2016	55,286	69,329	-	26,682	13,543	39,044	(8,002)	24,055	219,937	-	219,937	111,706	331,643
Profit for the year	-	-	-	-	-	-	-	23,875	23,875	-	23,875	13,700	37,575
Other comprehensive income	-	-	-	-	-	(104)	2,972	-	2,868	-	2,868	(36)	2,832
Total comprehensive income for the year	-	-	-	-	-	(104)	2,972	23,875	26,743	-	26,743	13,664	40,407
Transfer from/ (to) retained earnings	-	-	-	841	(510)	9,479	-	(9,810)	-	-	-	-	-
Other movements	-	-	-	-	-	-	(3)	(14)	(17)	-	(17)	(17)	(34)
Bonus shares issued (note 13(a))	8,293	(8,293)	-	-	-	-	-	-	-	-	-	-	-
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	5,722	5,722
Issue of Perpetual Tier 1 capital bonds	-	-	-	-	-	-	-	-	-	30,000	30,000	-	30,000
Dividend paid (note 16)	-	-	-	-	-	-	-	(5,528)	(5,528)	-	(5,528)	(5,739)	(11,267)
At 31 December 2016	**63,579**	**61,036**	**-**	**27,523**	**13,033**	**48,419**	**(5,033)**	**32,578**	**241,135**	**30,000**	**271,135**	**125,336**	**396,471**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,539**	**20,539**	**-**	**20,539**	**13,083**	**33,622**
Other comprehensive expense	**-**	**-**	**-**	**-**	**-**	**398**	**(8,637)**	**-**	**(8,239)**	**-**	**(8,239)**	**(742)**	**(8,981)**
Total comprehensive income for the year	**-**	**-**		**-**	**-**	**398**	**(8,637)**	**20,539**	**12,300**	**-**	**12,300**	**12,341**	**24,641**
Transfer from/ (to) retained earnings	**-**	**-**		**3,191**	**-**	**(20,250)**	**2,577**	**14,482**	**-**	**-**	**-**	**-**	**-**
Other movements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(302)**	**(302)**	**-**	**(302)**	**-**	**(302)**
Treasury shares purchased by a subsidiary	**-**	**-**	**(81,464)**	**-**	**-**	**-**	**-**	**-**	**(81,464)**	**-**	**(81,464)**	**-**	**(81,464)**
Bonus shares issued (note 13(a))	**6,358**	**(6,358)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Part disposal of a subsidiary (note 8(e))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,074**	**3,074**	**-**	**3,074**	**13,039**	**16,113**
Interest on Perpetual Tier 1 capital bonds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,186)**	**(1,186)**	**-**	**(1,186)**	**(1,139)**	**(2,325)**
Dividend paid (note 16)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,537)**	**(9,537)**	**-**	**(9,537)**	**(63)**	**(9,600)**
At 31 December 2017	**69,937**	**54,678**	**(81,464)**	**30,714**	**13,033**	**28,567**	**(11,093)**	**59,648**	**164,020**	**30,000**	**194,020**	**149,514**	**343,534**

The attached notes 1 to 46 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

PARENT COMPANY	Share capital (RO'000)	Share premium (RO'000)	Legal reserve (RO'000)	General reserve (RO'000)	Other non-distributable reserves (RO'000)	Cumulative changes in fair value (RO'000)	Retained earnings (RO'000)	Total (RO'000)
At 1 January 2016	55,286	69,329	26,682	13,543	21,198	(3,118)	32,564	215,484
Profit for the year	-	-	-	-	-	-	24,796	24,796
Other comprehensive income	-	-	-	-	(104)	2,972	-	2,868
Total comprehensive income for the year	-	-	-	-	(104)	2,972	24,796	27,664
Transfer from / (to) retained earnings	-	-	841	(510)	9,479	-	(9,810)	-
Other movements	-	-				(3)	(14)	(17)
Bonus shares issued (note 13(a))	8,293	(8,293)	-	-	-	-	-	-
Dividend paid (note 16)	-	-	-	-	-	-	(5,528)	(5,528)
At 31 December 2016	**63,579**	**61,036**	**27,523**	**13,033**	**30,573**	**(149)**	**42,008**	**237,603**
Profit for the year							**27,863**	**27,863**
Other comprehensive expense	**-**	**-**	**-**	**-**	**398**	**(8,838)**	**-**	**(8,440)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**398**	**(8,838)**	**27,863**	**19,423**
Transfer from / (to) retained earnings	**-**	**-**	**3,191**	**-**	**(24,136)**	**2,577**	**18,368**	**-**
Other movements	**-**	**-**	**-**	**-**	**-**	**-**	**(1,488)**	**(1,488)**
Bonus shares issued (note 13(a))	**6,358**	**(6,358)**	**-**	**-**	**-**	**-**	**-**	**-**
Dividend paid (note 16)	**-**	**-**	**-**	**-**	**-**	**-**	**(9,537)**	**(9,537)**
At 31 December 2017	**69,937**	**54,678**	**30,714**	**13,033**	**6,835**	**(6,410)**	**77,214**	**246,001**

The attached notes 1 to 46 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Group		Parent Company	
		2017 (RO'000)	2016 (RO'000)	2017 (RO'000)	2016 (RO'000)
Operating activities					
Profit before tax from continuing operations		**39,937**	31,162	**27,863**	24,796
Profit before tax from discontinued operations	**31**	**-**	123	**-**	-
		39,937	31,285	**27,863**	24,796
Adjustments for:					
Depreciation on property and equipment and investment property		**4,592**	4,618	**120**	328
Amortisation of intangible assets	**12**	**946**	944	**-**	-
Share of results from associates		**(6,996)**	(7,985)	**(6,881)**	(7,985)
Share of results from subsidiaries		**-**	-	**(22,236)**	(21,604)
Gain on sale of investment properties		**-**	-	**(1,011)**	-
Allowance for loan impairment net of recoveries		**144**	7,679	**-**	-
Provision for impairment of project work in progress	**11(b)**	**-**	2,411	**-**	-
Provision for impairment of due from subsidiaries		**-**	-	**-**	1,709
Gain on sale of property and equipment		**(1)**	(33)		-
Loss on sale of associates		**327**	-	**292**	-
Gain on sale of an subsidiary		**-**	-	**(4,752)**	-
Change in the fair value of financial assets at fair value through profit or loss		**828**	(955)	**34**	(1,340)
Loss / (profit) on sale of investments		**589**	(3,407)	**238**	(81)
Income from amortised cost / held-to-maturity investments		**(2,211)**	(1,406)	**-**	-
Operating profit/ (loss) before working capital changes		**38,155**	33,151	**(6,333)**	(4,177)
Changes in operating assets and liabilities					
Investment securities		**(29,356)**	1,195	**5,439**	1,831
Loans and advances to customers		**(51,858)**	(93,907)	**-**	-
Due from subsidiaries		**-**	-	**(28,165)**	(11,962)
Other assets		**(993)**	(6,444)	**1,978**	(2,044)
Deposits from customers		**113,047**	32,156	**-**	-
Premiums and insurance balances receivables		**(2,855)**	(6,221)	**-**	-
Re-insurance share in insurance funds		**3,089**	(3,997)	**-**	-
Insurance funds		**346**	8,219	**-**	-
Other liabilities		**62,224**	(11,620)	**(322)**	117

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

	Notes	Group		Parent Company	
		2017 (RO'000)	2016 (RO'000)	2017 (RO'000)	2016 (RO'000)
Cash used in operations		**131,799**	(47,468)	**(27,403)**	(16,235)
Tax paid		**(5,162)**	(4,669)	**-**	-
Net cash flow generated from / (used in) operating activities		**126,637**	(52,137)	**(27,403)**	(16,235)
Investing activities					
Investments in / rights issue by subsidiaries		**-**	-	**-**	(21,278)
Purchase of treasury shares by a subsidiary		**(81,464)**	-	**-**	
Acquisition of investment in associates		**(6,510)**	(4,588)	**(3,781)**	(4,320)
Proceeds from sale of investment in associates		**12,896**	268	**12,931**	-
Dividend received from associates		**3,447**	3,221	**3,447**	3,221
Dividend received from subsidiaries		**-**	-	**2,992**	8,477
Proceeds from sale of a subsidiary		**18,287**	-	**20,268**	-
Acquisition of goodwill		**(190)**	-	**-**	-
Net cash transfer on business combination		**-**	-	**-**	-
Proceeds from disposal of investment division by a banking subsidiary		**-**	12,000	**-**	-
Capital expenditure on investment property		**(4,378)**	(409)	**-**	(283)
Projects work in progress		**(31)**	8		-
Additions to property and equipment		**(5,116)**	(5,226)	**(3)**	(7)
Proceeds from sale of property and equipment		**62**	138	**-**	5
Net cash flow (used in)/ generated from investing activities		**(62,997)**	5,412	**35,854**	(14,185)
Financing activities					
Bank borrowings		**(11,000)**	50,800	**400**	36,400
Subsidiary rights issue (non-controlling interests)		**-**	5,722	**-**	-
Proceeds from issue of subordinated bonds		**(50,000)**	30,000	**-**	-
Other movements		**-**	(36)	**-**	-
Interest on Perpetual Tier 1 Capital Bonds		**(2,325)**	-	**-**	
Dividends paid		**(9,600)**	(11,267)	**(9,537)**	(5,528)
Net cash generated (used in)/ generated from financing activities		**(72,925)**	75,219	**(9,137)**	30,872
Net change in cash and cash equivalents		**(9,285)**	28,494	**(686)**	452
Cash and cash equivalents at the beginning of the year		**328,341**	299,847	**1,564**	1,112
Cash and cash equivalents at the end of the year	**5**	**319,056**	328,341	**878**	1,564

The attached notes 1 to 46 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

Oman International Development and Investment Company SAOG ('the Company' or 'the Parent Company' or "OMINVEST") is incorporated in the Sultanate of Oman as a public joint stock company and is principally engaged in investment related activities. The Parent Company's shares are listed on the Muscat Securities Market.

The Parent company's principal place of business and registered address is Al Shatti Al Qurum, Way No. 3036, Building No. 2832, Penthouse, P O Box 3886, Ruwi, Postal Code 112, Sultanate of Oman.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. The financial statements comply with the relevant requirements of the Commercial Companies Law of 1974, as amended and the Capital Market Authority.

These consolidated financial statements for the year ended 31 December 2017 comprise the Parent Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The consolidated and separate financial statements are collectively referred to as "the financial statements".

2.2 Basis of preparation

The financial statements are prepared under the historical cost convention except for Financial assets at fair value through other comprehensive income, financial investments at fair value through profit or loss and derivative financial instruments that have been measured at fair value.

The statement of financial position is presented in descending order of liquidity as this presentation is more appropriate to the Group's operations.

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

The financial statements are presented in Omani Rials ("RO"), which is the Group's functional and presentation currency.

2.3 Changes in accounting policies and disclosures

The accounting policies are consistent with those used in the previous financial year except for where the Parent Company and Group has adopted certain new standards, amendments and interpretations to IFRS. Details are set out in note 4.1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation

The financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2017. Control is achieved, when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect the investee's returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of subsidiaries begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiaries. Assets, liabilities, income and expenses of subsidiaries acquired or disposed of during the year are included in the statement of income from the date the Group gains control until the date the Group ceases to control the subsidiaries.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of subsidiaries, without a loss of control, is accounted for as an equity transaction. If the Group loses control over subsidiaries, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiaries
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation (continued)

In the Parent Company's separate financial statements, the investment in the subsidiaries are accounted for using equity method.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in associates is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of associates is shown on the face of the statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation (continued)

Investment in associates (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the, recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of results of associates' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The Group uses method of valuing investments to eliminate unrealised gains in excess of investments.

In the Parent Company's separate financial statements, the investment in the associates are accounted for using equity method.

2.5 Financial instruments

2.5.1 Financial assets and liabilities

a) Recognition and measurement

The Group recognises financial assets and liabilities in the statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

2.5.1 Financial assets and liabilities (continued)

a) Recognition and measurement (continued)

All regular way purchases and sales of financial assets and liabilities classified as FVTPL are recognised on the trade date, i.e. the date on which the Group commits to purchase or sell the financial asset or liability. All regular way purchases and sales of other financial assets and liabilities are recognised on the trade date, which is the date that the group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the timeframe generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and liabilities are measured at either amortised cost or fair value. The classification and the basis for measurement are subject to the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

i) Financial assets at amortised cost

Financial assets are measured at amortised cost using the effective interest rate method if:-

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of these two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

Additionally, even if a financial asset meets the amortised cost criteria, the Group may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

ii) Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Group can make an irrevocable election to classify an equity investment that is not held for trading as FVTOCI.

For this purpose, a financial asset is deemed to be held for trading if the equity investment meets any of the following conditions:-

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profitability; or
- it is a derivative and not designated and effective as a hedging instrument or a financial guarantee.

The irrevocable election is on an instrument-by-instrument basis. If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the profit and loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

2.5.1 Financial assets and liabilities (continued)

a) Recognition and measurement (continued)

iii) Financial assets at fair value through the profit or loss (FVTPL)
Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVTPL, are classified as financial liabilities at amortised cost and are measured at amortised cost using the effective interest rate method.

b) Modification of assets and liabilities

Financial assets
If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value. If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of comprehensive income.

Financial liabilities
The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at either amortised cost or fair value. The difference between the carrying amount of the financial liability derecognised and the new financial liability with modified terms is recognised in the statement of comprehensive income.

c) Impairment of financial assets
Impairment allowances for expected credit losses (ECL) are recognised for financial instruments that are not measured at FVTPL. No impairment loss is recognised on equity investments.

An ECL provision is made at an amount equal to the lifetime ECL, except for the following, for which they are measured as a12-month ECL:-

- debt investment securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments for which the credit risk has not increased significantly since their initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

2.5.1 Financial assets and liabilities (continued)

c) Impairment of financial assets (continued)

The Group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below: -

- Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Group recognises an allowance based on the 12-month ECL.
- Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Group recognises an allowance for the lifetime ECL.
- Stage 3: for credit-impaired financial instruments, the Group recognises the lifetime ECL.

12-month ECL (stage 1) is the portion of ECL that results from probable default events on a financial instrument within 12 months after the reporting date.

Lifetime ECL (stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Group and the present value of the recoverable amount, for financial assets that are not credit -impaired at the reporting date.

For stage 3 financial instruments, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial asset. The recoverable amount is measured as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at the inception of the credit facility or, for debt instruments, at the current market rate of interest for a similar financial asset.

Provisions for credit-impairment are recognised in the statement of comprehensive income and are reflected in an allowance account against loans and advances, investment securities, and placements.

Financial assets are written off after all restructuring and collection activities have taken place and there is no realistic prospect of recovery. Subsequent recoveries are included in allowance for loan impairment net of recoveries.

Financial assets that are measured at amortised cost are tested as to whether they are credit-impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in interest or principal payments, the granting of a concession that, for economic or legal reasons relating to the borrower's financial difficulties, would not otherwise be considered, indications that it is probable that the borrower will enter bankruptcy or other financial reorganisation, the disappearance of an active market, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

2.5.1 Financial assets and liabilities (continued)

c) Impairment of financial assets (continued)

Financial assets which have been renegotiated or modified are no longer considered to be past due and are replaced on performing status when all principal and interest payments are up to date and future payments are reasonably assured. Financial assets subject to individual impairment assessment and whose terms have been renegotiated, are subject to on-going review to determine whether they remain impaired or should be considered past due. All renegotiated or modified facilities are classified as stage 2 or stage 3 for a minimum period of 12 months from the date of renegotiation . The ECL on renegotiated financial instruments is measured based on whether the terms of renegotiation resulted in the derecognition of an existing asset.

2.5.2 Fair value measurement principles

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

– In the principal market for the asset or liability, or

– In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

2.5.2 Fair value measurement principles (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.6 Segment reporting

The Group's segmental reporting is based on the following operating segment:

- Investments
- Banking activities
- Insurance activities
- Real Estate.

The segment information is set out in note 32.

2.7 Foreign currencies

2.7.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using Rial Omani which is the currency of the primary economic environment in which the entity operates (the functional currency). These financial statements are presented in Rial Omani, which is the Group's functional and presentation currency.

2.7.2 Transactions and balances

i) Transactions in foreign currencies are translated into Rial Omani at exchange rates ruling at the value dates of the transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Foreign currencies (continued)

2.7.2 Transactions and balances (continued)

ii) Monetary assets and liabilities denominated in foreign currencies are translated into Rial Omani at exchange rates ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised costs in the Rial Omani at the beginning of the period, adjusted for effective interest and payments during the period and the amortised costs in foreign currency translated at the exchange rate at the end of the period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

iii) Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Rial Omani at the exchange rate at the date that the fair value was determined. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as financial assets at fair value through other comprehensive income, are included in other comprehensive income.

iv) The assets and liabilities of foreign operations are translated into Rial Omani at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation are recognised in other comprehensive income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

2.8 Investment properties

Investment properties comprise land and buildings that is held for long-term rental yields and not occupied by the Group. Investment properties are carried at cost less accumulated depreciation, less impairment, if any. Any required impairment charge is recorded in the statement of comprehensive income. Depreciation on the assets except land is calculated using the straight-line basis to allocate their cost over the estimated useful lives, as follows:

Freehold property - 25 years

2.9 Property and equipment

Property and equipment are stated at historical cost, less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Property and equipment (continued)

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Freehold building	-	25 years
Leasehold buildings	-	lower of 25 years and un expired lease period
Furniture, fixtures and equipment	-	up to 5 years
Motor vehicles	-	up to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statements of profit or loss.

Projects work-in-progress

Projects work-in-progress is recognised at cost and not depreciated. The carrying values of projects work-in-progress are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

2.10 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Amortisation is recognised on a straight-line basis over their estimated useful lives as follows:

Hospital network	15 years
License	6 years

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Intangible assets (continued)

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

2.11 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Cash and cash equivalents

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

2.13 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in the statements of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.14 Other liabilities

Other liabilities are stated at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Other liabilities (continued)

2.14A Deposits from customers

Deposits from banks and customers and subordinated liabilities are the Group's sources of funding. These are initially measured at fair value plus transaction costs and subsequently measured at their amortised cost using the EIR.

2.15 Taxation

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

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

Deferred tax is calculated using the 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 reporting 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.

2.16 Employees' end of service benefits

End of service benefits are accrued in accordance with the terms of employment of the Group's employees at the reporting 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 reporting 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 statements of profit or loss as incurred.

2.17 Provisions

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Revenue recognition

- Interest income and expense

  Interest income and expense are recognised in the profit or loss for all instruments measured at amortised cost using the effective interest method, unless collectability is in doubt. 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 Group estimates cash flows considering all contractual terms of the financial instrument 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.

- 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 Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Insurance and investment contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue at the time policies are written or at the time the fees are charged, which is generally at the time when the policies are written.

- Dividend income

  Dividend income is recognised when the right to receive payment is established.

- Life business

  Premiums are taken into income over the term of the policies to which they relate. Unearned premiums represent the proportion of premiums written relating to periods of insurance subsequent to the reporting date. For short term policies, premiums are pro-rated by reference to the unexpired term of cover. An appropriate actuarial reserve is determined by the appointed independent actuary following their annual investigation of the life fund and is calculated initially on a statutory basis to comply with the reporting requirements under the Insurance Companies Law of 1979.

  In addition, provision is made where necessary for any further loss expected to arise on unexpired risks after taking into account future investment income on related insurance funds, to cover anticipated liabilities arising from existing contracts.

- General business

  Premiums are taken into income over the terms of the policies. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Fiduciary assets

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

2.20 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair value adjustments are recorded in the profit or loss. 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.

2.21 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 recognised 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 amortisation calculated to recognise in the statement of comprehensive income 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 reporting 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 profit or loss.

2.22 Offsetting

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

2.23 Dividends

Dividend distribution to the Parent Company's shareholders is recognised as a liability in these financial statements in the period in which the dividends are approved by the Parent company's shareholders.

2.24 Directors' remuneration

Directors' remuneration is calculated based on the Group profit for the year (before Directors' remuneration), applying the overall limits set out by the current regulations governing the determination of Directors' remuneration including sitting fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Earnings per share

The Group and the Parent Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group and the Parent Company by the weighted average number of ordinary shares outstanding during the period.

2.26 Insurance contracts

a) Classification

The Group issues contracts that transfer insurance risk and classifies contracts as insurance contracts when these transfer significant insurance risk. Such contracts may also transfer financial risk.

The Group classifies investment contracts as those contracts that transfer financial risk with no significant insurance risk.

The Group issues certain insurance contracts which contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the company; and
- that are contractually based on the surplus generated on a specified pool of contracts.

There are no local statutory regulations which set out the bases for the determination of the amounts on which the additional discretionary benefits are based, the amounts payable being determined by the subsidiary company's board of directors on an annual basis.

b) Recognition and measurement

Life and medical insurance contracts are classified into five main categories. In addition, the Group writes short term individual medical and personal accident policies.

Group medical policies are short term medical insurance contracts underwritten on a group basis, the lives covered usually being employees of a common employer. These contracts protect the company's customers (the employer) from losses resulting from medical treatment of employees as a result of ill-health or accident, covering both hospitalisation and out-patient expenses. The bulk of hospital claims are disbursed directly by the subsidiary to healthcare providers. There are no maturity or surrender benefits for these polices.

For all these contracts, premiums are recognised as revenue when the policy or endorsement is issued, but are deemed to be earned proportionally over the period of coverage. The portion of premium written on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Premiums are shown before deduction of commission and excluding taxes levied on premiums.

Claims are charged to statement of comprehensive income as incurred, based on the estimated liability for compensation owed to policy holders. Claims reported are recognised at the time of being reported. A separate provision for incurred but not reported claims is made based on the subsidiary's experience relating to claims reporting patterns in the past.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Insurance contracts (continued)

b) Recognition and measurement (continued)

As indicated above an unearned premiums reserve is set up at the valuation date for premiums which will deem to be earned in future periods. The subsidiary also tests whether the liability so set up is adequate to meet expected future claims.

Liability adequacy test

The subsidiary carries out a liability adequacy test to ensure the adequacy of contract liabilities as set out in the financial statements. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. The results of the tests indicate that the liability recognised is adequate.

General insurance contracts

For general insurance contracts, premiums are taken into income over the terms of the policies. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is recognised in the statement of comprehensive income in order that revenue is recognised over the period of risk.

Unearned premium is calculated based on higher of 1/24 method or the amount calculated at 45% of the net retained premiums for the year for all classes of business as required by the Insurance Companies Law of Oman. Acquisition costs and reinsurance commissions are recognised as expenses or income over the period of the policy by deferring it using 1/24 method.

Estimates have to be made for both the expected ultimate costs of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of comprehensive income as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at the reporting date are made on the basis of individual case estimates. In addition, a provision based on the subsidiary's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the accounting year in which the change in provision or settlement is made.

Allowances in claims liability

Some insurance contracts permit the company to collect excess, depreciation, or sell a (usually damaged) vehicle or a property required in settling a claim (i.e. salvage). The subsidiary may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

Estimates of excess, depreciation, salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvaged vehicles or property acquired are recognised in outstanding claims when the liability is accrued. The allowance for salvage is the amount that can reasonably be recovered from the disposal of the vehicle or property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Insurance contracts (continued)

b) Recognition and measurement (continued)

Allowances in claims liability (continued)

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets. The allowance is the assessment of the amount that can reasonably be recovered from the action against the liable third party.

2.27 Premiums and insurance balances receivable

Premiums and insurance balances receivable are initially recognised at fair value and subsequently are stated at amortised cost using the effective interest method less impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the subsidiary will not be able to collect all amounts due according to the original terms of receivables. 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.

2.28 Deferred acquisition costs and commission income

Deferred acquisition costs (DAC)
Direct and indirect costs incurred during the financial period arising from the writing of long term life insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums.

Subsequent to initial recognition, these costs are amortised on a straight line basis based on the term of expected future premiums, currently estimated as four years.

Direct and indirect costs incurred for writing short term life and medical insurance contracts are deferred and this is built into the 'unexpired risk reserve' shown in the statement of financial position.

Acquisition costs for writing of general insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. Subsequent to initial recognition, these costs are amortised over the period of the policy (generally one year) using 1/24 method.

Amortisation is recorded in the statement of comprehensive income. Changes in the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period and is treated as a change in an accounting estimate.

Deferred reinsurance commission incomes (DCI)
Commission incomes attributable to the unexpired reinsurance ceded premiums for short time life and medical are deferred and it is built into "reinsurers' share of unexpired risk reserve" in the statement of financial position.

Commission incomes attributable to the unexpired reinsurance ceded premiums for general insurance are deferred to the extent that these are recoverable out of future ceded premiums.

Subsequent to initial recognition, these incomes are amortised over the period of the policy (generally one year) using 1/24 method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.30 Discontinued operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or,
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in note 31. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of the financial statements, as per IFRS, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the reporting date and the resultant provisions and changes in fair value for the year. 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 assets and liabilities.

3.1 Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 2.5.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

3.3 Useful lives of property and equipment, intangible assets and investment properties

Depreciation/ amortization 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.

3.4 Taxes

The Group establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments. The amount of such provisions is based on factors such as experience of previous tax assessments and interpretations of tax regulations by the Group and the responsible tax authority.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)

3.5 Impairment loss on investments in subsidiaries and associates

The Group reviews its investments in subsidiaries and associates periodically and evaluates the objective evidence of impairment. Objective evidence includes the performance of the subsidiaries, associate, the future business model, local economic conditions and other relevant factors. Based on the objective evidences, the Group determines the need for impairment loss on investments in subsidiaries and associates.

3.6 Insurance contracts - key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

The subsidiary makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimation of the ultimate liability arising from claims made under insurance contracts is a key estimate made in measuring liabilities under insurance contracts and especially under group medical, group life and group credit life contracts. There are several sources of uncertainty that need to be considered in the estimate of the liability that the company will ultimately pay for such claims.

For incurred but not reported claims two separate methods are used. For group life and group credit life claims, the chain-ladder method has been used to determine the pattern of reporting claims which has then been slightly modified to determine Incurred But Not Reported (IBNR) reserves and the loss ratio estimates are used for the latest accident year.

For group medical claims, an estimate of the IBNR is made on the basis of accounting periods for which claims from providers have not been received. A chain ladder method (CLM) has been adopted blended with the projection of ultimate incurred claims in the last three months. The CLM technique involves analysis of historic losses to obtain development factors. Average development factors are arrived at and applied to the paid losses to date for each incurred month to calculate a final estimate of incurred claims. The projection of ultimate incurred claims is used for the most recent months. Trends in per member claim costs by month are analysed from historical data to derive a per member per month (PMPM) claim cost projection for the most recent months. These PMPM claim projections are applied to the number of members to get ultimate claim estimate. The blending of the two methods described above using the credibility factors developed based on the inherent volatility in the data. The methodology implicitly assumes that there have been no material changes to the underlying products and no changes in internal administration processes which would cause delays in payment lags or significant changes in the external environment. The impact that any of the above changes may have on the trends in the emerging claims experience is only allowed for to the extent that the impact has already been observed within the data provided.

For general insurance claims, the chain-ladder method has been used to determine the pattern of reporting claims which has then been modified to determine IBNR reserves.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)

3.6 Insurance contracts - key sources of estimation uncertainty (continued)

Impairment of premiums and insurance balances receivable

An estimate of the collectible amount of premiums and insurance balances receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates.

4. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

4.1 New and amended standards and interpretations to IFRS relevant to the Group

For the year ended 31 December 2017, the Group has adopted all of the following 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 January 2017.

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements Cycle - 2014-2016
  - Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

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

4.2 Standards issued but not yet effective

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the financial statements of the Group but are not yet mandatory for the year ended 31 December 2017:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- Transfers of Investment Property — Amendments to IAS 40
- Annual Improvements 2014-2016 Cycle (issued in December 2016)
  - IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term
  - IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

4. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

4.2 Standards issued but not yet effective (continued)

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment exemptions for first-time adopters

The standards which are expected to have an significant impact on the group are discussed below.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a Group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. The Group plans to adopt the new standard on the required effective date.

The Group started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

IFRS 15 - Revenue from Contracts with Customers: IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective approach. The Group has performed an initial impact assessment and concluded that adoption of IFRS 15 is not expected to have any material impact on the Group's income and profit or loss.

IFRS 16 – Leases: The IASB issued IFRS 16 Leases which requires lessees to recognise assets and liabilities for most leases. For lessors there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for the annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with customers, has been applied, or is applied at the same date as IFRS 16. The Group plans to adopt the new standard on the required effective date.

Other IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been early adopted by the Group, are not expected to have a material impact on the Group's financial statements.

5. CASH AND CASH EQUIVALENTS

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

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Balances with banks and money at call	**169,531**	269,405	**878**	1,564
Deposits with banks (note 6)	**154,036**	71,492	**-**	-
Due to banks – current accounts (note 17)	**(4,011)**	(12,056)	**-**	-
Capital deposits (note 6)	**(500)**	(500)	**-**	-
	319,056	328,341	**878**	1,564

6. DEPOSITS WITH BANKS

Group	**2017 (RO'000)**	2016 (RO'000)
Money market placements	**93,747**	16,659
Current accounts	**15,121**	13,421
Capital deposits	**500**	500
Deposits	**39,668**	27,370
Subordinated deposits	**5,000**	13,542
	154,036	71,492

At 31 December 2017, 19 % of the Group's placements were with Oman Housing Bank SAOC, which is owned by Government (2016– 60 % of the Group's placements were with eight banks rated Aa3 to Ba3).

Capital deposits represents RO 500,000 (2016 - RO 500,000) being a capital deposit with the Central Bank of Oman in terms of regulations applicable to the banking subsidiary which earn interest at 1% (2016–1%) per annum. This deposit cannot be withdrawn without prior approval of the Central Bank of Oman.

Deposits are held with leasing companies and commercial banks in the Sultanate of Oman, Kuwait and United Arab Emirates, denominated in Rial Omani of RO 24,699,610 (2016 – RO 22,690,854), Kuwaiti dinar of RO 1,274,000 (2016 - Nil) and denominated in UAE Dirhams of RO 13,694,407 (2016 – RO 4,678,502) and carry effective annual interest rates ranging between 1.85% to 5% per annum (2016 - 1.25% to 5% per annum).

Subordinated deposits are held with commercial banks in the Sultanate of Oman, denominated in Rial Omani of RO 5,000,000 (2016 –RO 11,000,000) and carry annual interest rates ranging between 4.5% to 5.76% per annum (2016 - 4.5% to 5.76% per annum).

7. PREMIUM AND INSURANCE BALANCES RECEIVABLE

Group	2017			2016		
	Life (RO'000)	**General (RO'000)**	**Total (RO'000)**	Life (RO'000)	General (RO'000)	Total (RO'000)
Premium receivable	**24,547**	**3,027**	**27,574**	27,834	2,124	29,958
Reinsurance balances receivable	**10,059**	**732**	**10,791**	4,827	508	5,335
	34,606	**3,759**	**38,365**	32,661	2,632	35,293
Allowance for impaired debts	**(696)**	**(207)**	**(903)**	(537)	(149)	(686)
	33,910	**3,552**	**37,462**	32,124	2,483	34,607
Movement in allowance for impaired debts						
At 1 January/acquisition date	**537**	**149**	**686**	440	197	637
Provided during the year	**199**	**64**	**263**	97	7	104
Written off during the year	**(40)**	**(6)**	**(46)**	-	(55)	(55)
At 31 December	**696**	**207**	**903**	537	149	686

8. INVESTMENT SECURITIES

As at the reporting date, investment securities comprised the following:

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Financial assets at fair value through profit or loss (note a)	**12,090**	19,000	**977**	9,161
Financial assets at fair value through other comprehensive income (note b)	**96,898**	84,869	**18,699**	1,919
Investments at amortised cost (note c)	**123,866**	96,424	**-**	-
	232,854	200,293	**19,676**	11,080

8. INVESTMENT SECURITIES (continued)

a) Financial assets at fair value through profit or loss

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

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Quoted investments				
Local investments by sector				
Financial sector	**4,073**	5,586	**169**	3,516
Services	**1,362**	2,459	**-**	717
Industrial	**496**	3,558	**485**	492
	5,931	11,603	**654**	4,725
Foreign quoted investments	**20**	7,396	**20**	4,436
Quoted investments	**5,951**	18,999	**674**	9,161
Unquoted local investments	**5,677**	1	**-**	-
Unquoted foreign investments	**462**	-	**303**	-
Total financial assets designated at fair value through profit or loss	**12,090**	19,000	**977**	9,161

(b) Financial assets at fair value through other comprehensive income

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Local investments				
Quoted investments (cost)	**91,351**	77,196	**17,341**	-
Fair value reserve	**(9,894)**	548	**-**	-
Unquoted investments (cost)	**2,074**	1,389	**861**	861
Fair value reserve	**416**	213	**435**	436
Total local investments	**83,947**	79,346	**18,637**	1,297
Foreign investments				
Quoted investments (cost)	**12,770**	4,727	**-**	-
Fair value reserve	**(693)**	(826)	**-**	-
Unquoted investments (cost)	**1,797**	3,373	**205**	1,578
Fair value reserve	**(923)**	(1,751)	**(143)**	(956)
Total foreign investments	**12,951**	5,523	**62**	622
Total investments at fair value through other comprehensive income	**96,898**	84,869	**18,699**	1,919

Investments amounting to RO 60.56 million (2016 – RO 5.4 million) are held in the name of associate companies / brokers in trust on behalf of the Group.

8. INVESTMENT SECURITIES (continued)

(c) Investment at amortised cost

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Treasury bills				
- held by the banking subsidiary	**38,000**	40,290	**-**	-
Oman Government Development Bonds and Sukuks				
- held by the banking subsidiary	**85,847**	55,633	**-**	-
Banks and Corporate Bonds				
- held by insurance subsidiary	**19**	501	**-**	-
Total investments at amortised cost	**123,866**	96,424	**-**	-

The Government Development Bonds are denominated in Rial Omani and carry interest rates varying between 3.00% to 5.75% (2016 – 2.75% to 5.5%) per annum.The treasury bills are denominated in Rial Omani and carry yield rates ranging between 0.75% to 1% (2016: 0.46% to 0.86%).

8. INVESTMENT SECURITIES (continued)

(d) Investments in associates

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

Group	2017 Carrying		2016 Carrying	
	Holding (%)	Value (RO'000)	Holding (%)	value (RO'000)
Quoted				
Oman Orix Leasing Company SAOG (OOLC) (i)	-	-	35.00%	15,377
National Finance Company SAOG (NFC)	**25.56%**	**12,572**	25.56%	11,748
Oman Chlorine SAOG (ii)	-	-	15.11%	7,320
National Detergent Company SAOG (NDC) (ii)	-	-	20.94%	2,814
Al Ahlia Insurance Company SAOG (Ahlia) (iii)	**24.30%**	**10,354**	-	-
National Biscuit Industries Ltd. SAOG (NABIL) (ii)	-	-	28.92%	1,426
Takaful Oman Insurance SAOG (Takaful) (iv)	**17.35%**	**3,232**	-	-
		26,158		38,685
Unquoted				
International General Insurance Holding Limited	**20.00%**	**30,440**	20.00%	30,352
Al Ahlia Insurance Company SAOC	-	-	20.03%	9,226
Ubhar Capital SAOC	**36.00%**	**5,331**	36.00%	4,320
National Finance House B.S.C.	**17.47%**	**2,926**	17.47%	2,819
Modern Steel Mill LLC	**19.49%**	**3,868**	19.49%	3,653
Horizon (AD) Investment Ltd (v)	**14.85%**	**2,845**	-	-
Shamal Plastic Industries LLC	**15.00%**	**730**	15.00%	709
Gulf Acrylic Industries LLC	**15.00%**	**509**	15.00%	512
		46,649		51,591
Total		**72,807**		90,276

8. INVESTMENT SECURITIES (continued)

Parent Company	2017 Carrying Holding (%)	2017 Carrying Value (RO'000)	2016 Carrying Holding (%)	2016 Carrying value (RO'000)
Quoted				
Oman Orix Leasing Company SAOG (OOLC) (i)	**-**	**-**	35.00%	15,377
National Finance Company SAOG (NFC)	**25.56%**	**12,572**	25.56%	11,748
Oman Chlorine SAOG (ii)	**-**	**-**	15.11%	7,320
National Detergent Company SAOG (NDC) (ii)	**-**	**-**	20.94%	2,814
Al Ahlia Insurance Company SAOG (Ahlia) (iii)	**24.30%**	**10,354**	-	-
National Biscuit Industries Ltd. SAOG (NABIL) (ii)	**-**	**-**	28.92%	1,426
Takaful Oman Insurance SAOG (Takaful) (iv)	**17.35%**	**3,232**	-	-
		26,158		38,685
Unquoted				
International General Insurance Holding Limited	**20.00%**	**30,440**	20.00%	30,352
Al Ahlia Insurance Company SAOC	**-**	**-**	20.03%	9,226
Ubhar Capital SAOC	**36.00%**	**5,331**	36.00%	4,320
National Finance House B.S.C.	**17.47%**	**2,926**	17.47%	2,819
Modern Steel Mill LLC	**19.49%**	**3,868**	19.49%	3,653
Shamal Plastic Industries LLC	**15.00%**	**730**	15.00%	709
Gulf Acrylic Industries LLC	**15.00%**	**509**	15.00%	512
		43,804		51,591
Total		**69,962**		90,276

All the Group's quoted associate companies' shares are listed on the Muscat Securities Market (MSM).The quoted price of investments in associate companies as of the reporting date amounted to RO 21,161,485 (2016 - RO 28,676,499).

i) On 27 December 2017, NFC entered into a merger agreement with OOLC, pursuant to the merger agreement signed between NFC and OOLC, OOLC's Board's power are effective only up-to date of merger agreement and steering committee was formed on 28 December 2017 to oversee the operations of OOLC. Beyond the merger agreement date, all the policies and operational related matters will be approved by the Steering committee as per terms of the merger agreement. This triggered the loss of significant influence and accordingly, the Group's investment in OOLC was classified as FVOCI as of reporting date and the Group recorded a gain of RO 0.85 million upon loss of significant influence.

8. INVESTMENT SECURITIES (continued)

ii) During the year, the Group disposed off its investments in NDC, Oman Chlorine SAOG and NABIL for a consideration of RO 11.5 million and recorded a loss of RO 0.1 million upon disposal in these financial statements. The Group was carrying a revaluation reserve of RO 1.5 million pertaining to NDC, which has now been released to retained earnings upon disposal of the investment (Note 15).

iii) During the year, Group's associate Al Ahlia listed its shares on Muscat Securities Market (MSM) through an Initial Public Offer (IPO). As a part of IPO offerings, the Group has partially divested (5.01%) of its holding in Al Ahlia for a net consideration of RO 1.4 million. The carrying amount as of that date amounted to RO 2.4 million and accordingly, the Group recorded a loss of RO 1 million. Further, post IPO, the Group acquired an additional stake of 9.28% valued at RO 3 million.

iv) During the year, the Group classified its investment in Takaful from fair value through profit or loss to investment in an associate upon obtaining board representation. The Group's holding in Takaful has not changed during the year.

v) During the year, ARON Investment Ltd (SPV) which is 99% held by Oman National Investment Corporation SAOC acquired 15% of the share capital in Horizon (AD) Investment Ltd.

Total assets, liabilities and revenues of the Group's associates, all of which are registered in the Sultanate of Oman, except International General Insurance Holding Limited and National Finance House B.S.C. which are registered in Jordan and Bahrain respectively, are shown below, along with the Group's share of the results of these associates:

Name of the associate	Assets (RO'000)	Liabilities (RO'000)	Revenues (RO'000)	Share of results (RO'000)
2017				
National Finance Company SAOG	**206,526**	**157,646**	**18,610**	**1,794**
International General Insurance Holding Limited	**343,112**	**222,772**	**59,601**	**980**
Al Ahlia Insurance Company SAOG	**75,281**	**36,727**	**22,476**	**761**
Takaful Oman Insurance SAOG	**16,321**	**427**	**4,574**	**196**
National Finance House B.S.C.	**54,180**	**39,354**	**5,918**	**214**
Modern Steel Mill LLC	**16,116**	**1,400**	**12,405**	**215**
Gulf Acrylic Industries LLC	**2,506**	**1,401**	**3,170**	**27**
Ubhar Capital SAOC	**20,735**	**5,823**	**3,136**	**291**
Shamal Plastic Industries LLC	**2,522**	**759**	**3,794**	**36**
Associates sold/ reclassified as FVOCI during the year	**-**	**-**	**-**	**2,367**
Associates relating to the Parent Company				**6,881**
Horizon (AD) Investment Ltd	**10,154**	**3,240**	**3,851**	**115**
Associates relating to the Group				**6,996**

8. INVESTMENT SECURITIES (continued)

Name of the associate	Assets (RO'000)	Liabilities (RO'000)	Revenues (RO'000)	Share of results (RO'000)
2016				
National Finance Company saog	199,220	153,565	17,211	1,623
National Biscuit Industries saog	7,809	3,072	11,021	187
National Detergent Company saog	26,102	11,972	22,016	232
International General Insurance Holding Limited	315,191	195,388	60,407	3,137
Oman Orix Leasing Company SAOG	182,260	143,541	18,472	1,936
Al Ahlia Insurance Company SAOC	71,680	35,962	24,206	414
Oman Chlorine SAOG	75,006	47,844	7,247	297
National Finance House B.S.C.	52,257	38,045	3,423	226
Modern Steel Mill LLC	15,160	1,550	8,298	(134)
Gulf Acrylic Industries LLC	1,949	830	2,916	42
Shamal Plastic Industries LLC	1,998	410	2,667	25
				7,985

8. INVESTMENT SECURITIES (continued)

(e) Investments in subsidiaries

As at the reporting date, investments held by the Parent Company in subsidiaries are:

	Country of Incorporation	2017 Holding %	2017 Carrying value (RO'000)	2016 Holding %	2016 Carrying value (RO'000)
Oman Arab Bank SAOC (Principal activity: Banking)	Oman	**50.99**	**140,503**	50.99	129,056
National Life and General Insurance Co SAOC (i) (Principal activity: Insurance)	Oman	**73.45**	**46,813**	97.93	57,436
Oman National Investment Corporation SAOC (ii) (Principal activity: Investments)	Oman	**99.00**	**38,514**	98.00	25,382
Oman Real Estate Investment & Services saoc (Principal activity: Investments)	Oman	**99.98**	**331**	99.98	719
Salalah Resorts saoc (ii) (Principal activity: Integrated Tourism Project)	Oman	**99.99**	**173**	99.98	-
Al Jabal Al Aswad Investment LLC (Principal activity: Real Estate)	Oman	**99.98**	**100**	99.98	100
Budva Beach Properties doo (Principal activity: Tourism project)	Montenegro	**100.00**	**1,964**	100.00	1,631
Total investments in subsidiaries			**228,398**		214,324

i) During the year, the Group's insurance subsidiary (National Life and General Insurance Co SAOC) listed its shares on Muscat Securities Market (MSM) through an Initial Public Offer (IPO) and the Group divested its 24.48% stake in IPO during November 2017. Further, a stake of 4.81% was acquired by the Group, thus, net divestment at Group level stood at 21.74%. As a result of divestment, there was an amount of RO 4.7 million, which was recorded as gain on disposal in the profit or loss of the Parent Company. This gain was reversed upon consolidation and recorded as an adjustment to non-controlling interests. The market value of insurance subsidiary amounted to RO 60.34 million as of reporting date.

ii) During the year, an amount of RO 20 million from Oman National Investment Company SAOC and RO 2 million receivable from Salalah resorts SAOC was converted into investment.

8. INVESTMENT SECURITIES (continued)

Total assets, liabilities and revenues of the Group's subsidiaries are shown below, along with the Group's share of the results:

	Assets (RO'000)	Liabilities (RO'000)	Revenues (RO'000)	Share of results (RO'000)
Name of the subsidiary				
2017				
Oman Arab Bank SAOC	**2,138,999**	**1,833,451**	**109,241**	**13,390**
National Life and General Insurance Co SAOC	**141,968**	**92,504**	**116,098**	**8,136**
Oman National Investment Corporation SAOC	**150,371**	**111,458**	**3,807**	**1,140**
Salalah Resorts SAOC	**458**	**227**	**-**	**(101)**
Oman Real Estate Investment and Services SAOC	**16,557**	**16,168**	**569**	**(273)**
Al Jabal Al Aswad Investment LLC (including Budva Beach Properties doo)	**3,517**	**1,452**	**-**	**(56)**
Total				**22,236**
2016				
Oman Arab Bank SAOC	2,065,972	1,782,873	110,590	14,172
National Life and General Insurance Co SAOC	135,251	90,873	99,853	4,603
Oman National Investment Corporation SAOC	73,789	48,007	7,121	3,750
Salalah Resorts SAOC	458	2,125	58	-
Oman Real Estate Investment and Services SAOC	1,699	922	128	(10)
Al Jabal Al Aswad Investment LLC (including Budva Beach Properties doo)	3,073	1,341	-	(911)
Total				21,604

Budva Beach properties doo

The subsidiary is planning to develop a real estate tourism project in Montenegro. During the 2016, management had provided for impairment of project work in progress of RO 0.8 million.

Salalah Resorts SAOC

The subsidiary is in the process of developing a real estate tourism project in Salalah. A suitable business partner is considered for the joint investment and the Board of Directors are committed to develop the project irrespective of whether they find a joint venture partner. Although the subsidiary is in a net liability position the Board of Directors, based on their business model and projections, are of the opinion that the development is viable. During 2016, management had provided for impairment of project work in progress of 1.6 million.

8. INVESTMENT SECURITIES (continued)

Al Ahlia Securities Company SAOC

The consolidated financial statements of the Group do not include the results of Al Ahlia Securities Company SAOC (ASC), a company that is under liquidation and is 99% owned by the Group. In accordance with the terms of the sale and purchase agreement for the sale of the business of ASC in 2001, ASC shareholders approved a plan to liquidate ASC at an extra-ordinary general meeting held on 17 December 2002. A liquidator was appointed on 3 May 2003 and the liquidation process was completed during the year. Liquidator's final report was issued on 19 October 2017.

9. LOANS AND ADVANCES TO CUSTOMERS

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

Group	**2017 (RO' 000)**	2016 (RO' 000)
Corporate loans		
Term loans	**698,937**	650,920
Overdrafts	**146,469**	143,753
Bills discounted	**74,965**	87,278
Islamic finance	**50,119**	33,320
	970,490	915,271
Personal loans		
Consumer loans	**431,166**	451,242
Mortgage loans	**249,475**	235,171
Overdrafts	**755**	1,807
Credit cards	**8,052**	4,657
Islamic finance	**33,034**	32,714
	722,482	725,591
Gross loans and advances	**1,692,972**	1,640,862
Less: allowance for loan impairment and unrecognised contractual interest (note 9(b))	**(50,459)**	(50,063)
Net loans and advances	**1,642,513**	1,590,799

9. LOANS AND ADVANCES TO CUSTOMERS (continued)

b) Allowance for loan impairment and unrecognised contractual interest

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

Group **2017**	**Allowance for loan impairment (RO'000)**	**Unrecognised contractual interest (RO'000)**	**Total (RO'000)**
At 1 January	**43,788**	**6,275**	**50,063**
Provided during the year	**8,276**	**3,299**	**11,575**
Amounts written off	**(2,342)**	**(705)**	**(3,047)**
Amounts released/recovered	**(6,575)**	**(1,557)**	**(8,132)**
At 31 December	**43,147**	**7,312**	**50,459**

Group 2016	Allowance for loan impairment (RO'000)	Unrecognised contractual interest (RO' 000)	Total (RO' 000)
At 1 January	37,432	7,381	44,813
Provided during the year	14,384	2,943	17,327
Amounts written off	(2,416)	(2,956)	(5,372)
Amounts released/recovered	(5,612)	(1,093)	(6,705)
At 31 December	43,788	6,275	50,063

At 31 December 2017, loans and advances on which contractual interest was not recognised or has not been accrued amounted to RO 50,273 thousand (31 December 2016 - RO 47,938 thousand).

9. LOANS AND ADVANCES TO CUSTOMERS (continued)

(c) All loans and advances were made to customers within the Sultanate of Oman. The concentration of loans and advances by sector is as follows:

Group	2017 RO' 000	2016 RO' 000
Personal loans	**722,482**	725,591
Construction	**280,754**	299,485
Manufacturing	**114,990**	112,047
Mining and quarrying	**127,172**	110,621
Services	**89,845**	77,860
Import trade	**50,448**	54,744
Transportation	**76,472**	52,528
Electricity, water and gas	**51,827**	49,112
Wholesale and retail trade	**51,786**	46,089
Financial institutions	**43,901**	31,173
Agriculture and allied activities	**5,492**	4,998
Export trade	**1,066**	663
Government	**1,305**	-
Others	**75,432**	75,951
	1,692,972	1,640,862

10. OTHER ASSETS

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Customers' indebtedness against acceptances	**25,021**	24,133	**-**	-
Interest receivable	**9,346**	6,899	**-**	-
Prepayments	**3,204**	3,992	**701**	1,874
Positive fair value of derivatives (note 37)	**321**	166	**-**	-
Others	**14,400**	16,109	**152**	956
	52,292	51,299	**852**	2,830

11(a) INVESTMENT PROPERTIES

Group	Land (RO'000)	Buildings (RO'000)	Capital work-in-progress (RO'000)	Total (RO'000)
Cost				
At 1 January 2016	2,531	7,800	70	10,401
Additions	126	-	283	409
At 1 January 2017	**2,657**	**7,800**	**353**	**10,810**
Additions	**-**	**-**	**4,378**	**4,378**
At 31 December 2017	**2,657**	**7,800**	**4,731**	**15,188**
Depreciation				
At 1 January 2016	-	90	-	90
Charge for the year	**-**	245	-	245
At 1 January 2017	**-**	**335**	**-**	**335**
Charge for the year	**-**	**244**	**-**	**244**
At 31 December 2017	**-**	**579**	**-**	**579**
Carrying value				
At 31 December 2017	**2,657**	**7,221**	**4,731**	**14,609**
At 31 December 2016	2,657	7,465	353	10,475

Parent Company	Land (RO'000)	Buildings (RO'000)	Capital work-in-progress (RO'000)	Total (RO'000)
Cost				
At 1 January 2016	2,531	6,500	70	9,101
Additions	-	-	283	283
At 1 January 2017	**2,531**	**6,500**	**353**	**9,384**
Additions	**-**	**-**	**-**	**-**
Disposal during the year	**(2,531)**	**(6,500)**	**(353)**	**(9,384)**
At 31 December 2017	**-**	**-**	**-**	**-**
Depreciation				
At 1 January 2016	-	65	-	65
Charge for the year	**-**	176	**-**	176
At 1 January 2017	**-**	**241**	**-**	**241**
Charge for the year	-	-	-	-
Related to disposal	**-**	**(241)**	**-**	**(241)**
At 31 December 2017	**-**	**-**	**-**	**-**
Carrying value				
At 31 December 2017	**-**	**-**	**-**	**-**
At 31 December 2016	2,531	6,259	353	9,143

11(a) INVESTMENT PROPERTIES (continued)

The management of the group believes that fair valuation of the investment property is not significantly different from the carrying values as of reporting date.

11(b) PROJECTS WORK IN PROGRESS

At 31 December 2017, projects work in progress includes:

Group	2017 (RO' 000)	2016 (RO' 000)
Salalah Resorts SAOC		
Initial stage	**168**	168
Consultancy charges	**2,581**	2,581
Provision for impairment	**(2,749)**	(2,749)
	-	-
Budva Beach Properties doo, Montenegro:		
Cost of land	**5,231**	5,231
Consultancy and other costs	**935**	935
Foreign currency translation reserve	**(905)**	(1,334)
Provision for impairment of land	**(1,862)**	(1,862)
	3,399	2,970

At 31 December 2017, the Group has recognised RO 0.4 million (2016: RO 0.1 million) of foreign currency translation reserve on Budva Beach Properties doo, Montenegro on translation of their financial statements into Rials Omani.

The movement in provision for impairment of work-in-progress is as follows:

	2017 (RO' 000)	2016 (RO' 000)
At 1 January	**4,611**	2,200
Charged during the year	**-**	2,411
At 31 December	**4,611**	4,611

11(c) PROPERTY AND EQUIPMENT

Group	Land and buildings (RO'000)	Furniture, fixtures and equipment (RO'000)	Motor vehicles (RO'000)	Capital work in progress (RO'000)	Total (RO'000)
Cost:					
At 1 January 2016	21,571	30,764	903	428	53,666
Additions	-	4,166	130	930	5,226
Transfers	-	17	-	(17)	-
Disposals	-	(961)	-	(98)	(1,059)
At 1 January 2017	**21,571**	**33,986**	**1,033**	**1,243**	**57,833**
Additions	**-**	**4,837**	**20**	**259**	**5,116**
Transfers	**-**	**607**	**-**	**(607)**	**-**
Disposals	**-**	**(103)**	**(5)**	**-**	**(108)**
At 31 December 2017	**21,571**	**39,327**	**1,048**	**895**	**62,841**
Depreciation:					
At 1 January 2016	1,574	21,963	520	-	24,057
Charge for the year	590	3,641	141	-	4,372
Disposals	-	(687)	(98)	-	(785)
At 1 January 2017	**2,164**	**24,917**	**563**	**-**	**27,644**
Charge for the year	**590**	**3,625**	**133**	**-**	**4,348**
Disposals	**-**	**(42)**	**(5)**	**-**	**(47)**
At 31 December 2017	**2,754**	**28,500**	**691**	**-**	**31,945**
Carrying value					
At 31 December 2017	**18,817**	**10,827**	**357**	**895**	**30,896**
At 31 December 2016	19,407	9,069	470	1,243	30,189

11(c) PROPERTY AND EQUIPMENT (continued)

Parent Company	Land and buildings (RO'000)	Furniture, fixtures and equipment (RO'000)	Motor vehicles (RO'000)	Capital work in progress (RO'000)	Total (RO'000)
Cost:					
At 1 January 2016	-	861	40	-	901
Additions	-	7	-	-	7
Disposals	-	(7)	-	-	(7)
At 1 January 2017	**-**	**861**	**40**	**-**	**901**
Additions	**-**	**3**	**-**	**-**	**3**
At 31 December 2017	**-**	**864**	**40**	**-**	**904**
Depreciation:					
At 1 January 2016	-	598	9	-	607
Charge for the year	-	141	12	-	153
Disposals	-	(2)	-	-	(2)
At 1 January 2017	**-**	**737**	**21**	**-**	**758**
Charge for the year	**-**	**109**	**11**	**-**	**120**
At 31 December 2017	**-**	**846**	**32**	**-**	**878**
Carrying value					
At 31 December 2017	**-**	**18**	**8**	**-**	**26**
At 31 December 2016	-	124	19	-	143

12. INTANGIBLE ASSETS

Group	Trade name (RO'000)	Hospital network (RO'000)	License (RO'000)	Goodwill (RO'000)	Total (RO'000)
Cost					
At 1 January 2016	9,117	7,597	2,631	-	19,345
Additions	**-**	**-**	**-**	**-**	**-**
At 1 January 2017	**9,117**	**7,597**	**2,631**	**-**	**19,345**
Additions	**-**	**-**	**-**	**190**	**190**
At 31 December 2017	**9,117**	**7,597**	**2,631**	**190**	**19,535**
Amortisation:					
At 1 January 2016	-	186	161	-	347
Charge for the year	-	506	438	-	944
At 1 January 2017	-	**692**	**599**	**-**	**1,291**
Charge for the year	-	**507**	**439**	**-**	**946**
At 31 December 2017	**-**	**1,199**	**1,038**	**-**	**2,237**
Carrying value					
At 31 December 2017	**9,117**	**6,398**	**1,593**	**190**	**17,298**
At 31 December 2016	9,117	6,905	2,032	-	18,054

The Group carried out an impairment analysis of its intangibles with indefinite lives relating to intangibles acquired as a result of business combination as at reporting date. The results showed no impairment.

Goodwill arising on acquisition is attributable to purchase of controlling interest in Inayah TPA LLC by the Group during the year. The goodwill recognised is provisional.

13(a) SHARE CAPITAL

	2017 (RO'000)	2016 (RO'000)
Authorized 900,000,000 ordinary shares of RO 0.100 each (31 December 2016 - 900,000,000 ordinary shares of RO 0.100 each)	**90,000**	90,000
Issued and fully paid 699,369,981 ordinary shares of RO 0.100 each (31 December 2016 – 635,790,892 shares of RO 0.100 each)	**69,937**	63,579

At the Annual General Meeting of the shareholders of the Parent Company held on 29 March 2017 stock dividend of 63,579,089 (2016 –RO 82,929,250) shares at 100 baisa per share were approved to be issued by transferring RO 6,357,909 (2016 –RO 8,292,925) from share premium to share capital.

Shareholders of the Parent Company who own 10% or more of its shares at the reporting date are as follows:

	2017		2016	
	Holding %	Shares	Holding %	Shares
Ubhar Capital – Asset Management/ Local Trust	**24.08%**	**168,389,783**	-	-
Al Hilal Investment Co. LLC	**20.09%**	**140,490,816**	20.06%	127,518,925
Oman Investment Fund (i)	**-**	**-**	20.00%	127,158,179
Civil Service Employees' Pension Fund	**11.45%**	**80,081,904**	11.10%	70,590,196

(i) Oman Investment Fund sold 15% of their shareholding in the company during the year ended 31 December 2017. As at 31 December 2017, it has 5% shareholding in the Parent Company.

13(b) PERPETUAL TIER 1 CAPITAL BONDS

On 29 December 2016, the banking subsidiary issued unsecured perpetual Tier 1 bonds of RO 30 million (30,000,000 units of RO 1 each through private placement). The bonds are listed in the Muscat Securities Market and are transferable through trading. The bonds carry a fixed coupon rate of 7.75% per annum payable semi-annually in arrears and treated as deduction from equity. Interest is non-cumulative and payable at the banking subsidiary's discretion. The bonds form part of Tier 1 Capital of the banking subsidiary and comply with Basel-3 and Central Bank of Oman regulation.

The Tier 1 bonds constitute direct, unconditional, subordinated and unsecured obligations of the banking subsidiary and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 bonds do not have a fixed or final maturity date and are redeemable by the banking subsidiary at its sole discretion on 29 January 2021 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

13(c) TREASURY SHARES

Group	2017 (RO'000)	2016 (RO'000)
1st January	-	-
Acquired during the year	81,464	-
31st December	81,464	-

During the year, a subsidiary company acquired 24% shareholder of the parent company. These shares are held by an associate company under trust on behalf of the subsidiary. Treasury shares are own equity instruments that are reacquired and recognized at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

14. RESERVES

a) Share Premium

This reserve is available for distribution to the shareholders.

During the year, stock dividend of 63,579,089 (2016 –RO 82,929,250) shares at 100 baisa per share were approved to be issued by transferring RO 6,357,909 (2016 –RO 8,292,925) from share premium to share capital.

b) Legal reserve

As required by Article 106 of the Commercial Companies Law of Oman, the Parent Company and each of its Omani subsidiaries are required to transfer 10% of their profit for the year to this reserve until such time as the legal reserve amounts to at least one third of the respective entity's paid-up share capital. The reserve is not available for distribution. The balance at the end of the year represents amounts relating to the Parent Company and its share of the legal reserve of its Omani subsidiaries.

c) General reserve

This discretionary reserve held by the banking subsidiary is available for distribution.

15. OTHER NON-DISTRIBUTABLE RESERVES

GROUP	Capital reserve	Contingency reserve	Special reserve	Subordinate debt reserve	Foreign currency revaluation reserve	Revaluation reserve	Total (RO'000)
At 1 January 2016	17,846	293	-	20,396	(1,239)	1,748	39,044
Other comprehensive income	-	-	-	-	(104)	-	(104)
Transfer to/ from retained earnings	-	1,116	1,224	7,139	-	-	9,479
At 1 January 2017	**17,846**	**1,409**	**1,224**	**27,535**	**(1,343)**	**1,748**	**48,419**
Other comprehensive income	**-**	**-**	**-**	**-**	**398**	**-**	**398**
Transfer to/ from retained earnings	**3,886**	**652**	**184**	**(23,456)**	**(2)**	**(1,514)**	**(20,250)**
At 31 December 2017	**21,732**	**2,061**	**1,408**	**4,079**	**(947)**	**234**	**28,567**

PARENT	Contingency reserve	Special reserve	Subordinate debt reserve	Foreign currency revaluation reserve	Revaluation reserve	Total (RO'000)
At 1 January 2016	293	-	20,396	(1,239)	1,748	21,198
Other comprehensive income	-	-	-	(104)	-	(104)
Transfer to/ from retained earnings	1,116	1,224	7,139	-	-	9,479
At 1 January 2017	**1,409**	**1,224**	**27,535**	**(1,343)**	**1,748**	**30,573**
Other comprehensive income	**-**	**-**	**-**	**398**	**-**	**398**
Transfer to/ from retained earnings	**652**	**184**	**(23,456)**	**(2)**	**(1,514)**	**(20,250)**
At 31 December, 2017	**2,061**	**1,408**	**4,079**	**(947)**	**234**	**6,835**

Capital reserve

Oman Arab Bank SAOC, the banking subsidiary, had increased its paid up share capital through capitalisation of retained profits and issue of rights in previous years. The Parent Company's share of the increased paid up share capital through capitalisation of retained profits was transferred to a non-distributable capital reserve in the Group's financial statements.

15. OTHER NON-DISTRIBUTABLE RESERVES (continued)

Contingency reserve

In accordance with article 10 (bis) (2)(c) and 10 (bis) (3)(b) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended, 10% of the net outstanding claims in case of the general insurance business amounting to RO 365,116 (2016 - RO 220,637) and 1% of the life assurance premiums for the year in case of life insurance business amounting to RO 1,002,070 (2016 – RO 919,588) at the reporting date is transferred from retained earnings to a contingency reserve. The insurance subsidiary may discontinue this transfer when the reserve equals to the issued share capital. No dividend shall be declared in any year until the deficit in the reserve is covered from the retained profits. The reserves shall not be used except by prior approval of the Capital Market Authority.

Special reserve

During 2015, the banking subsidiary sold its old head office premises at Ruwi since the head office operations have moved to the new premises at Al Ghubrah. The profit on sale of the premises has been set aside as a special reserve, which requires prior approval of the Central Bank of Oman for any distribution.

On 20 June 2017, the CBO issued a circular in relation to the reserve requirements for restructured accounts. In accordance with the circular, a reserve should be computed at 10% for all the restructured accounts. Accordingly, the Group has transferred the required amount from retained earnings to special reserve.

Subordinated debt reserve

The subordinated debt reserve has been created by a transfer of 20% of the subordinated bonds out of the profit after tax for the year. The Central Bank of Oman requires that a reserve be set aside annually for the subordinated bonds and loans which are due to mature within five years. The reserve is available for transfer back to retained earnings upon maturity of the subordinated bonds and loans. During the year, the subordinated bonds amounting to RO 50 million matured in May 2017 and accordingly, proportionate reserve was released to retained earnings.

Foreign currency translation reserve

As at the reporting date, the assets and liabilities of the foreign subsidiary entities are translated into the functional currency of the Group (the Rial Omani) at the rate of exchange ruling at the reporting date and its profit or loss is translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a foreign currency translation reserve in other comprehensive income.

Revaluation reserve

The revaluation reserve represents the Parent Company's share of the revaluation reserve arising from the revaluation by associated companies.

16. DIVIDEND PROPOSED AND PAID

Parent Company

Final dividends are not accounted for until they have been approved at the Annual General Meeting. At the forthcoming Annual General Meeting, to be held on 27 March 2018, a cash dividend of RO 0.015 per share (2016 - RO 0.015 per share) amounting to RO 10,490,548 (2016 - RO 9,536,863) and a stock dividend of RO 0.010 per share (2016 – RO 0.010 per share) amounting to RO 6,993,699 (2016 –RO 6,357,909) in respect of year ended 31 December 2017 is to be proposed by the Board of Directors.

The financial statements for the year ended 31 December 2017 do not reflect proposed dividend, which will be accounted for in shareholders' equity as an appropriation of share premium / retained profits in the year ending 31 December 2018.

17. DUE TO BANKS

As at the reporting date, due to banks are as follows:

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Due to banks – current accounts	**4,011**	12,056	**-**	-
Terms loans	**127,800**	138,800	**139,300**	138,900
	131,811	150,856	**139,300**	138,900

Term loans are unsecured and carry an average interest rate of 4.04% (2016: 3.30%).

The maturity profile of terms loans is as follows:

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Due within one year	**80,300**	61,000	**91,800**	61,100
Due in more than one year	**47,500**	77,800	**47,500**	77,800
	127,800	138,800	**139,300**	138,900

18. DEPOSITS FROM CUSTOMERS

Group	2017 (RO'000)	2016 (RO'000)
Term deposits	**733,782**	758,755
Demand and call accounts	**732,635**	625,551
Saving accounts	**272,011**	241,075
	1,738,428	1,625,381

The concentration of customers' deposits by Private and Government sector is as follows:

	2017 (RO'000)	2016 (RO'000)
Private	**1,343,536**	1,236,618
Government	**394,892**	388,763
	1,738,428	1,625,381

Islamic customer's deposits

Included in the above customers' deposits are the following Islamic customer deposits:

	2017 (RO'000)	2016 (RO'000)
Wakalah acceptances	**72,008**	58,162
Current accounts – Qard	**14,679**	6,814
Mudarabah accounts	**3,218**	2,486
	89,905	67,462

19. INSURANCE FUNDS

Group **31 December 2017**	**Gross** **(RO '000)**	**Reinsurers' share** **(RO '000)**	**Net** **(RO '000)**
Actuarial / mathematical and unexpired risk reserve – life assurance	**39,393**	**(14,540)**	**24,853**
Unexpired risk reserve – general insurance	**6,364**	**(401)**	**5,963**
Closing claims outstanding (including IBNR)	**22,422**	**(8,655)**	**13,767**
	68,179	**(23,596)**	**44,583**

Group 31 December 2016	Gross (RO '000)	Reinsurers' share (RO '000)	Net (RO '000)
Actuarial / mathematical and unexpired risk reserve – life assurance	42,930	(17,409)	25,521
Unexpired risk reserve – general insurance	4,323	(511)	3,812
Closing claims outstanding (including IBNR)	20,580	(8,765)	11,815
	67,833	(26,685)	41,148

Movement during the year:

	2017 **(RO'000)**	2016 (RO'000)
Actuarial / mathematical and unexpired reserve (Life assurance):		
At 1 January	**25,521**	24,818
Adjustment in opening numbers by subsidiary	**-**	831
Movement in the statement of comprehensive income	**(668)**	(128)
At 31 December	**24,853**	25,521
Unexpired risk reserves (General Insurance)		
At 1 January	**3,812**	2,634
Adjustment in opening numbers by subsidiary	**-**	(116)
Movement in the statement of comprehensive income	**2,151**	1,294
At 31 December	**5,963**	3,812

19. INSURANCE FUNDS (continued)

The amount in the provision for outstanding claims and the related reinsurers' share is as follows

Group 31 December 2017	**Gross outstanding claims (RO '000)**	**Reinsurers' share of outstanding claims (RO '000)**	**Net outstanding claims (RO '000)**
At 1 January (including IBNR)	20,580	(8,765)	11,815
Claims provided during the year	89,943	(36,386)	53,557
Claims paid during the year	(88,101)	36,496	(51,605)
Closing claims outstanding (including IBNR)	**22,422**	**(8,655)**	**13,767**

Group 31 December 2016	Gross outstanding claims (RO '000)	Reinsurers' share of outstanding claims (RO '000)	Net outstanding claims (RO '000)
At 1 January (including IBNR)	17,372	(7,899)	9,473
Adjustment in opening numbers by subsidiary	429	(458)	(29)
Claims provided during the year	83,881	(35,415)	48,466
Claims paid during the year	(81,102)	35,007	(46,095)
Closing claims outstanding (including IBNR)	20,580	(8,765)	11,815

Substantially all of the claims are expected to be paid within twelve months of the reporting date. The amounts due from reinsurers are contractually due within three months from the date of submission of accounts to the reinsurer.

The Group estimates its insurance liabilities and reinsurance assets principally based on previous experience. IBNR estimates for the life business are based on an independent actuary's report. Claims requiring Court or arbitration decisions are estimated individually.

20. SUBORDINATED DEBT

In order to enhance the capital adequacy and to meet the funding requirements, the banking subsidiary had raised capital in the form of subordinated bonds and loans.

	2017 (RO'000)	2016 (RO'000)
Subordinated bonds (i)	-	50,000
Subordinated loans (ii)	20,000	20,000
	20,000	70,000

i) Subordinated bonds

The banking subsidiary issued non-convertible unsecured subordinated bonds of RO 50 Million (50,000,000 units of RO 1 each) for a tenor of five years and one month in April 2012 through private placement. The bonds matured in May 2017.

ii) Subordinated loans

The banking subsidiary obtained subordinated loans of RO 20 Million, which comply with Basel III requirements for tier-2 capital, for a tenor of five years and six months in November 2015. The loans carry a fixed rate of 5.5 % per annum, payable semi-annually with the principal payable on maturity.

21. OTHER LIABILITIES

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	2017 (RO'000)	2016 (RO'000)
Liabilities against acceptances	25,021	24,133	-	-
Payable to investment customers	-	-	-	-
Accrued expenses and other payables	93,189	28,513	1,932	2,292
Interest payable	18,027	18,344	126	145
Cheques and trade settlement payable	3,364	5,605	-	-
Staff terminal benefits (note 30)	2,021	2,990	308	251
Interest and commission received in advance	1,349	1,309	-	-
Negative fair value of derivatives (Note 37)	290	143	-	-
	143,261	81,037	2,366	2,688

22. TAXATION

(a) Recognised in the statements of comprehensive income

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Statement of comprehensive income				
Current year	**6,234**	4,881	**-**	-
Prior year	**143**	224	**-**	-
Current tax expense for the year	**6,377**	5,105	**-**	
Deferred tax	**(62)**	(289)	**-**	-
Tax expense	**6,315**	4,816	**-**	-
Tax expenses for continued operations	**6,315**	3,469	**-**	-
Tax expenses for discontinued operations (note 31)	**-**	1,347	**-**	-
Tax expenses	**6,315**	4,816	**-**	-
Statement of financial position				
Current year	**6,299**	5,084	**-**	-
Deferred tax	**(219)**	(118)	**-**	-
	6,080	4,966	**-**	-
Deferred tax asset / liability				-
At 1 January	**118**	(167)	**-**	
Movement for the year	**101**	285	**-**	-
At 31 December	**219**	118	**-**	-

The Group is subject to income tax at the rate of 15% of taxable income

22. TAXATION (continued)

(b) Reconciliation of income tax expense

The following is a reconciliation of income tax calculated at the applicable tax rate with the income tax expense:

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Profit before tax from continuing operations	**39,937**	31,162	**27,863**	24,796
Profit before tax from discontinuing operations	**-**	11,229	**-**	-
	39,937	42,391	**27,863**	24,796
Income tax at the rates mentioned above	**5,990**	5,072	**4,179**	2,972
Tax-exempt revenues	**(1,365)**	(2,195)	**(5,097)**	(3,712)
Non-deductible expenses	**1,424**	1,619	**898**	793
Deferred tax expense / (income) not recognised	**92**	177	**20**	-
Effect of tax losses lapsed	**-**	80	**-**	61
Current tax-prior year	**143**	249	**-**	-
Deferred tax – prior year	**27**	(190)	**-**	(118)
Others	**4**	4	**-**	4
Income tax expense	**6,315**	4,816	**-**	-

(c) Movement

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
At 1 January	**4,966**	4,819	**-**	-
Provided during the year - current	**6,377**	5,105	**-**	-
Provided during the year - deferred	**(62)**	(289)	**-**	-
Recognised in other comprehensive income (deferred tax)	**(39)**	-	**-**	-
Paid in current year	**(5,162)**	(4,669)	**-**	-
At 31 December	**6,080**	4,966	**-**	-

22. TAXATION (continued)

(d) Movement of deferred tax asset / (liability)

Particulars	**As at 1 January 2017 (RO'000)**	**Recognised in other comprehensive income (RO'000)**	**Recognised in income statement (RO'000)**	**As at 31 December 2017 (RO'000)**
Property, plant and equipment	**(67)**	**-**	**(77)**	**(144)**
Amortisation of intangibles	**(17)**	**-**	**(4)**	**(21)**
Revaluation reserve	**(54)**	**-**	**(14)**	**(68)**
Provision for decline in value of overseas investments	**25**	**-**	**(17)**	**8**
Revaluation of investments in real estate	**12**	**-**	**11**	**23**
Provision for doubtful debts	**109**	**-**	**64**	**173**
Unrealised gain on local unquoted investments	**(130)**	**-**	**130**	**-**
Fair value reserve on available for sale investments	**95**	**39**	**-**	**134**
Offset of deferred tax assets and liabilities	**145**	**-**	**(31)**	**114**
Total	**118**	**39**	**62**	**219**

Particulars	As at 1 January 2016 (RO'000)	Recognised in other comprehensive income (RO'000)	Recognised in income statement (RO'000)	As at 31 December 2016 (RO'000)
Property, plant and equipment	(298)	-	231	(67)
Amortisation of intangibles	(17)	-	-	(17)
Revaluation reserve	(54)	-	-	(54)
Provision for decline in value of overseas investments	-	-	25	25
Revaluation of investments in real estate		-	12	12
Provision for doubtful debts	100	-	9	109
Unrealised gain on local unquoted investments	(130)	-	-	(130)
Fair value reserve on available for sale investments	99	(4)	-	95
Offset of deferred tax assets and liabilities	133	-	12	145
Total	(167)	(4)	289	118

22. TAXATION (continued)

(d) Movement of deferred tax asset / (liability) (continued)

The Group has tax losses available for carry forward as at 31 December 2017 of approximately RO 6 million. The Group is not recognizing a deferred tax asset on the basis that the income of the Group companies is predominantly exempt from income tax and it will not have sufficient future taxable profits against which to utilize the tax losses. Each of the Group companies can only utilize its own tax losses against its own taxable income. The tax losses are subject to expiry under the Oman Income Tax Law and will expire between 2020 to 2022.

Parent company 2017	**As at 1 January 2017 (RO'000)**	**Recognised in income statement (RO'000)**	**At 31 December 2017 (RO'000)**
Unrealized gain on foreign quoted investments	**(8)**	**8**	**-**
Property, plant and equipment	**(7)**	**7**	**-**
Unrealised gain on local unquoted investments	**(130)**	**130**	**-**
Tax losses	**145**	**(145)**	**-**
Total	**-**	**-**	**-**

Parent company 2016	As at 1 January 2016 (RO'000)	Recognised in income statement (RO'000)	At 31 December 2016 (RO'000)
Unrealized gain on foreign quoted investments	-	(8)	(8)
Property, plant and equipment	(3)	(4)	(7)
Unrealised gain on local unquoted investments	(130)	-	(130)
Tax losses	133	12	145
Total	-	-	-

The Company has tax losses available for carry forward as at 31 December 2017 of RO 3.5 million (2016: RO 5.7 million). The Company is not recognizing a deferred tax asset on temporary difference relating to property, plant and equipment, provision for impairment of investment in subsidiary of RO 1.7 million and unrealized gain on foreign quoted investments on the basis that its income is predominantly exempt from income tax and it will not have sufficient future taxable profits against which to utilize the tax losses. The tax losses are subject to expiry under Oman Tax Law and will expire between 2020 to 2022.

The assessments of the Company have been completed by the Tax Department up to and including the tax year 2009.

22. TAXATION (continued)

(d) Movement of deferred tax asset / (liability) (continued)

An Assessment of the tax returns filed for the years 2010 to 2016 has not yet been finalised by the Secretariat General for Taxation at the Ministry of Finance. Management believes that any additional taxes that may arise on completion of the tax assessments for the open tax years will not be significant to the Company's financial position at 31 December 2017.

Status of tax assessments of subsidiaries

The tax assessments of subsidiaries are at different stages of completion. Management is not aware and does not expect any additional tax liabilities to be incurred relating to the open tax years.

23. GROSS PREMIUMS AND PREMIUMS CEDED TO REINSURERS

2017			**(RO '000)**
	Life	**General**	**Total**
Group			
Gross written premiums	**100,206**	**14,396**	**114,602**
Movement in unearned premiums	**3,537**	**(2,041)**	**1,496**
Gross premium, earned	**103,743**	**12,355**	**116,098**
Reinsurance premiums ceded	**(41,700)**	**(1,138)**	**(42,838)**
Movement in unearned premiums	**(2,869)**	**(110)**	**(2,759)**
Premium ceded to reinsurers	**(44,569)**	**(1,248)**	**(45,817)**
Net insurance premium revenue	**59,174**	**11,107**	**70,281**

2016			(RO '000)
	Life	General	Total
Group			
Gross written premiums	91,957	9,247	101,204
Movement in unearned premiums	(3,923)	(1,328)	(5,251)
Gross premium, earned	88,034	7,919	95,953
Reinsurance premiums ceded	(41,422)	(1,231)	(42,653)
Movement in unearned premiums	4,052	35	4,087
Premium ceded to reinsurers	(37,370)	(1,196)	(38,566)
Net insurance premium revenue	50,664	6,723	57,387

24. INTEREST INCOME

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Loans and advances to customers	**83,668**	74,841	**-**	-
Oman Government Development Bonds	**2,211**	1,408	**-**	-
Placements with banks and other money market placements	**2,902**	1,836	**-**	-
Certificates of deposit	**-**	427	**-**	-
Other interest income	**817**	92	**2,599**	2,538
	89,598	78,604	**2,599**	2,538

25. INTEREST EXPENSE

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Time deposits	**23,323**	18,194	**-**	-
Subordinated bonds	**2,087**	3,861	**-**	-
Call accounts	**1,826**	1,373	**-**	-
Savings accounts	**2,801**	302	**-**	-
Bank borrowings	**7,571**	6,514	**5,648**	4,045
	37,608	30,244	**5,648**	4,045

26. INVESTMENT INCOME

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Dividend from investments	**4,775**	5,662	**88**	251
Quoted local investments				
Profit / (loss) on sale	**148**	386	**73**	30
Changes in fair value	**(234)**	1,148	**7**	1,277
Unquoted local investments				
Changes in fair value	**(506)**	12	**-**	-
Quoted foreign investments				
Profit on sale	**(903)**	3,021	**(477)**	51
Changes in fair value	**(50)**	(205)	**(3)**	
Unquoted foreign investments				63
Gain/(loss) on sale	**166**	-	**166**	-
Changes in fair value	**(38)**	-	**(38)**	-
Investment properties				
Profit on sale of an investment property	**-**	-	**1,011**	-
Rental income	**241**	349	**-**	417
Realised gain on sale of subsidiary	**-**	-	**4,752**	-
Realised loss on sale of associates	**(327)**	-	**(292)**	-
	3,272	10,373	**5,287**	2,089

27. FEE AND COMMISSION INCOME – NET

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Fee and commission income	**24,438**	28,097	**-**	-
Fee and commission expense	**(10,224)**	(10,042)	**-**	-
	14,214	18,055	**-**	-

28. OTHER OPERATING INCOME

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Foreign exchange (net)	**5,791**	5,374	**-**	-
Other income	**1,411**	1,154	**729**	961
Gain on sale of property and equipment	**1**	33	**-**	-
	7,203	6,561	**729**	961

29. OPERATING EXPENSES

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Staff costs (refer below)	**35,383**	35,964	**3,242**	3,286
Other operating expenses	**18,910**	17,071	**659**	813
Depreciation and amortisation	**5,538**	5,504	**120**	328
Directors' sitting fees and remuneration:	**-**	-	**-**	-
Parent Company	**200**	200	**200**	200
Subsidiaries (net of intra-group adjustments)	**287**	264	**-**	-
	60,318	59,003	**4,221**	4,627
Staff costs:				
Salaries	**29,798**	30,178	**2,862**	2,917
End of service benefits	**400**	1,241	**60**	74
Social security costs	**2,125**	2,171	**87**	86
Other costs	**3,060**	2,374	**233**	209
	35,383	35,964	**3,242**	3,286

30. END OF SERVICE BENEFITS

In accordance with the Labour Law of Oman, the Group and Parent Company accrues for employees' end of service benefits for its non-Omani employees.

Movements in the liability recognised in the financial statements are as follows:

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
At 1 January	**2,990**	2,953	**251**	202
Charge for the year	**400**	1,241	**60**	74
Paid during the year	**(1,369)**	(1,204)	**(3)**	(25)
At 31 December	**2,021**	2,990	**308**	251

The above balance is recorded under other liabilities in the statement of financial position.

31. PROFIT FROM SALE OF DISCONTINUING OPERATIONS

On 30 March 2016, the banking subsidiary signed a Memorandum of Understanding with the Parent Company, Arab Bank Switzerland and Oman Investment Fund to sell its investment banking activities, which is under the banking subsidiary's Investment Management Group (IMG). The Board of Directors of the banking subsidiary determined that IMG was a non-core business of the banking subsidiary and that selling it would permit the banking subsidiary to focus on its core business. The sale includes all the existing systems, human resources, licences, assets and liabilities of IMG. The sale was approved by the banking subsidiary's shareholders in an Extraordinary General Meeting held on 15 December 2016.

A new company, Ubhar Capital SAOC, was incorporated by OMINVEST, Arab Bank Switzerland and Oman Investment Fund. The Business Sale Purchase Agreement was signed between the banking subsidiary and Ubhar Capital. The sale of IMG business was completed on 31 December 2016 for a consideration of RO 12 million and a net gain on sale of RO 11.1 million was recorded. As at 31 December 2016, IMG is classified as a discontinued operation and following assets were sold to Ubhar Capital SAOC and liabilities related to discontinued operations amounted to RO 514 thousand were settled by the banking subsidiary.

i) Property and equipment sold amounting to RO 170 thousand; and

ii) Investment in FSGF amounting to RO 210 thousand.

During year ended 31 December 2016, the Group has early adopted para 31 A of IAS 28 Investment in Associates and Joint Ventures, whereby, the Group has recorded the full gain on account of sale of IMG transaction between the banking subsidiary and its associate.

31. PROFIT FROM SALE OF DISCONTINUING OPERATIONS (continued)

The results of IMG for the year are presented below:

	2017 (RO'000)	2016 (RO'000)
Brokerage and other investment income -net	**-**	1,822
Expenses		
Salaries and related costs	-	(1,241)
General and administrative expenses	-	(400)
Depreciation on equipment	**-**	(58)
Total expenses	**-**	(1,699)
Profit before tax for the year from discontinuing operations	-	123
Gain on disposal	-	11,106
Income tax expense (including tax on gain on disposal)	**-**	(1,347)
Profit after tax for the year from discontinuing operations	**-**	9,882
Earnings per share for profit for the year from discontinuing operations		
Basic and diluted (RO)	-	0.008

IMG is part of the banking subsidiary and is not a taxable entity. The taxation in accordance with the income tax law of the Sultanate of Oman is recorded in the subsidiary bank's accounting records.

The net cash flows incurred by the discontinuing operations are as follows:

	2017 (RO'000)	2016 (RO'000)
Operating	**-**	514
Investing	**-**	380
	-	894

32. SEGMENTAL INFORMATION

The Group is organised into four main business segments:

1) Banking Segment – incorporating corporate, retail and treasury and investment banking activities carried out by the Group's banking subsidiary; and
2) Investment Segment – incorporating investment activities for both short-term and long-term purposes.
3) Insurance Segment – incorporating insurance related activities for Life and General Insurance.
4) Real Estate Segment – incorporating activities in real estate sector.

Transactions between the business segments are on normal commercial terms and conditions and are entered into between the subsidiaries and the rest of the Group. Such transactions are eliminated on consolidation.

2017	**Investments (RO '000)**	**Banking (RO '000)**	**Insurance (RO '000)**	**Real Estate (RO '000)**	**Adjustments (RO '000)**	**Total (RO '000)**
Segment revenues	**40,529**	**109,241**	**118,606**	**1,579**	**(32,574)**	**237,381**
Segment assets	**470,164**	**2,138,999**	**141,968**	**20,532**	**(320,370)**	**2,451,293**
Segment results	**27,992**	**26,262**	**8,404**	**580**	**(29,616)**	**33,622**
Capital expenditure	**-**	**4,646**	**-**	**5,609**	**-**	**10,255**

2016	Investments (RO '000)	Banking (RO '000)	Insurance (RO '000)	Real Estate (RO '000)	Adjustments (RO '000)	Total (RO '000)
Segment revenues	41,880	100,708	99,853	603	(25,513)	217,531
Segment assets	394,007	2,065,972	135,251	14,372	(213,058)	2,396,544
Segment results	28,541	27,793	4,700	(2,506)	(20,953)	37,575
Capital expenditure	-	1,945	-	9,045	-	10,990

33. RELATED PARTY TRANSACTIONS

Transactions with related parties defined in International Accounting Standard 24 – Related Party Disclosures and Code of Corporate governance issue by Capital Market Authority are as follows :

	Directors (RO'000)	Associates (RO'000)	Key management (RO'000)	Other related parties (RO'000)	Non-controlling interests (RO'000)
Group – 2017					
Statement of comprehensive income					
Interest and commission income	256	1,041	-	1,335	312
Interest expense	-	117	-	35	561
Directors' sitting fees and remuneration (Note 29)	487	-	-	-	-
Premium & RI Share in claims	7	293	1	719	-
Claims	-	119	-	475	-
Staff costs	-	-	3,503	-	-
Terminal benefits	-	-	343	-	-
Operating expenses	-	358	2	653	78
Statement of financial position					
Loans and advances	6,334	32,263	-	24,834	35,725
Current and deposits from customers	1,903	19,413	-	6,642	1,534
Insurance balance receivable	8	104	11	173	-
Payables & Deposits	1	278	-	471	-
Off balance sheet					
Letters of credit and guarantees	-	-	-	3,090	153,179

33. RELATED PARTY TRANSACTIONS (continued)

	Directors (RO'000)	Associates (RO'000)	Key management (RO'000)	Other related parties (RO'000)	Non-controlling interests (RO'000)
Group – 2016					
Statement of comprehensive income					
Interest and commission income	230	1,046	13	512	265
Interest expense	-	118	7	-	578
Directors' sitting fees and remuneration (Note 29)	464	-	-	-	-
Premium and RI Share in claims paid	1	261	3	504	-
Claims	-	135	-	305	-
Staff costs	-	-	3,001	-	-
Terminal benefits	-	-	156	-	-
Operating expenses	-	-	-	381	-
Statement of financial position					
Loans and advances	5,905	26,631	370	27,599	14,739
Current and deposits from customers	738	6,682	820	5,712	3,615
Insurance balance receivable	2	160	-	78	-
Payables	142	40	-	294	-
Off balance sheet					
Letters of credit and guarantees	-	-	-	6,759	209,719

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 RO 80 thousands (2016- RO 74 thousands).

33. RELATED PARTY TRANSACTIONS (continued)

Parent	2017			
	Subsidiaries (RO'000)	Directors (RO'000)	Key management (RO'000)	Other related parties (RO'000)
Statement of comprehensive income				
Directors' sitting fees and remuneration	-	200		-
Staff cost recharge	333	-	-	-
Staff Cost	-	-	1,251	-
Terminal benefits	-	-	81	-
Operating expenses	-	-	-	8
Interest expenses	652	-	-	-
Premiums	108	-	-	-
Claims	52	-	-	-
Dividend from subsidiary companies	2,992	-	-	-
Sale of investment property	11,146	-	-	-
Rental and other income	142	-	-	-
Interest Income	2,599	-	-	-
Brokerage to associate company	-	-	-	38
Dividend from associate companies	-	-	-	3,448
Statements of financial position				
Bank borrowings	11,500	-	-	-
Bank balances	604	-	-	-
Due from subsidiaries	67,875	-	-	-

33. RELATED PARTY TRANSACTIONS (continued)

Parent	2016			
	Subsidiaries (RO'000)	Directors (RO'000)	Key management (RO'000)	Other related parties (RO'000)
Statement of comprehensive income				
Directors' sitting fees and remuneration	-	200	-	-
Staff cost recharge	364	-	-	-
Staff Cost	-	-	1,187	-
Terminal benefits	-	-	53	-
Operating expenses	-	-	-	77
Interest expenses	490	-	-	-
Premiums	101	-	-	-
Claims	54	-	-	-
Dividend from subsidiary companies	8,477	-	-	-
Rental and other income	197	-	-	-
Interest Income	2,538	-	-	-
Brokerage	2	-	-	-
Dividend from associate companies	-	-	-	3,221
Statements of financial position				
Bank borrowings	4,000	-	-	-
Bank balances	1,189	-	-	-
Due from subsidiaries	51,383	-	-	-

34. FIDUCIARY ACTIVITIES

As at 31 December 2017, balances stated at cost arising from fiduciary activities are as follows:

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Investments syndicated by the Group and registered in its name:				
Parent Company	**716**	926	**716**	926
	716	926	**716**	926

These investments are held beneficially for and on behalf of investors and, accordingly, are not treated as assets of the Group and the Parent Company. These are included in the Group's and Parent company's financial statements as off balance sheet items.

35. COMMITMENTS

As of the reporting date, the Group and the Parent Company had the following outstanding commitments which are expected to crystallise within one year:

	Group (RO' 000)	Parent Company (RO' 000)
2017		
Construction	**10,255**	**-**
Undrawn loan commitments	**62,767**	**-**
2016		
Construction	10,990	9,045
Undrawn loan commitments	97,975	-

The Group's commitments set out above are expected to crystallise in the following periods:

	Up to 1 year (RO'000)	1 to 5 years (RO'000)	Over 5 years (RO'000)	Total (RO'000)
2017				
Capital commitments	**10,255**	**-**	**-**	**10,255**
Undrawn loan commitments	**-**	**62,767**	**-**	**62,767**
2016				
Capital commitments	9,081	1,909	-	10,990
Undrawn loan commitments	-	97,975	-	97,975

36. CONTINGENT LIABILITIES

The outstanding contract values or the notional amounts of these instruments at 31 December were as follows:

	2017 (RO'000)	2016 (RO'000)
Letters of credit	**262,250**	197,931
Guarantees	**481,340**	482,070
Financial guarantees	**153,858**	141,638
	897,448	821,639

The concentration of letters of credit, guarantees and financial guarantees by industry sector is as follows:

	Group		**Parent Company**	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Construction	**322,321**	287,085	**-**	-
Utilities	**236,007**	235,761	**-**	-
Export trade	**235,188**	152,983	**-**	-
Government	**45,064**	70,014		
Import trade	**25,303**	40,319	**-**	-
Transportation	**16,046**	17,801	**-**	-
Wholesale and retail trade	**11,711**	10,670	**-**	-
Services	**2,823**	4,462	**-**	-
Manufacturing, mining & quarrying	**2,985**	2,544	**-**	-
	897,448	821,639	**-**	-

Letters of credit and guarantees amounting to RO557,489 thousand (2016 - RO 510,560 thousand) were counter guaranteed by other banks.

Letters of credit and guarantees include RO 312 thousand (2016: RO 468 thousand) relating to non-performing loans.

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The banking subsidiary has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Banking subsidiary makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, the Banking subsidiary had certain unresolved legal claims which are not expected to have any significant implication on the Group financial statements.

36. CONTINGENT LIABILITIES (continued)

The Insurance subsidiary, consistent with the majority of insurers, is subject to litigation in the normal course of its business. The Insurance subsidiary, based on independent legal advice, does not believe that the outcome of the court cases will have a material impact on its income or financial position.

Insurance contingencies

At 31 December 2017, there were contingent liabilities in respect of guarantees issued by commercial banks on behalf of the Group amounting to RO 337,106 (2016 – RO 475,457) given in the normal course of business from which it is anticipated that no material liabilities will arise.

37. DERIVATIVES

A derivative financial instrument is a financial contract between two parties when payments are dependent upon movement in price in one or more underlying financial instrument, reference rate or index.

Group

At the reporting date, there were outstanding forward foreign exchange contracts, all maturing within one year, entered into on behalf of customers for the sale and purchase of foreign currencies. These financial instruments have been recognised at prices in active markets for identical assets or liabilities. These fair values and the notional contracted amounts are summarised below:

31 December 2017	Positive fair value (RO'000) (note 10)	Negative fair value (RO'000) (note 21)	Notional amount (RO'000)	Within 3 months (RO'000)	3 – 12 months (RO'000)
Purchase contracts	**321**	**-**	**33,548**	**26,104**	**7,444**
Sale contracts	**-**	**(290)**	**(33,516)**	**(26,085)**	**(7,431)**
	321	**(290)**	**32**	**19**	**13**
31 December 2016					
Purchase contracts	166	-	13,199	7,193	6,006
Sale contracts	-	(143)	(13,176)	(7,176)	(6,000)
	166	(143)	23	17	6

38.A EVENTS AFTER REPORTING DATE

On 1st January 2018, Parent company signed the SPA with Oman National Investment Corporation SAOC (100% subsidiary of the group) to transfer associate companies worth RO 52.059 million at reported values as at 31st December 2017.

38.B RESTRICTIONS ON TRANSFER OF ASSETS

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Group has identified to the Capital Market Authority certain specific bank deposits, investments and loans to policyholders included in the statement of financial position at a total value of RO 28,730,476 (2016 - RO 31,367,841). Under the terms of the legislation, the Group can transfer these assets only with the prior approval of the Capital Market Authority.

In accordance with the law governing the operation of insurance companies within the United Arab Emirates, and Kuwait the Group has identified to the Insurance Authority, Abu Dhabi – UAE and The Ministry of Commerce and Industry, Kuwait certain specific fixed deposits of RO 441,405 (2016 - RO 441,405) and RO 1,274,000 (2016-NIL) respectively which are included in the statement of financial position. Under the terms of the legislation, the Group can transfer these assets only with the prior approval of the respective authorities.

The Group has provided bank guarantee of RO 50,000 (2016 - RO 50,000) to the Oman Unified Bureau for the Orange Card which is secured by a fixed deposit.

The Group has an overdraft facility of RO 1,900,000 with Ahli Bank SAOG for which the Group has provided negative pledge confirmation over its current assets and an undertaking not to create any encumbrance on its assets to any other lenders.

39. GEOGRAPHICAL CONCENTRATION OF ASSETS AND LIABILITIES

Group - 2017	Sultanate of Oman (RO'000)	North America (RO'000)	UK and Europe (RO'000)	Other countries (RO'000)	Total (RO'000)
Assets					
Balances with banks and money at call	**162,949**	**-**	**133**	**6,449**	**169,531**
Deposits with banks	**85,595**	**779**	**13,380**	**54,282**	**154,036**
Premium and insurance balance receivables	**14,900**	**-**	**-**	**22,562**	**37,462**
Re-insurance share in Insurance Funds	**39**	**-**	**6,215**	**17,342**	**23,596**
Investment securities	**220,652**	**34**	**50**	**12,118**	**232,854**
Investments in associates	**39,440**	**-**	**-**	**33,367**	**72,807**
Investment properties	**14,609**	**-**	**-**	**-**	**14,609**
Loans and advances to customers	**1,642,513**	**-**	**-**	**-**	**1,642,513**
Other assets	**52,160**	**-**	**14**	**118**	**52,292**
Projects work in progress	**-**	**-**	**3,399**	**-**	**3,399**
Property and equipment	**30,525**	**-**	**-**	**371**	**30,896**
Intangible assets	**17,298**	**-**	**-**	**-**	**17,298**
Total assets	**2,280,680**	**813**	**23,191**	**146,609**	**2,451,293**

39. GEOGRAPHICAL CONCENTRATION OF ASSETS AND LIABILITIES (continued)

Group - 2017	**Sultanate of Oman (RO'000)**	**North America (RO'000)**	**UK and Europe (RO'000)**	**Other countries (RO'000)**	**Total (RO'000)**
Liabilities					
Due to banks	**128,480**	**-**	**430**	**2,901**	**131,811**
Deposits from customers	**1,738,428**	**-**	**-**	**0**	**1,738,428**
Insurance funds	**23,927**	**-**	**-**	**44,252**	**68,179**
Subordinated debts	**20,000**	**-**	**-**	**0**	**20,000**
Other liabilities	**143,244**	**-**	**17**	**0**	**143,261**
Taxation	**6,080**	**-**	**-**	**0**	**6,080**
Total liabilities	**2,060,159**	**-**	**447**	**47,153**	**2,107,759**

Group - 2016	Sultanate of Oman (RO'000)	North America (RO'000)	UK and Europe (RO'000)	Other countries (RO'000)	Total (RO'000)
Assets					
Balances with banks and money at call	255,546	-	113	13,746	269,405
Deposits with banks	44,505	388	8,126	18,473	71,492
Premium and insurance balance receivables	10,753	-	91	23,763	34,607
Re-insurance share in Insurance Funds	520	-	2,720	23,445	26,685
Investment securities	186,730	1,652	515	11,396	200,293
Investments in associates	57,105	-	-	33,171	90,276
Investment properties	10,475	-	-	-	10,475
Loans and advances to customers	1,590,799	-	-	-	1,590,799
Other assets	50,559	-	17	723	51,299
Projects work in progress	-	-	2,970	-	2,970
Property and equipment	30,027	-	-	162	30,189
Intangible assets	18,054	-	-	-	18,054
Total assets	2,255,073	2,040	14,552	124,879	2,396,544

39. GEOGRAPHICAL CONCENTRATION OF ASSETS AND LIABILITIES (continued)

Group - 2016	Sultanate of Oman (RO'000)	North America (RO'000)	UK and Europe (RO'000)	Other countries (RO'000)	Total (RO'000)
Liabilities					
Due to banks	143,145	-	764	6,947	150,856
Deposits from customers	1,625,381	-	-	-	1,625,381
Insurance funds	33,250	-	-	34,583	67,833
Subordinated debts	70,000	-	-	-	70,000
Other liabilities	72,346	-	907	7,784	81,037
Taxation	4,966	-	-	-	4,966
Total liabilities	1,949,088	-	1,671	49,314	2,000,073

	Sultanate of Oman (RO'000)	**North America (RO'000)**	**UK and Europe (RO'000)**	**Other countries (RO'000)**	**Total (RO'000)**
Parent Company – 2017					
Assets					
Balances with banks and money at call	**849**	**-**	**28**	**1**	**878**
Investment securities	**19,291**	**34**	**50**	**301**	**19,676**
Investments in associates	**36,596**	**-**	**-**	**33,366**	**69,962**
Investments in subsidiaries	**226,434**	**-**	**1,964**	**-**	**228,398**
Dues from subsidiaries	**66,564**	**-**	**1,311**	**-**	**67,875**
Investments in property	**-**	**-**	**-**	**-**	**-**
Other assets	**736**	**-**	**-**	**116**	**852**
Property and equipment	**26**	**-**	**-**	**-**	**26**
Total assets	**350,496**	**34**	**3,353**	**33,784**	**387,667**
Liabilities					
Due to banks	**139,300**	**-**	**-**	**-**	**139,300**
Other liabilities	**2,366**	**-**	**-**	**-**	**2,366**
Total liabilities	**141,666**	**-**	**-**	**-**	**141,666**

39. GEOGRAPHICAL CONCENTRATION OF ASSETS AND LIABILITIES (continued)

	Sultanate of Oman (RO'000)	North America (RO'000)	UK and Europe (RO'000)	Other countries (RO'000)	Total (RO'000)
Parent Company – 2016					
Assets					
Balances with banks and money at call	1,512	-	27	25	1,564
Investment securities	6,017	1,652	346	3,065	11,080
Investments in associates	57,104	-	-	33,172	90,276
Investments in subsidiaries	212,692	-	1,632	-	214,324
Dues from subsidiaries	48,505	-	-	1,326	49,831
Investments in property	9,143	-	-	-	9,143
Other assets	2,456	-	-	374	2,830
Property and equipment	143	-	-	-	143
Total assets	337,572	1,652	2,005	37,962	379,191
Liabilities					
Due to banks	138,900	-	-	-	138,900
Other liabilities	2,688	-	-	-	2,688
Total liabilities	141,588	-	-	-	141,588

40. INTEREST RATE SENSITIVITY ANALYSIS

The Group's and the Parent company's interest rate sensitivity position, based on the contractual re-pricing or maturity dates, whichever dates are earlier, are as follows:

	Average effective interest rate %	Within 6 months (RO'000)	6 to 12 months (RO'000)	Over 1 year (RO'000)	Not exposed to interest rate risk (RO'000)	Total (RO'000)
Group – 2017						
Assets						
Balances with banks and money at call	1%	-	-	500	169,031	169,531
Deposits with banks	0.94%	93,747	-	-	60,289	154,036
Premium and insurance balance receivables	-	-	-	-	37,462	37,462
Re-insurance share in Insurance funds	-	-	-	-	23,596	23,596
Investment securities:	1.67%	23,000	19,000	81,847	109,007	232,854
Investments in associates	Nil	-	-	-	72,807	72,807
Investment properties	-	-	-	-	14,609	14,609
Loans and advances to customers	5.08%	521,230	159,155	962,128	-	1,642,513
Other assets	-	8,657	-	-	43,635	52,292
Projects work in progress	-	-	-	-	3,399	3,399
Property and equipment	-	-	-	-	30,896	30,896
Intangible assets		-	-	-	17,298	17,298
Total assets		646,634	178,155	1,044,475	582,029	2,451,293
Liabilities						
Due to banks	3.74%	30,000	50,300	47,500	4,011	131,811
Deposits from customers	1.58%	426,011	331,338	175,924	805,155	1,738,428
Insurance funds		-	-	-	68,179	68,179
Other liabilities	-	64,300	-	-	78,961	143,261
Subordinated bonds	5.50%	-	-	20,000	-	20,000
Taxation	-	-	-	-	6,080	6,080
Total liabilities		520,311	381,638	243,424	962,386	2,107,759

40. INTEREST RATE SENSITIVITY ANALYSIS (continued)

	Average effective interest rate %	Within 6 months (RO'000)	6 to 12 months (RO'000)	Over 1 year (RO'000)	Not exposed to interest rate risk (RO'000)	Total (RO'000)
Group – 2016						
Assets						
Balances with banks and money at call	1.00	-	-	500	268,905	269,405
Deposits with banks	0.36	16,659	-	-	54,833	71,492
Premium and insurance balance receivables	NIL	-	-	-	34,607	34,607
Re-insurance share in Insurance funds	NIL	-	-	-	26,685	26,685
Investment securities:						
- At amortised cost	1.67	40,290	20,135	35,498	-	95,923
- Investments	NIL	-	-	-	104,370	104,370
Investments in associates	NIL	-	-	-	90,276	90,276
Investment properties	NIL	-	-	-	10,475	10,475
Loans and advances to customers	4.66	335,702	358,478	896,619	-	1,590,799
Other assets	NIL	6,155	-	-	45,144	51,299
Projects work in progress	NIL	-	-	-	2,970	2,970
Property and equipment	NIL	-	-	-	30,189	30,189
Intangible assets	NIL	-	-	-	18,054	18,054
Total assets		398,806	378,613	932,617	686,508	2,396,544
Liabilities						
Due to banks	3.06	52,800	8,200	77,800	12,056	150,856
Deposits from customers	1.23	377,570	401,887	159,109	686,815	1,625,381
Insurance funds	NIL	-	-	-	67,833	67,833
Other liabilities	NIL	5,247	-	75,790	-	81,037
Subordinated bonds	5.50	-	50,000	20,000	-	70,000
Taxation	NIL	-	-	-	4,966	4,966
Total liabilities		435,617	460,089	332,699	771,670	2,000,073

40. INTEREST RATE SENSITIVITY ANALYSIS (continued)

	Average effective interest rate %	Within 6 months (RO'000)	6 to 12 months (RO'000)	Over 1 year (RO'000)	Not exposed to interest rate risk (RO'000)	Total (RO'000)
Parent – 2017						
Assets						
Balances with banks and money at call	NIL	**-**	**-**	**-**	**878**	**878**
Investment securities	NIL	**-**	**-**	**-**	**19,676**	**19,676**
Investments in associates	NIL	**-**	**-**	**-**	**69,962**	**69,962**
Investments in subsidiaries	NIL	**-**	**-**	**-**	**228,398**	**228,398**
Investment properties	NIL	**-**	**-**	**-**	**-**	**-**
Due from subsidiaries	NIL	**-**	**-**	**-**	**67,875**	**67,875**
Other assets	NIL	**-**	**-**	**-**	**852**	**852**
Property and equipment	NIL	**-**	**-**	**-**	**26**	**26**
Total assets		**-**	**-**	**-**	**387,667**	**387,667**
Liabilities						
Bank borrowings	**3.74%**	**37,500**	**54,300**	**47,500**	**-**	**139,300**
Other liabilities	NIL	**-**	**-**	**-**	**2,366**	**2,366**
Total liabilities		**37,500**	**54,300**	**47,500**	**2,366**	**141,666**
Parent – 2016						
Assets						
Balances with banks and money at call	NIL	-	-	-	1,564	1,564
Investment securities	NIL	-	-	-	11,080	11,080
Investments in associates	NIL	-	-	-	90,276	90,276
Investments in subsidiaries	NIL	-	-	-	214,324	214,324
Investment properties	NIL	-	-	-	9,143	9,143
Due from subsidiaries	5.00%	-	-	-	49,831	49,831
Other assets	NIL	-	-	-	2,830	2,830
Property and equipment	NIL	-	-	-	143	143
Total assets		-	-	-	379,191	379,191
Liabilities						
Bank borrowings	3.06%	48,900	12,200	77,800	-	138,900
Other liabilities	NIL	-	-	-	2,688	2,688
Total liabilities		48,900	12,200	77,800	2,688	141,588

41. ASSETS AND LIABILITIES MATURITY PROFILE

	Within 3 months (RO'000)	3 to 12 months (RO'000)	1 to 5 years (RO'000)	Over 5 years (RO'000)	Total (RO'000)
Group - 2017					
Assets					
Balances with banks and money at call	131,476	15,660	12,449	9,946	**169,531**
Deposits with banks	104,337	16,235	33,464	-	**154,036**
Premium and insurance balance	-	37,462	-	-	**37,462**
Re-insurance share in insurance funds	-	23,596	-	-	**23,596**
Investment securities	59,089	34,520	86,104	53,141	**232,854**
Investments in associates	-	-	-	72,807	**72,807**
Investment properties	-	-	-	14,609	**14,609**
Loans and advances to customers	190,626	212,046	436,272	803,569	**1,642,513**
Other assets	43,383	8,700	191	18	**52,292**
Projects work in progress	-	-	-	3,399	**3,399**
Property and equipment	-	-	-	30,896	**30,896**
Intangible assets	-	-	-	17,298	**17,298**
Total assets	**528,911**	**348,219**	**568,480**	**1,005,683**	**2,451,293**
Liabilities					
Due to banks	25,811	58,500	47,500	-	**131,811**
Deposits from customers	427,395	539,644	435,949	335,440	**1,738,428**
Insurance funds	-	68,179	-	-	**68,179**
Other liabilities	41,660	94,857	6,259	485	**143,261**
Subordinated bonds	-	-	20,000	-	**20,000**
Taxation	5,987	93	-	-	**6,080**
Total liabilities	**500,853**	**761,273**	**509,308**	**335,925**	**2,107,759**

41. ASSETS AND LIABILITIES MATURITY PROFILE (continued)

	Within 3 months (RO'000)	3 to 12 months (RO'000)	1 to 5 years (RO'000)	Over 5 years (RO'000)	Total (RO'000)
Group - 2016					
Assets					
Balances with banks and money at call	230,378	17,564	11,585	9,878	269,405
Deposits with banks	25,543	4,849	36,100	5,000	71,492
Premium and insurance balance receivables	-	34,607	-	-	34,607
Re-insurance share in insurance funds	-	25,097	-	1,588	26,685
Investment securities	63,699	21,123	110,182	5,289	200,293
Investments in associates	-	-	-	90,276	90,276
Investment properties	-	-	-	10,475	10,475
Loans and advances to customers	234,796	125,967	421,011	809,025	1,590,799
Other assets	40,155	9,463	1,253	428	51,299
Projects work in progress	-	-	-	2,970	2,970
Property and equipment	-	-	-	30,189	30,189
Intangible assets	-	-	-	18,054	18,054
Total assets	594,571	238,670	580,131	983,172	2,396,544
Liabilities					
Due to banks	44,856	28,200	77,800	-	150,856
Deposits from customers	402,507	561,178	365,541	296,155	1,625,381
Insurance funds	-	59,818	-	8,015	67,833
Other liabilities	46,748	24,905	6,472	2,912	81,037
Subordinated bonds	-	50,000	20,000	-	70,000
Taxation	4,341	625	-	-	4,966
Total liabilities	498,452	724,726	469,813	307,082	2,000,073

41. ASSETS AND LIABILITIES MATURITY PROFILE (continued)

	Within 3 months (RO'000)	3 to 12 months (RO'000)	1 to 5 years (RO'000)	Over 5 years (RO'000)	Total (RO'000)
Parent Company – 2017					
Assets					
Balances with banks and money at call	**878**	**-**	**-**	**-**	**878**
Investment securities	**18,014**	**-**	**1,662**	**-**	**19,676**
Investments in associates	**-**	**-**	**-**	**69,962**	**69,962**
Investments in subsidiaries	**-**	**-**	**-**	**228,398**	**228,398**
Investment properties	**-**	**-**	**-**	**-**	**-**
Other assets	**852**	**-**	**-**	**-**	**852**
Property and equipment	**-**	**-**	**-**	**26**	**26**
Due from subsidiaries	**-**	**67,875**	**-**	**-**	**67,875**
Total assets	**19,744**	**67,875**	**1,662**	**298,386**	**387,667**
Liabilities					
Due to banks	**29,300**	**62,500**	**47,500**	**-**	**139,300**
Other liabilities	**2,058**	**-**	**308**	**-**	**2,366**
Total liabilities	**31,358**	**62,500**	**47,808**	**-**	**141,666**
Parent Company – 2016					
Assets					
Balances with banks and money at call	1,564	-	-	-	1,564
Investment securities	1,969	-	9,111	-	11,080
Investments in associates	-	-	-	90,276	90,276
Investments in subsidiaries	-	-	-	214,324	214,324
Investment properties	-	-	-	9,143	9,143
Other assets	2,830	-	-	-	2,830
Property and equipment	-	-	-	143	143
Due from subsidiaries	-	-	49,831	-	49,831
Total assets	6,363	-	58,942	313,886	379,191
Liabilities					
Due to banks	32,900	28,200	77,800	-	138,900
Other liabilities	2,437	-	251	-	2,688
Total liabilities	35,337	28,200	78,051	-	141,588

42. FINANCIAL RISK MANAGEMENT POLICIES

42.1 Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve the evaluation, analysis, acceptance and management of risk or combination of risks. As taking risk is core to the financial business and operational risks are an inevitable consequence of any business, the Group's aim is to achieve an appropriate balance between risk and return while minimising the potential adverse effects on the Group's financial performance of the respective Group companies.

The Board of Directors defines risk limits and sets suitable policies in this regard for management of credit risk, liquidity risk as well as market risk in both the trading and the banking book of the respective Group Company. Risk Management is carried out by the Risk Management team in accordance with documented policies approved by the Board of Directors of the respective Group Company.

The principal types of risks at the Group and Parent Company are credit risk, liquidity risk, market risk (market price risk, interest rate risk and currency risk) and operational risk.

42.2 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. Credit exposures arise principally from lending activities at the banking subsidiary and investment activities and other assets in the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and financial guarantees given by the banking subsidiary.

The Group 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 Group's performance to developments affecting a particular industry or geographic location. The details of concentrations of credit risk based on counterparties by industry are disclosed in the geographical concentration is disclosed in Note 39.

The Group manages, limits and controls concentrations of credit risk – in particular, to individual counterparties and Groups, and to industries and countries.

The banking subsidiary structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Groups of borrowers, and to geographical and industry segments. Such risks are monitored and reviewed periodically by the Management Credit Committee, Audit & Risk Management committee of the Board of Directors and the Executive Committee of the Board of Directors of the banking subsidiary.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.2 Credit risk (continued)

42.2.1 Risk mitigation policies

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The banking subsidiary employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- charges over business assets such as premises, inventory and accounts receivable
- lien on fixed deposits
- cash margins
- mortgages over residential and commercial properties
- pledge of marketable shares and securities

Longer-term finance and lending to corporate entities are generally secured. The housing loans are secured by mortgage over the residential property. Credit cards and similar revolving credit facilities are unsecured. Additionally, in order to minimise the credit loss the bank seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

(b)Assessment of the financial capabilities of the borrowers

The borrowers with balances above the limit specified are subject to the review of their audited financial statements. The banking subsidiary assesses the financial performance of the borrowers by reviewing key performance ratios, including solvency and liquidity ratios. The annual reviews are performed by the relationship managers and are also reviewed by the Risk Management team.

(c)Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the banking subsidiary on behalf of a customer authorising a third party to draw drafts on the banking subsidiary up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.2 Credit risk (continued)

42.2.1 Risk mitigation policies (continued)

(c) Credit-related commitments (continued)

An analysis of the loans and advances, other than government soft loans, for which collaterals or other credit enhancements are held is as follows:

	Stage 3 (RO'000)	Gross loans (RO'000)
Loans and advances with collateral available	**26,421**	**581,017**
Loans and advances with guarantees available	**7,958**	**50,553**
Balance as at 31 December 2017	**34,379**	**631,570**
Loans and advances with collateral available	25,412	550,956
Loans and advances with guarantees available	8,137	34,665
Balance as at 31 December 2016	33,549	585,621

42.2.2 Maximum exposure to credit risk of the banking subsidiary before collateral held or other credit enhancements

	2017 (RO'000)	2016 (RO'000)
Items on the statement of financial position		
Cash and balances with Central Bank of Oman	**161,987**	253,106
Due from banks	**108,868**	30,080
Loans and advances		
Corporate loans	**970,490**	915,271
Personal loans	**722,482**	725,591
Other assets	**46,280**	45,401
Investments held to maturity		
Government development bonds	**85,847**	55,633
Treasury bills	**38,000**	40,290
	2,133,954	2,065,372
Off-Balance sheet items		
Letters of credit	**262,250**	197,931
Guarantees	**481,340**	482,070
Financial guarantees	**153,858**	141,638
Undrawn loan commitments	**62,767**	97,975
	960,215	919,614

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.2 Credit risk (continued)

42.2.2 Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

The above table represents the worst case scenario of credit risk exposure to the banking subsidiary at 31 December 2017 and 31 December 2016 without taking into account the collateral held or other credit enhancements. Management is confident that the banking subsidiary has suitable policies to measure and control the credit risk. In addition credit risk is mitigated through collaterals in the form of mortgages and guarantees wherever required.

a) 59% (2016 – 60%) of the inter-bank money market placements is with a local bank rated investment grade and above based on the ratings assigned by External Credit Rating Agencies.

b) The stage 3 loans have remain unchanged at 2.9% as at 31 December 2017. The stage 3 personal loans constitute 0.58 % of the total loans at 31 December 2017 compared to 0.85 % at 31 December 2016.

42.2.3 Credit risk management

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and taking into consideration both internal and external indicators and expert credit assessment and inclusion of forward- looking information.

The Group uses an expected credit loss (ECL) model of impairment, i.e. impairment based on forecast of likely future credit losses using reasonable and supportable information.

The Group uses a three stage approach recognising increasing credit risk:

– Stage 1: At origination all assets have at least 12 months expected credit losses;
– Stage 2: Brings forward recognition of impairment when credit risk increases significantly; assets are subject to lifetime expected credit losses;
– Stage 3: As IAS39 credit impaired assets.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in the probability of default (PDs) and qualitative factors, including whether the exposure has been watch-listed, whether the exposure is more than 30 days past due and as a backstop based on delinquency.

Definition of default

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidating collateral; or the borrower is past due more than 90 days on any credit obligation to the Group. In assessing whether a borrower is in default, the Group considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Group. The Group also considers relevant prudential requirements.

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.2 Credit risk (continued)

42.2.3 Credit risk management (continued)

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Group consultant and consideration of a variety of external actual and forecast information, the Group formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios.

Measurement of ECL

The key input parameters into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are derived from statistical models, other historical data using both internal and external factors, and incorporates forward-looking information.

The Group uses separate PD models for retail and corporate segments. The PD estimates are converted to cumulative PDs for exposures that have tenors in excess of one year and that are assessed on lifetime PDs. The lifetime PDs are calculated by compounding the 12 month PDs.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD is converted to balance sheet equivalents.

Subject to a maximum of 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics including instrument type, credit risk ratings and industry of the borrower.

The Group calculates PD estimates under three scenarios, a base case, bad case and good case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario. At 31 December 2016 and 31 December 2017, the probabilities assigned to the base case, bad case and good case scenarios.

Credit-impaired loans

Credit-impaired loans and advances are graded in the Group's internal credit risk grading systems.

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.2 Credit risk (continued)

42.2.3 Credit risk management (continued)

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, and other factors not related to the current or potential credit deterioration of a customer. When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of its remaining lifetime PD at the reporting date based on modified terms, with the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. The Group grants forbearance on a selective basis if there is evidence that the customer has made all reasonable efforts to honour the original contractual terms and the customer is expected to be able to meet the revised terms. Forbearance is a qualitative indicator of a significant increase in credit risk, and a customer would need to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired, or in default, or the PD has decreased such that the provision for credit-impairment reverts to being measured at an amount equal to the 12-month ECL. The total restructured loans at 31 December 2017 amounted to RO 12,353 thousands (2016: RO 7,122 thousands).

Credit risk profile

The credit risk profile based on internal credit ratings as at 31 December 2017 was as follows:

	Bank balances and deposits (RO'000)	Investments at amortised cost (RO'000)	Loans and advances (RO'000)
Stage 1 (12-month ECL)	**323,567**	**123,886**	**1,426,070**
Stage 2 (Lifetime ECL but not credit-impaired)	**-**	**-**	**216,629**
Stage 3 (Lifetime ECL and credit-impaired)	**-**	**-**	**50,273**
	323,567	**123,886**	**1,692,972**

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.2 Credit risk (continued)

42.2.3 Credit risk management (continued)

The credit risk profile based on internal credit ratings as at 31 December 2016 was as follows:

	Bank balances and deposits (RO'000)	Investments at amortised cost (RO'000)	Loans and advances (RO'000)
Stage 1 (12-month ECL)	**340,897**	**96,424**	**1,367,332**
Stage 2 (Lifetime ECL but not credit-impaired)	**-**	**-**	**225,592**
Stage 3 (Lifetime ECL and credit-impaired)	**-**	**-**	**47,938**
	340,897	**96,424**	**1,640,862**

The loan loss provision required as at 31 December 2017 under IFRS 9 are set out below:

	At 31 December 2017 (RO'000)
Stage 1	
Corporate	**9,818**
Retail	**3,419**
Stage 2	
Corporate	**6,108**
Retail	**694**
Stage 3	**27,045**
Other adjustments	**3,375**
	50,459

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.2.4 Loans and advances renegotiated

These arrangements include extended payment arrangements, deferral of payments and modification of interest rates. Following restructuring, a previously past due loan account is reclassified as a normal loan and managed with other similar loans which are neither past due nor impaired. The restructuring arrangements are based on the criteria and indicators which in the judgement of the management will indicate that the payment will most likely continue.

42.2.5 Debt securities

The Bank's investments in debt securities are mainly in Government Development Bonds or treasury bills denominated in Rial Omani issued by the Government of Oman. The Bank also invests in debt securities issued by other banks based on their individual external credit rating. These investments are made to deploy the surplus liquid funds with maximum return.

42.2.6 Repossessed collateral

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 statement of financial position. The Bank has not repossessed any collateral during 2017 and 2016.

42.3 Market risk

The Group and the Parent Company take on exposures to market risk which is the risk that the fair value or the future cash flows of the financial assets carried at fair value will fluctuate because of changes in market prices. Market risks arise from the open positions in interest rate, currency and equity products, all of which are exposed to changes in interest rates, credit spreads, equity prices and foreign exchange rates for the banking subsidiary.

The market risks on investments listed in the securities markets for the Parent Company are monitored by the Board and Management committees. The Management committee monitor the risks, allocations and returns from local and foreign investments through regular meetings. The Management of the Parent Company has proper risk management policies in place to ensure that interest risk, liquidity risk and foreign exchange risk are mitigated considering the macroeconomic indicators affecting the investment activities.

42.3.1 Market price risk measurement techniques

The Group and Parent Company manages its market risk in the trading book using various techniques such as position limits, stop loss limits and regular monitoring of risk statistical data.

The impact of 10% change in the market price of the quoted equities and funds which are part of the financial assets at fair value through profit or loss at 31 December 2017 is 0.25% of the Group’s total revenues (2016 – 0.84%).

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.3 Market risk (continued)

42.3.1 Market price risk measurement techniques (continued)

The Parent Company is exposed to equity securities price risk because of investments held and classified as investments at fair value through profit or loss and available for sale financial assets. The Parent Company manages its market risk from its investing activities by diversification based on extensive research on equity or fund positions. Market risks are measured against management targets, past trends in world indices and market specific indices, before taking positions and subsequently monitored regularly.

The impact of 10% change in the market price of the quoted equities which are classified as financial assets at fair value through profit or loss at 31 December 2017 is 0.18% of the Parent company's total revenues (2016 – 2.60%).

42.3.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument carried at fair value will fluctuate due to changes in the market interest rates. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amount of interest based assets and liabilities that mature or re-price in a given period. The Group manages this risk by matching/re-pricing of assets and liabilities. The Group is not excessively exposed to interest rate risk as its assets and liabilities are re-priced frequently. The banking subsidiary's Assets and Liabilities Committee (ALCO) monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the banking subsidiary's profitability. The table in Note 40 summarises the Group's exposure to the interest rate risks. It includes the Group's financial instruments at the carrying amount, categorised by the earlier of the contractual re-pricing and maturity dates.

For managing its interest rate risk in the banking book the Bank stipulates limits on open interest rate sensitive gaps for maturities up to 1 year and also periodically calculates Earnings at Risk (EaR) impact on its Net Interest Income (NII) from 100bps change in interest rates on open interest rate gaps for maturities up to 1 year. The EaR limit is stipulated as a certain percentage of the NII of the Bank for the previous year. The EaR at 31 December 2017 is 2.36% (2016 – 0.83%).

The Parent company's interest rate risk exposure is summarised in a table in Note 40.

42.3.3 Currency risk

Currency risk arises where the value of a financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure the Group enters into ready, spot and forward transactions in the inter-bank market as per documented policies approved by the Board of Directors of the respective Group Company.

The Group's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placements and other assets and liabilities denominated in foreign currency. The individual Group company's management manages the risk by monitoring net open position in line with limits set by the management and entering into forward contracts based on the underlying commercial transactions with the customers. Additionally, appropriate segregation of duties exist between the front and back office functions while compliance with the net open position is independently monitored on an on going basis by the management and in the case of the banking subsidiary, the Assets and Liabilities Committee (ALCO).

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.3 Market risk (continued)

42.3.3 Currency risk (continued)

Oman operates with a fixed exchange rate, and the Omani Rial is pegged to the US Dollar at $2.6008 per Omani Rial. Accordingly, currency risk arises on assets not denominated in Rial Omani or currencies linked to the US Dollar.

The Parent company's exposure to assets denominated in foreign currencies (excluding US Dollars which the Rials Omani is pegged to) was 0.71% (2016 - 2.28%) of the total assets at the reporting date. Management regularly monitors the currency risk by reviewing the positions and within the overall context of its investment guidelines.

The net open position of the Group and Parent Company at the year-end is set out below:

Foreign currency exposures

	Group		Parent Company	
	2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
Assets denominated in US Dollars *(included assets denominated in GCC currency pegged with US Dollars)*	**136,053**	156,628	**30,678**	35,636
Percentage of total assets	**5.55%**	6.54%	**7.91%**	9.4%
Assets denominated in other foreign currencies	**9,769**	9,298	**2,628**	8,657
Percentage of total assets	**0.40%**	0.39%	**0.68%**	2.28%

42.4 Liquidity risk

Liquidity risk is the risk that the Group 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 Group'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 Group maintains liquidity by continually assessing, identifying and monitoring changes in funding needs required to meet strategic goals set in terms of the overall strategy. In addition the Group holds certain liquid assets as part of its liquidity risk management strategy.

The Group and the Parent Company hold investment securities listed on the securities markets and other quoted investments. Those investments are liquid in nature and can be sold in response to need for liquidity. As at 31 December 2017, the quoted investments for the Group were 80% of the total investment securities and 92 % for the Parent Company (2016: 50% and 83% respectively).

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.4 Liquidity risk (continued)

Liquidity risk is the risk that the Group 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.

42.5 Fair value estimation

The estimate of fair values of the financial instruments is based on information available to the individual Group Company's management at the reporting date. 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 by the Group and Parent Company in deriving the fair values are as follows:

42.5.1 Current account balances due to and from banks

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

42.5.2 Loans and advances

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

42.5.3 Investments at fair value through profit or loss and other comprehensive income

Quoted market prices, when available, are used as the measure for fair value. However, when the quoted market prices do not exist, fair value presented is estimated using discounted cash flow models or other valuation techniques. The total amount of changes in value estimated using valuation techniques that were recognised in the statement of comprehensive income during the year.

Where quoted market price do not exist and when investments are in closely held entities, the management of the Parent Company presents such investments at cost less impairment losses, by factoring all known elements which could influence the unrealisation for each investment individually. These elements would include both internal and external factors.

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.5 Fair value estimation (continued)

42.5.4 Customers' deposits

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

42.5.5 Derivatives

The banking subsidiary usually enters into short term forward foreign exchange contracts, on behalf of its customers for the sale and purchase of foreign currencies. For forward foreign exchange contracts, it uses a valuation model with readily available market observable inputs. The model incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

The related fair value details are set out in note 44.

42.6 Capital management

The Banking subsidiary's objectives of capital management are:

- to comply with the capital requirements set by the regulator i.e. the Central Bank of Oman;
- to safeguard the Bank's ability to continue as a going concern while providing adequate returns to the shareholders; and
- to maintain a strong capital base to support the development of its business.

The principal objective of the CBO capital adequacy requirements 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 statement of financial position, in particular credit risk. The CBO's risk-based capital adequacy framework is consistent with the international standards of the Bank for International Settlements (BIS).

CBO requires the banks registered in the Sultanate of Oman to maintain the capital adequacy a minimum of 12% based on guidelines of the Basel II accord from December 2010 onwards. In addition, CBO mandated the banks in Oman to maintain a Capital Conservation Buffer (CCB) under Basel III of 0.625% in addition to the minimum capital of 12% from 1 January 2014 to 1 January 2019. Additional CCB of 0.625% must be maintained annually between 1 January 2017 and 1 January 2019.

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.6 Capital management (continued)

	2017 (RO'000)	2016 (RO'000)
Capital		
Common Equity Tier 1 (CET 1)	**260,267**	252,935
Additional Tier 1	**30,000**	30,000
Total Tier 1	**290,267**	282,935
Tier 2	**32,756**	38,687
Total capital base	**323,023**	321,622
Risk weighted assets		
Credit risk	**1,885,048**	1,852,546
Market risk	**30,713**	2,975
Operational risk	**143,438**	141,500
Total risk weighted assets	**2,059,199**	1,997,021
Capital adequacy ratio %	**15.69%**	16.11%

The Tier 1 capital consists of paid-up capital, reserves and perpetual bonds. The Tier 2 capital consists of the subordinated bonds and collective provision made for the loan impairment on the performing portion of the loans and advances against the losses incurred but not identified.

The insurance company was in compliance with the regulatory solvency requirements.

The Parent company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

During 2017, the Parent company's strategy, which was unchanged from 2016, was to maintain the gearing ratio at an acceptable level. The gearing ratio at 31 December 2017 and 2016 for the Parent Company was 36.01% and 36.63% respectively.

	2017 (RO'000)	2016 (RO'000)
Total borrowings	**139,300**	138,900
Less: bank balances and cash	**(878)**	(1,564)
Net debt	**138,422**	137,336
Total equity	**246,001**	237,603
Total capital	**384,423**	374,939
Gearing ratio	**36.01%**	36.63%

43. INSURANCE RISK MANAGEMENT POLICIES

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. In addition the Group has entered into reinsurance contracts in order to mitigate the impact that large individual claims may have on its net results.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Short-duration life insurance contracts

(a) Frequency and severity of claims

These contracts are mainly issued to:

– Employers, providing cover against death, disability or (in the case of group medical policies) health of their employees.

– Financial institutions, providing cover against death of their borrowers.

In the case of group life contracts issued to employers, the risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

For short term group life and group credit life contracts the Group guarantees the premium rate for a period of one year and has a right to change these rates thereafter. In such contracts it therefore minimizes its exposure to mortality risk.

Insurance risk under disability contracts is also dependent on economic conditions in the industry. Historical data indicates that recession and unemployment in an industry will increase the number of claims for disability benefits as well as reducing the rate of recovery from disability.

The Group attempts to manage this risk through its underwriting, claims handling and reinsurance policy.

The Group also mitigates the risk by entering into reinsurance contracts under which the Group cedes risks such as death, accidental death benefit and permanent total disability above RO 10,000.

43. INSURANCE RISK MANAGEMENT POLICIES (continued)

Short-duration life insurance contracts (continued)

For its group medical business the risk is mitigated by entering into reinsurance contracts under which the Group reinsurers 50% of its medical portfolio on quota share treaty.

(b) Sources of uncertainty in the estimation of future claim payments
Other than for the testing of the adequacy of the liability representing the unexpired risk at the reporting date, there is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration.

(c) Process used to decide on assumptions
Assumptions are generally reviewed once a year at the time of the actuarial valuation. Estimates of expenses are based on an expense study done for the year 2017.

Claims development

Group maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claims payments are normally resolved within one year.

Reinsurance risk

Consistent with other insurance companies, in order to minimize financial exposure arising from large claims, the Group, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimize its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers. The Group only deals with reinsurers as mandated under the board approved Reinsurance Management strategy manual.

The Group places business only with reinsurers having a minimum rating of “BBB” from Standard & Poor’s or “B+” from A. M. Best except regional reinsurers.

Financial risk in insurance subsidiary

The Group is exposed to a range of financial risks through its financial assets, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, equity price risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

43. INSURANCE RISK MANAGEMENT POLICIES (continued)

Financial risk in insurance subsidiary (continued)

The Group manages these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. The framework essentially consists of an investment strategy which provides for investment of funds representing a particular category of insurance liabilities in line with the nature of those liabilities.

The Group periodically produces reports showing the extent of compliance with the investment strategy which is reviewed by management and corrective action taken where necessary to rebalance the portfolio.

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates.

Parent Company

The fair values of on balance sheet financial instruments, except for investments in subsidiaries and associates, are not significantly different from the carrying values included in the financial statements. The fair value of investments in associates based on the closing bid prices on the Muscat Securities Market at the reporting date is set out below:

	Carrying value (RO'000)	Fair value (RO'000)	Difference (RO'000)
Investments in associates (note 8(d))			
2017	**26,158**	**21,161**	**4,997**
2016	38,685	28,677	10,008

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Transfers between levels

During the reporting period ended 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 December 2017

Group	**Level 1 (RO'000)**	**Level 2 (RO'000)**	**Level 3 (RO'000)**	**Total (RO'000)**
Financial assets at fair value through profit or loss	**5,951**	**-**	**6,139**	**12,090**
Financial assets at fair value through other comprehensive income	**80,077**	**-**	**16,821**	**96,898**
Derivative financial instruments				
Purchase contracts	**-**	**321**	**-**	**321**
Sale contracts	**-**	**(290)**	**-**	**(290)**
Parent Company				
Financial assets at fair value through profit or loss	**674**	**-**	**303**	**977**
Financial assets at fair value through other comprehensive income	**-**	**-**	**18,699**	**18,699**

As at 31 December 2016

Group	Level 1 (RO'000)	Level 2 (RO'000)	Level 3 (RO'000)	Total (RO'000)
Financial assets at fair value through profit or loss	18,999	-	1	19,000
Financial assets at fair value through other comprehensive income	81,645	376	2,848	84,869
Derivative financial instruments				
Purchase contracts	-	166	-	166
Sale contracts	-	(143)	-	(143)
Parent Company				
Financial assets at fair value through profit or loss	9,161	-	-	9,161
Financial assets at fair value through other comprehensive income	-	-	1,919	1,919

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Level 1 financial instruments above are valued using quoted bid prices in an active market.

Level 2 above includes financial instruments which are valued using discounted cash flows method. Cash flows are discounted at a rate that reflects risk profile of the counter parties.

Level 3 above includes financial instruments carried at cost or breakup values.

45. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the number of shares outstanding during the year.

	Group		Parent Company	
	2017	2016	**2017**	2016
Profit for the year attributable to shareholders of the parent company (RO'000)	**20,539**	23,875	**27,683**	24,796
Weighted average number of shares outstanding during the year	**676,923,674**	699,369,981	**699,369,981**	699,369,981
Basic earnings per share (RO)	**0.030**	0.034	**0.040**	0.035

During the year, the Parent Company issued stock dividend of shares 63,579,089 (2016 – 82,929,250) without consideration. According to IAS 33 - Earnings per share, the weighted average number of ordinary shares outstanding during the period and for all periods presented shall be adjusted. In the present financial statement, the issue has been treated as if it had occurred at the beginning of 2016 and the basic earnings per share was recalculated accordingly. As there was no dilutive potential shares, the diluted earnings per share is identical to the basic earnings per share.

46. NET ASSETS PER SHARE

The calculation of net assets per share is as follows:

	Group		Parent Company	
	2017	2016	**2017**	2016
Equity attributable to shareholders of the parent company (RO'000)	**164,020**	241,135	**246,001**	237,603
Number of shares outstanding at the end of the year	**531,521,186**	635,790,892	**699,369,981**	635,790,892
Net assets per share (RO)	**0.309**	0.379	**0.352**	0.374

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