PROSPECTUS

OMINVEST

Oman International Development & Investment Company S.A.O.G.

Stable Growth. Shared Future.

Investing in a Shared Future

Private Placement of up to RO 75,000,000 Unsecured Perpetual Subordinated Bonds with an Issue Price of RO 1 per Bond

Issue Opens: 09 May 2018 Issue Closes: 29 May 2018

Issue Manager: NBO

Financial Advisor & Lead Arranger: Ubhar Capital

Collecting Bank: NBO

Registrar & Paying Agent | Bondholders Agent: Muscat Clearing & Depository (S.A.O.C)

Legal Advisors: trowers & hamlins

Auditors to the Issuer: EY

His Majesty Sultan Qaboos bin Said

SUBSCRIPTION PERIOD:

SUBSCRIPTION OFFER OPENS: 9 May 2018

SUBSCRIPTION OFFER CLOSES: 29 May 2018

OMINVEST

P.O. Box 3886

Postal Code 112

Ruwi

Sultanate of Oman

Oman International Development & Investment Company S.A.O.G.

(incorporated under the laws of the Sultanate of Oman as a public joint stock companies with commercial registration number 1173774)

Prospectus for Private Placement of up to RO 75,000,000 Unsecured Perpetual Subordinated Bonds

Issue Price: 100% at RO 1 per Bond

The up to RO 75,000,000 unsecured perpetual subordinated bonds (the ***Bonds***) will be issued by Oman International Development & Investment Company S.A.O.G. (the ***Issuer***) on 6 June 2018 (the ***Issue Date***).

The Bonds will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 6 June 2023 (the **First Call Date**) at a rate of 7.75% per annum, payable (subject to deferral as described below) semi-annually in arrears on 6 June and 6 December in each year (each an **Interest Payment Date**), commencing with the Interest Payment Date falling on 6

December 2018. Thereafter, unless previously redeemed, the Bonds will bear interest from (and including) the First Call Date at the relevant Reset Interest Rate (as defined in the "*Terms and Conditions of the Bonds*" (the **Conditions**)) for the relevant Reset Period (as defined in the Conditions), payable semi-annually in arrears on each Interest Payment Date, all as more particularly described in "*Condition 4 (Interest)*".

The Issuer may, at its discretion, elect to defer all or part of any payment of interest on the Bonds as more particularly described in "*Condition 5 (Optional Interest Deferral*)", except that the Issuer will have no right to defer any part of any interest on the Bonds which is scheduled to be paid on any Mandatory Settlement Date (as defined in the Conditions). Any interest not paid due to such an election of the Issuer shall constitute Optionally Deferred Payments (as defined in the Conditions). Optionally Deferred Payments shall themselves bear interest as if they constituted the principal of the Bonds at the Prevailing Interest Rate (as defined in the Conditions) and the amount of such interest (the ***Additional Interest Amount***) shall be calculated by applying the Prevailing Interest Rate to the amount of the Optionally Deferred Payments. The nominal amount of any Optionally Deferred Payments together with any Additional Interest Amount shall constitute Optionally Outstanding Payments (as defined in the Conditions). The Issuer may pay Optionally Outstanding Payments, in whole or in part, at any time in accordance with the Conditions. Notwithstanding the foregoing, any outstanding Optionally Outstanding Payments shall become due and payable (in whole but not in part) and shall be paid by the Issuer on any Mandatory Settlement Date, all as more particularly described in "*Condition 5(b) (Payment of Optionally Outstanding Payments*".

The Bonds will be perpetual in respect of which there is no fixed or final redemption date and no step-up features or other incentives for the Issuer to redeem the Bonds, but shall be redeemable (at the option of the Issuer) in whole but not in part, or the terms thereof may be varied by the Issuer only in accordance with the provisions set out in "*Condition* 7 *(Variation)*" on the First Call Date or any Call Date thereafter (as defined in the Conditions), at the principal amount of the Bonds, together with any accrued and unpaid interest up to (but excluding) the redemption date and any Optionally Outstanding Payments in respect of the Bonds. In addition, upon the occurrence at any time of an Accounting Event, Gross Up Event or a Tax Event (each term as defined in the Conditions), the Bonds shall be redeemable (at the option of the Issuer) in whole but not in part at the prices set out, and as more particularly described, in "*Conditions 6(c) (Redemption for Certain Taxation Reasons) and 6(d) (Redemption for Accounting Reasons)*". The Bonds are not redeemable at the option of the Bondholders (as defined in the Conditions) at any time.

The Issuer may, upon the occurrence of an Accounting Event, a Gross Up Event or a Tax Event (each a ***Variation Event***) at any time, without the consent of the Bondholders vary the terms of the Bonds with the effect that they remain or become, as the case may be, Qualifying Bonds (as defined in the Conditions), in each case in accordance with "*Condition 7 (Variation)*" thereof and subject to the receipt by the Bondholders Agent of the certificate of the directors of the Issuer referred to in "*Condition 8 (Preconditions to Variation Event Redemption)*" thereof.

The Bonds will be direct, unsecured securities of the Issuer and will constitute subordinated obligations of the Issuer, all as more particularly described in "*Condition 2 (Status)*" and "*Condition 3 (Subordination)*".

All payments in respect of the Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (***Taxes***) imposed or levied by or on behalf of the Sultanate of Oman, or any political subdivision of, or any authority in, or of, Oman having power to tax, unless such withholding or deduction is required by law. In that event, Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Bondholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds in the absence of the withholding or deduction, as more fully described in "*Condition 12 (Taxation)*".

Application will be made to the Muscat Securities Market (***MSM***) for listing and trading of the Bonds on the Bonds and Sukuk market of the MSM.

The Bonds will be issued in dematerialised form in fixed denominations of RO 1 each and integral multiples of RO 1 in excess thereof. No Bond will be issued with a denomination other than RO1. The Minimum Subscription Amount (as defined under "*Subscription and Sale—Minimum Subscription Amount*") for each Subscriber (as defined under "*Subscription and Sale—Subscription Process*") shall be RO 100,000, as more particularly described in *"Subscription Conditions and Procedures"*. Each Bondholder will be recorded in book-entry form in the register of Bondholders (the ***Register***). The Register will be maintained by the Registrar at its specified office (as set out in *Condition 18 (Agents)*). Title to the Bonds will pass only by registration in the Register.

The Issuer has been assigned initial corporate ratings of **'BBB'** Long-Term and **'A3'** Short-Term with a "**stable**" outlook by the Capital Intelligence Ratings Ltd (the ***CI***) on 5 October 2017. CI is a privately owned, independent, international credit rating agency that has been providing credit risk analysis and independent rating opinions since 1982. CI is registered as a credit rating agency in the European Union in accordance with Regulation (EC) No 1060/2009 (as amended) (the ***CRA Regulation***). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in the Bonds involves a high degree of risk. Prospective Subscribers (as defined below) should have regard to the factors described under the section headed "*Risk Factors*" in this Prospectus.

Issue Manager
National Bank of Oman S.A.O.G.

Financial Advisor & Lead Arranger
Ubhar Capital S.A.O.C.

Collecting Bank
National Bank of Oman S.A.O.G.

Registrar & Paying Agent
Muscat Clearing and Depository Co. S.A.O.C.

Bondholders Agent
Muscat Clearing and Depository Co. S.A.O.C.

Legal Advisor
Trowers & Hamlins, Sultanate of Oman

Auditors to the Issuer
Ernst & Young LLC, Sultanate of Oman

IMPORTANT NOTICE TO SUBSCRIBERS

The aim of this Prospectus is to present material information that may assist Subscribers to make an appropriate decision as to whether or not to invest in the Bonds.

This Prospectus includes all material information and data and does not contain any misleading information or omit any material information that would have a positive or negative impact on the decision of whether or not to invest in the Bonds.

The Issuer is responsible for the integrity and adequacy of the information contained and confirms that, to its knowledge, appropriate due diligence has been conducted in connection with the preparation of this Prospectus and further confirms that no material information has been omitted, the omission of which would render this Prospectus misleading.

All Subscribers should examine and carefully review this Prospectus in order to decide whether it would be appropriate to invest in the Bonds by taking into consideration all the information contained in this Prospectus. Subscribers should not consider this Prospectus a recommendation by the Issuer to buy the Bonds. Every Subscriber is responsible for obtaining its, his or her own independent professional advice on the investment in the Bonds and for conducting an independent evaluation of the information and assumptions contained herein using appropriate analysis or projections.

No person has been authorised to make any statements or provide information in relation to the Issuer or the Bonds other than the persons whose names are indicated in this Prospectus. Where any person makes any statement or provides information it should not be taken as authorised by the Issuer, the Issue Manager, the Financial Advisor & Lead Arranger, the Collecting Bank, the Bondholders Agent, the Paying Agent or the Registrar (each as defined herein).

This is the unofficial English version of the prospectus (the ***Prospectus***). The official Arabic version of the Prospectus has been approved by the Capital Market Authority of the Sultanate of Oman (the ***CMA***) according to Administrative Order No. Kh / 40 / 2018 dated 08 May 2018. In the event of any conflict between this unofficial English version of the Prospectus and the official Arabic version, the official Arabic version of the Prospectus will prevail.

The CMA assumes no responsibility for the accuracy and adequacy of the statements and information contained herein and shall not assume any liability for any damage or loss caused due to reliance or use of such information by any person

Neither the admission of the Bonds to listing and trading on the MSM nor the approval of this Prospectus pursuant to the listing requirements of the MSM shall constitute a warranty or representation by the MSM or the CMA as to the competence of the service providers to, or any other party connected with, the Issuer, the adequacy and accuracy of information contained in this Prospectus or the suitability of the Issuer for investment or for any other purpose.

The Bonds may not be a suitable investment for all Subscribers. Each potential Subscriber in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential Subscriber should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

(d) understand thoroughly the terms of the Bonds and be familiar with the behaviour of the relevant financial markets and of any financial variable which might have an impact on the return on the Bonds; and

(e) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments and such instruments may be purchased by potential Subscribers as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential Subscriber should not invest in the Bonds unless it has the expertise (either alone or with a financial advisor) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential Subscriber's overall investment portfolio.

Prospective Subscribers should also consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Bonds.

The investment activities of certain Subscribers are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential Subscriber should consult its legal advisors to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Bonds may be restricted by law in certain jurisdictions. None of the Issuer, the Issue Manager, the Financial Advisor & Lead Arranger or the Collecting Bank, represent that this Prospectus may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Issue Manager, the Financial Advisor & Lead Arranger or the Collecting Bank which is intended to permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Bonds may come must inform themselves about, and observe any such restrictions on the distribution of this Prospectus and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Bonds in the United States and the United Kingdom (see "*Subscription and Sale*").

Presentation of information

Presentation of financial information

The financial information included in this Prospectus is derived from the audited consolidated financial statements of the Group Companies (as defined in the Conditions) as of and for the financial year ended 31 December 2017 (the ***2017 Consolidated Audited Financial Statements***), 31 December 2016 (the ***2016 Consolidated Audited Financial Statements***) and 31 December 2015 (the ***2015 Consolidated Audited Financial Statements***) (together, the ***Audited Annual Financial Statements***). The Issuer's financial year ends on 31 December and references in this Prospectus to a "financial year" are to the 12-month period ended on 31 December of the year referred to.

The Audited Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (the IASB) and the Commercial Companies Law. The 2017 Consolidated Audited Financial Statements and the 2016 Consolidated Audited Financial Statements have been audited in accordance with International Standards on Auditing by Ernst & Young LLC, Sultanate of Oman (EY) and 2015 Consolidated Audited Financial Statements have been audited in accordance with International Accounting Standards by Deloitte & Touche (M.E.) & Co. LLC, Muscat, Sultanate of Oman (Deloitte) (see "*General Information - Auditors*"), in each case independent auditors, as stated in their reports appearing herein. The Issuer publishes its financial statements in Omani Rial.

Currency

Unless otherwise specified or the context requires, references to "OMR", "RO", "Omani Rials" or "baisa", are to the lawful currency of Oman. One Omani Rial equals 1000 baisa. Unless otherwise stated, the financial information contained in this Prospectus has been expressed in RO.

Supplementary prospectus

If at any time the Issuer shall be required to prepare a supplementary listing document in connection with the application for listing on the MSM, the Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus which shall constitute a supplementary listing document as required by the listing rules of the MSM.

Forward-looking statements

Certain statements contained in this prospectus are forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "intends", "may", "will" or "should" or in each case, their negative, or other variations or comparable terminology. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements expressed or implied by such forward looking statements. Such risks, uncertainties and other factors include, among other things, general economic and business conditions, industry trends, competition, changes in government regulation, currency fluctuations, the Issuer's ability to achieve cost reductions and efficiency measures, changes in business strategy or development, political and economic uncertainty and other risks described in "Risk Factors". There can be no assurance that the results and events contemplated by the forward-looking statements contained in this Prospectus will, in fact, occur.

These forward-looking statements speak only as at the date of this Prospectus. The Issuer will not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Prospectus, except as required by law or by any appropriate regulatory authority in Oman.

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DEFINITIONS, ABBREVIATIONS AND INTERPRETATION

Unless the context otherwise requires, the following terms (as amended from time to time) shall have the following meanings in the Conditions and shall be deemed to be incorporated in, and to form part of, the Conditions at all times:

Accounting Event means if a recognised accountancy firm, acting upon instructions of the Issuer, has delivered a letter or report addressed to the Issuer, stating that as a result of a change in accounting principles (or the application thereof) since the Issue Date the funds raised by the Issuer in respect of the Bonds may not or may no longer be recorded as "equity" in the Consolidated Financial Statements pursuant to IFRS or any other accounting standards that may replace IFRS for the purposes of preparing the annual Consolidated Financial Statements;

Additional Amounts has the meaning given to it in Condition 12 (*Taxation*);

Additional Interest Amount has the meaning given to it in Condition 5(a) (*Interest Deferral*);

Agency Agreement has the meaning given to it in the preamble to the Conditions;

Agents means the Bondholders Agent, the Paying Agent and the Registrar or any of them;

Applicable Accounting Standards means IFRS or any other accounting standards that may replace IFRS in Oman;

Articles of Association means the articles of association of the Issuer, as may be amended from time to time in accordance with the provisions as contained therein;

Board of Directors has the meaning given to it in the preamble to the Conditions;

Bondholder has the meaning given to it in Condition 1(b) *(Title)*

Bondholders Agent has the meaning given to it in the preamble to the Conditions;

Bonds has the meaning given to it in the preamble to the Conditions;

Business Day means a day, other than a Friday, Saturday or public holiday, on which commercial banks and foreign exchange markets and the Registrar are open for general business in Muscat, Oman;

Call Date has the meaning given to it in Condition 6(b) (*Issuer's Call Option*);

Capital Market Law means the Capital Market Law promulgated by Royal Decree 80/98, as amended;

CMA means the Capital Market Authority of Oman;

Compulsory Payment Event means the occurrence of any of the following events:

(a) the declaration or payment of any distribution or dividend or making any other payment on, and/or procuring that a distribution or dividend or other payment is made on, the Junior Securities; or

(b) paying interest, profit or any other distribution on any Junior Securities or Parity Securities (excluding securities the terms of which do not at the relevant time enable the Issuer to defer or otherwise not to make such payment); or

(c) directly or indirectly redeeming, purchasing, cancelling, reducing, converting or otherwise acquiring any Junior Securities or Parity Securities (excluding securities the terms of which obliges the Issuer to make such payment, such redemption, such repurchase or such acquisition or such conversion into equity);

Conditions means the terms and conditions of the Bonds (as amended from time to time);

Consolidated Financial Statements means the most recently published:

(a) audited annual consolidated financial statements of the Issuer, as approved by the annual general meeting of its shareholders and audited by an independent auditor; or, as the case may be,

(b) unaudited (but subject to a "review" from an independent auditor) condensed consolidated half-year financial statements of the Issuer, as approved by its Board of Directors,

in each case prepared in accordance with Applicable Accounting Standards;

Determination Date means, in respect of a Reset Period, the third Business Day prior to the commencement of such Reset Period;

Dispute has the meaning given to it in Condition 19(b) *(Arbitration)*;

Distributable Items means the Issuer's accumulated and retained earnings (to the extent not previously distributed or capitalised) less accumulated losses, as set out in the most recent audited or auditor reviewed (as the case may be) Consolidated Financial Statements;

EGM has the meaning given to it in the preamble to the Conditions;

Enforcement Event has the meaning given to it in Condition 11 *(Enforcement Event)*;

Executive Regulation means the Executive Regulation of the Capital Market Law (issued via CMA Decision 1/2009);

Extraordinary Resolution means a resolution passed at a meeting duly convened and held in accordance with the Conditions by a majority of not less than two thirds of the Voters voting thereon upon a show of hands, or if a poll is duly demanded, by a majority consisting of not less than two thirds of the votes cast on such poll;

First Call Date has the meaning given to it in Condition 6(b) (*Issuer's Call Option*);

GDB means the Sultanate of Oman Government Development Bonds issued by the Central Bank of Oman;

Gross Up Event means if by reason of a change in law or any change in the application or interpretation of such law, the Issuer would, on the occasion of payment of principal or interest in respect of the Bonds offered under the Prospectus, not be able to make such payment without having to pay any Additional Amounts, and such occurrence cannot be avoided by the Issuer taking reasonable measures available to it;

Group Companies means the Subsidiaries of the Issuer and ***Group Company*** means any of them;

IFRS means the International Financial Reporting Standards as adopted in Oman as amended from time to time;

Initial Interest Rate has the meaning given to it in Condition 4(a) (*Interest Payments*);

Initial Period has the meaning given to it in Condition 4(a) (*Interest Payments*);

Interest Payment Date means the semi-annual payment dates falling on 6 June and 6 December in each year, commencing on (and including) 6 December 2018;

Issue Date 6 June 2018;

Issuer has the meaning given to it in the preamble to the Conditions;

Junior Securities means the Ordinary Shares of the Issuer and any other obligations of the Issuer which rank or are expressed to rank *pari passu* with the Ordinary Shares of the Issuer;

LCIA means the London Court of International Arbitration;

Mandatory Settlement Date means the earlier of:

(a) the date falling ten (10) Business Days after the date on which a Compulsory Payment Event has occurred;

(b) the next Interest Payment Date on which the Issuer elects to pay the relevant interest payment;

(c) the date on which the Bonds fall due for redemption in connection with the exercise by the Issuer of its redemption option; and

(d) the date on which an Enforcement Event occurs;

MSM means the Muscat Securities Market;

Oman means the Sultanate of Oman;

OMR, RO, Omani Rials or ***baisa*** means the lawful currency of Oman from time to time (one Omani Rial equals 1000 baisa);

Optionally Deferred Payments has the meaning given to it in Condition 5(a) (*Interest Deferral*);

Optionally Outstanding Payments has the meaning given to it in Condition 5(a) (*Interest Deferral*);

Ordinary Shares means fully paid ordinary shares in the capital of the Issuer;

Parity Securities means any securities or other instruments either (i) issued directly by the Issuer, which rank, or are expressed to rank, *pari passu* with the Issuer's obligations under the Bonds or (ii) issued by any Subsidiary of the Issuer (or through a special purpose onshore or offshore entity) and where the terms of such securities or other instruments benefit from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, *pari passu* with the Issuer's obligations under the Bonds;

Paying Agency Agreement has the meaning given to it in the preamble to the Conditions;

Paying Agent has the meaning given to it in the preamble to the Conditions;

Prevailing Interest Rate means the rate of interest payable on the Bonds applicable from time to time and as described in Condition 4(b) *(Interest Rate)*;

Proceedings has the meaning given to it in Condition 19(d) (*Submission to Jurisdiction*);

Prospectus means the unofficial English version and the official Arabic version of the prospectus;

Qualifying Bonds has the meaning given to it in Condition 7 (*Variation*);

Record Date has the meaning given to it in Condition 10(a) (*Method of Payment*);

Register has the meaning given to it in Condition 1(a) (*Form and Denominations*);

Registrar has the meaning given to it in the preamble to the Conditions;

Registrar Agreement has the meaning given to it in the preamble to the Conditions;

Relevant Date means:

(a) in respect of any payment other than a sum to be paid by the Issuer in a dissolution or liquidation of the Issuer, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Paying Agent or the Bondholders Agent on or prior to such date, the Relevant Date means the earlier of (a) the date on which payment in full of the amount outstanding is made and (b) the date seven (7) calendar days after notice shall have been given to the Bondholders in accordance with Condition 16 (*Notices*) that all such moneys have been so received up to that seventh day, and

(b) in respect of a sum to be paid by the Issuer in a dissolution or liquidation of the Issuer, the date which is one day prior to the date on which an order is made or a resolution is passed for the dissolution or, in the case of a liquidation, one day prior to the date on which any dividend is distributed;

Relevant Initial Margin means the amount shown in the following table against the tenor that is equal to the Reset Reference Tenor:

Tenor	**Margin (%)**
Six (6) years	2.68%
Seven (7) years	2.84%
Ten (10) years	2.09%

Reserved Matters means any proposal to:

(a) change the provisions regarding subordination in Condition 3 (*Subordination*) and the Agency Agreement; or

(b) change the circumstances in which the Issuer is entitled to redeem the Bonds or to reduce the amount payable on redemption of the Bonds; or

(c) change any date fixed for payment of principal or interest in respect of the Bonds; or

(d) reduce the amount of principal or interest payable on any date in respect of the Bonds; or

(e) change the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment; or

(f) change the currency of any payment under the Bonds; or

(g) change the governing law of the Bonds or the Agency Agreement or forum for resolving disputes in connection with the Bonds or the Agency Agreement; or

(h) change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution, as further specified in the Agency Agreement; or

(i) changing any of the Issuer's covenants set out in the Transaction Documents to which it is a party;

(j) change an Enforcement Event; or

(k) change this definition;

Reset Date means the First Call Date and every calendar anniversary thereafter;

Reset Interest Rate has the meaning given to it in Condition 4(b) (*Interest Rate*);

Reset Period means the period from the First Call Date to the following Reset Date, and each successive period thereafter from such Reset Date to the next succeeding Reset Date;

Reset Reference Bond means the most recent GDB issued through auction or any other Omani Rial sovereign debt issued through auction or otherwise, in the immediate twelve (12) months preceding each Reset Date;

Reset Reference Rate means the average yield at which allotment is made (in case of GDB) or the yield to maturity / first call, calculated at the announced issue price (in case of Omani Rial sovereign debt issue) for the Reset Reference Bond;

Reset Reference Tenor means the length of time in years, until the maturity date or First Call Date of the Reset Reference Bond;

Rules has the meaning given to it in Condition 19(b) (*Arbitration*);

Senior Creditors means all creditors of the Issuer other than creditors whose claims are in respect of the Bonds, Parity Securities or Junior Securities;

Subsidiary means:

(a) an entity of which a person has direct or indirect control or owns directly or indirectly more than 50% of the voting capital or similar right of ownership (and control for this purpose means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise); and

(b) in relation to the Issuer, an entity which fulfils the definition in paragraph (a) above and which is included in the Consolidated Financial Statements on a fully integrated basis, and

a person includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

Taxes has the meaning given to it in Condition 12 (*Taxation*);

Tax Event means on the occasion of the next payment due under the Bonds, the Issuer has or will become obliged to pay Additional Amounts, as a result of any change in, or amendment to or interpretation of, the laws, published practice or regulations of Oman or any change in the application or interpretation of such laws or regulations, and such requirement cannot be avoided by the Issuer taking reasonable measures available to it;

Transaction Account has the meaning given to it in the Paying Agency Agreement;

Transaction Documents means the Agency Agreement, the Paying Agency Agreement, and the Registrar Agreement, each as may be amended, restated and/or supplemented from time to time;

Variation Event has the meaning given to it in Condition 7 (*Variation)*; and

Voter means, in relation to any meeting in respect of the Bonds: (i) a proxy; or (ii) a Bondholder; provided, however, that any Bondholder which has appointed a proxy under a form of proxy shall not be a Voter except to the extent that such appointment has been revoked and the Bondholders Agent has been notified in writing of such revocation not later than forty eight (48) Hours before the time for which such meeting is convened.

Glossary of technical terms

The following technical terms and abbreviations when used in this Prospectus have the definitions ascribed to them below:

2017 Budget means the Oman's 2017 budget;

2018 Budget or the **Oman Budget 2018** means the Oman's 2018 budget;

AAIC means Al Ahlia Insurance Company S.A.O.G.;

Aflag Group means the Aflag group of companies led by Sheikh Khalid Abdullah Al Khalili;

Al Hilal Investment means Al Hilal Investment Co. LLC, a wholly owned subsidiary of Zubair Corporation;

A.M. Best means A.M. Best Rating Services, Inc.;

AOFS means Al Omaniya Financial Services S.O.A.G.;

Application Form means the application form to be completed and submitted by subscribers to subscribe for the Bonds;

Assarain Group means the Assarain group of companies;

Articles or the **Articles of Associations** means the Articles of Association of the Issuer, as may be amended from time to time in accordance with the provisions as contained therein;

Associates has the meaning given to it in the "Summary of Significant Accounting Policies" section in the most recent Audited Annual Financial Statements;

Audited Annual Financial Statements means collectively the 2017 Consolidated Audited Financial Statements, the 2016 Consolidated Audited Financial Statements and the 2015 Consolidated Audited Financial Statements of the Issuer;

BBL / **bbl** means barrel;

Board / Board of Directors means Issuer’s Board of Directors elected in accordance with the Articles and **Director** means any of them**;**

CAR means capital adequacy ratio;

CAGR means compound annual growth rate;

CBO means the Central Bank of Oman;

CEO means the Chief Executive Officer;

CFA means Chartered Financial Analyst;

CI means the Capital Intelligence Ratings Ltd;

Code means the Commercial Companies Law No. 4/1974, CMA's Code of Corporate Governance for Public Listed Companies;

Collecting Bank means the National Bank of Oman S.A.O.G.;

Commercial Companies Law or **CCL** means the Commercial Companies Law of Oman (promulgated by Royal Decree 4/74), as amended;

Cost to Income Ratio has the meaning given to such term in the Audited Annual Financial Statements;

CPA means Certified Public Accountant;

CPI means the Consumer Price Index;

CSEPF means the Civil Services Employees' Pension Fund;

Debt / Equity ratio has the meaning given to such term in the Audited Annual Financial Statements;

Executive Regulation means the Executive Regulation of the Capital Market Law (issued via CMA Decision 1/2009);

Financial Advisor and Lead Arranger means Ubhar Capital S.A.O.C.;

Financial Year means the financial year of the Issuer commencing from 1 January and ending on 31 December;

FY means financial year;

GAIL means Gulf Acrylic Industries LLC;

GCC are to the Gulf Cooperation Council, which comprises of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates;

GDP means the Gross Domestic Product;

government means the Government of the Sultanate of Oman;

IFRS has the meaning given to such term in the Conditions;

IGI means International General Insurance Holding Limited;

IMF means the International Monetary Fund;

IMG means OAB's - Investment Management Group;

IPO means initial public offering;

ITC means integrated tourism complex;

Kuwait means the State of Kuwait;

MCD means the Muscat Clearing and Depository Company S.A.O.C.;

MCI means the Ministry of Commerce and Industry in Oman;

MENA means Middle East and North Africa;

MSM means the Muscat Securities Market;

Mohsin Haider Darwish Group means the Mohsin Haider Darwish group of companies established by the late Mohsin Haider Darwish;

MSM LLC means Modern Steel Mill LLC;

NBFC means non-banking finance company;

NCSI means the National Centre for Statistics and Information;

Net Loans & Advances has the meaning has the meaning given to such term in the Audited Annual Financial Statements;

NFC means National Finance Company S.A.O.G.;

NFH means National Finance House BSC;

NLGIC means National Life & General Insurance S.A.O.G.;

NREC means Nomination, Remuneration and Executive Committee;

OAB means Oman Arab Bank S.A.O.C.;

OIF means Oman Investment Fund;

Oman means the Sultanate of Oman;

ONIC means Oman National Investment Corporation S.A.O.C.;

ONICH means Oman National Investment Corporation Holding S.A.O.G.

OOLC means Oman National Investment Corporation Holding S.A.O.G.;

ORIS means Oman Real Estate Investment and Services S.A.O.C.;

Parent Company means the Issuer, on a standalone basis;

PAT means profit after tax;

Private Placement has the meaning given to it in "*Subscription and Sale*";

RSA Group means the group of companies under RSA Group Plc, a multinational general insurance company headquartered in London;

Saudi Arabia means the Kingdom of Saudi Arabia;

Saudi Riyal is the lawful currency of the Kingdom of Saudi Arabia;

SME means small and medium enterprises;

SPIL means Shamal Plastic Industries LLC;

Subscriber means a person who has submitted his/her undertaking and application for subscribing to the Bonds;

Subsidiaries has the meaning given to it in the "Summary of Significant Accounting Policies" section in the most recent Audited Annual Financial Statements;

Tax Law means the Oman Income Tax Law (promulgated by Royal Decree 28/2009) as amended by Royal Decree 9/2017 issued on 19 February 2017 and published in the Official Gazette on 26 February 2017;

TOI means Takaful Oman Insurance S.A.O.G.;

U Capital means Ubhar Capital S.A.O.C.;

UAE means United Arab Emirates;

U.S.$ or **U.S. dollar** is the lawful currency of the United States of America;

USA means the United States of America;

Yemen means the Republic of Yemen;

y-o-y means year on year; and

Zubair Corporation means the Zubair Corporation LLC.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Omani Rial has been pegged to the U.S. dollar since 1973. Between 1973 and 1986 the fixed rate was RO 1.0000 = U.S.$ 2.895 and since 1986 the fixed rate is RO 1.0000 = U.S.$ 2.6008. All U.S. dollar translations of Omani Rial amounts appearing in this Prospectus have been translated at this fixed exchange rate. Such translations should not be construed as representations that Omani Rials amounts have been or could be converted into U.S. dollars at this or any other rate of exchange.

Certain financial and statistical amounts included in this Prospectus are approximations or have been subject to rounding adjustments. Accordingly, amounts shown as derivations or totals in certain tables may not be exact arithmetic derivations or aggregations of the amounts that precede them.

Certain publicly available information

Certain statistical data and other information appearing in this Prospectus, have been extracted from sources identified in this Prospectus such as the Oman NCSI, the CBO Annual Report 2016 and the Oman Budget 2018. None of the Issue Manager, the Financial Advisor & Lead Arranger, the Collecting Bank or the Legal Advisor accepts responsibility for the factual correctness of any such statistics or information but the Issuer accepts responsibility for accurately extracting and transcribing such statistics and information and believe, after due inquiry, that such statistics and information represent the most current publicly available statistics and information from such sources at the dates and for the periods with respect to which they have been presented. The Issuer confirms that all such third party information has been accurately reproduced and, so far as the Issuer is aware and have been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Investor identification and anti-money laundering

The Issuer, the Issue Manager, the Financial Advisor & Lead Arranger, the Collecting Bank, the Bondholders' Agent, the Paying Agent and the Registrar each reserve the absolute right to require such information for the verification of the identity of each potential Subscriber or that of the person or entity on whose behalf the potential Bondholder is applying for the purchase of Bonds. Each potential Bondholder will provide evidence in form and substance satisfactory to the Issuer, the Issue Manager, the Financial Advisor & Lead Arranger, the Collecting Bank, the Bondholders' Agent, the Paying Agent and the Registrar of its identity and, if so required, the source of its funds within a reasonable time period as determined by the Issuer, the Issue Manager, the Financial Advisor & Lead Arranger, the Collecting Bank, the Bondholders' Agent, the Paying Agent and the Registrar. Pending the provision of such evidence, an application to subscribe for Bonds will be postponed. If a potential Bondholder fails to provide satisfactory evidence within the time specified, or if a potential Bondholder provides evidence but the Issuer, the Issue Manager, the Financial

Advisor & Lead Arranger, the Collecting Bank, the Bondholders' Agent, the Paying Agent or the Registrar is/are not satisfied therewith, the application may be rejected immediately in which event any monies received by way of application will be returned to the applicant by inter-bank transfer to the account from which the monies originated, without any addition thereto and at the risk and expense of the Subscriber.

If any person who is resident of Oman has a suspicion that a payment to the Issuer (by way of subscription or otherwise) contains the proceeds of criminal conduct, that person is required to report such suspicion pursuant to the Anti-Money Laundering Law of Oman promulgated by Royal Decree 79/2010, as amended from time to time.

Bondholders will be expected to comply with the anti-money laundering regulations of their respective jurisdictions to the extent that they are applicable to their investment in the Bonds.

RISK FACTORS

An investment in the Bonds is subject to a number of risks. An investment in the Bonds is suitable only for sophisticated investors who have sufficient financial resources to sustain any losses from such investment and who are in a position to commit funds for a considerable period of time. Before making any investment decision with respect to the Bonds, prospective Subscribers should consider carefully the risks associated with any investment in the Bonds, the Issuer, Issuer's business and markets in which it operates, together with all of the information that is included in this Prospectus (including the information contained or incorporated by reference into this Prospectus) and should form their own view. In particular, prospective Subscribers should evaluate the risks referred to or described below, which may have a material adverse effect on Issuer's business, financial condition, results of operations or prospects which, in turn, could have a material adverse effect on the amount of principal and interest which Subscribers may receive in respect of the Bonds. Should any one or more of the following events or circumstances occur, the value of the Bonds could decline and a Subscriber might lose part or all of its investment.

Although the risks described below are those that the Issuer currently considers to be material, they are not the only ones the Issuer faces. Additional risks that are not presently known to the Issuer or that the Issuer currently deem immaterial may also materially and adversely affect the Issuer's business, financial condition, results of operations or prospects. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on Issuer's business, financial condition, results of operations, prospects or the trading price of the Bonds. Prospective Subscribers should carefully consider whether an investment in the Bonds is suitable for them in light of the information in this Prospectus and their personal circumstances.

Capitalised terms which are used but not defined in any particular section of this Prospectus will have the meaning attributed thereto in "Terms and Conditions of the Bonds" or any other section of this Prospectus, including the section entitled "Glossary of technical terms".

Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Bonds

(a) **Inability of the Issuer to raise capital at low cost**

At the Issuer level, amongst other sources, significant funding is provided via equity and bank borrowings. These funds are then utilized for investments. Currently the Issuer enjoys low cost of funds but going forward there is a possibility that due to regional marco-economic imbalances such as rising federal interest rates, continued weakness in oil prices, widening fiscal deficit, sovereign rating downgrade amongst others may negatively impact interest rates in Oman which will impact the ability of the Issuer to raise low cost funds. This will affect the returns expected from Issuer's investments and the ability to make new investments.

(b) **Liquidity risk**

The Issuer holds investment securities listed on the securities markets and other quoted investments which are generally liquid in nature and can be sold in response to need for liquidity. As at 31 December 2017, 92% for the Issuer's investment in securities are quoted. Inability of the Issuer to sell a quoted financial asset within a reasonable time at its fair value may result in liquidity crisis and the Issuer may encounter short-term difficulty in raising funds to meet commitments.

(c) **Risk of dependence on key personnel**

The Issuer's human resource policies are aimed at achieving high employee satisfaction. The success of the Issuer depends on the experience of its key personnel who have the ability to identify quality investment opportunities and hence it is imperative to continue to attract, retain and motivate such qualified and skilled personnel. The Issuer relies on its senior management for the implementation of its strategy and to manage its day-to-day operations. If the Issuer and its Group Companies were unable to retain key members of its senior management and / or hire new qualified personnel in a timely manner, it could have an adverse effect on the operations of the Issuer, its business and profits.

(d) **Dependence on dividends from Subsidiaries and Associates**

As the Issuer is an investment company, it relies on the following three sources of capital for carrying out its day to day activities: (a) dividends from Associates and Subsidiaries; (b) borrowings from banks or other sources; and (c) profits realised from sale of investments. Bondholders should be aware that cash generated from the operations at the Issuer level may be very volatile as it is highly correlated to the dividends received from the investee companies (comprising of both Subsidiaries and Associates). Any prolonged decline in the performance of the investee companies will negatively impact their dividend paying ability to the Issuer (parent company) which may have an impact on the liquidity position and ability to pay interest to its Bondholders.

(e) **Risk of value estimation of unquoted investment**

For unquoted investments, fair value is estimated using cash flow models or other valuation techniques. The Issuer estimates the fair values of such instruments on the basis of information made available by the individual Group Company's management at the reporting date. Whilst the Issuer's management and their external auditor have used their best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique – either the method of value estimation is inappropriate or the estimated variables (such as projections and discount rates) used in the model are very conservative or optimistic. The estimates involve matters of judgment and cannot be determined with precision and hence there is high certainty that value estimated may not be the correct fair value.

(f) **Risk of downgrade in credit ratings**

On 5 October 2017, the Issuer was rated '**BBB**' Long-Term and '**A3**' Short-Term by CI with a "**stable**" outlook. The ratings are supported by Issuer's moderate leverage and its low debt to equity ratio. With rising borrowing, there is a risk of downgrade in credit rating. Such downgrades may result in increased cost of borrowing or may limit the Issuer's ability to raise further capital at low costs which in turn could have a material adverse effect on its business, financial condition, results of operations or prospects. Any ratings of Issuer may not reflect the potential impact of all the risks related to the structure, market, additional factors discussed herein and other factors that may affect the value of the Bonds. Further, a credit rating is not a recommendation to buy, sell or hold the Bonds and may be revised or withdrawn by the rating agency at any time. Any change in the credit rating of the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for the Bonds and hence prospective Subscribers should not rely solely on the rating of the Issuer and should make an independent decision, based on their own analysis and experience, whether or not to invest in the Bonds.

(g) **Investment risk**

The Issuer is exploring opportunities to increase and diversify its investment portfolio within and outside Oman with the dual goal of growth in earnings as well as mitigating earnings volatility. The Issuer may pursue investment opportunities in countries in which it has no previous investment experience or in jurisdictions that are subject to greater social, economic and political risks. The Issuer may not be able to adequately assess the risks of investing in new jurisdictions resulting in material adverse effect on its business, financial condition and results of operations or prospects. Also, all of the Issuer's investments are subject to various risk factors including but not limited to market risk and credit risk.

(h) **Risk related to insurance Subsidiary**

The Issuer holds 73.45% stake in National Life & General Insurance Company S.A.O.G. (***NLGIC***) and is one of the key Group Companies. One of the key risks faced by NLGIC is the competition from local and international players operating in Oman and in other GCC markets where NLGIC operates as well as the level of economic activity and the resulting demand for insurance services. The insurance market is highly competitive with many insurance companies operating in fairly small markets which expose NLGIC to the risk that its revenues may not grow. Further, this could also lead to greater price competition between the insurance companies which could adversely impact the profitability of NLGIC. Insurance activity is subject to the risk of substantial claims following catastrophic events. Therefore, any such event could lead to significant losses for insurance companies which will impact their performance and result in significant losses. Also a fall in demand for insurance services due to economic downtrend or any other factor adversely affecting the economy could affect the performance of the NLGIC as well as that of the Issuer.

(i) **Risks related to banking Subsidiary**

The Issuer holds 50.99% stake in Oman Arab Bank S.A.O.C. (***OAB***) and is one of the main Group Companies as the Issuer receives significant dividends from it. Banks in general are faced with a number of risks arising from the nature of their business which includes credit risk (default by borrowers/ counter parties), interest rate risk (adverse movement in market rates), liquidity risk (inability to obtain required amount of funding at economical rates), currency risk (adverse movement in forex rates), price risk (adverse changes in market prices of securities/ investments/ assets), operations risk (risk of fraud, errors, improper documentation, etc.), technology risk (data loss, interruptions, obsolescence) and reputation risk (risk that litigation, misconduct, operational failures, negative publicity and press speculation) as well as pricing risk arising from intense competition from local as well as regional banks. Any of these risks along with intense competition could affect the bank causing it to incur financial loss and loss of business which will negatively impact the financial position, business and profitability of the Issuer.

(j) **Regulatory requirements**

Although the Issuer as well its Group Companies have a comprehensive compliance mechanism in place, they are still subject to a number of regulatory requirements and scrutiny (especially the banking and insurance Subsidiary), and any changes in the regulations such as the requirement for increased capital could impact their profitability. Further, non-compliance with regulations could lead to penal action from the regulators which could adversely affect the Issuer's business and profits. Such action could also impact the Issuer's market standing and reputation. Any adverse policy action or changes in regulations by the government or its agencies, could affect the Issuer's business, profitability and financial position.

(k) **Credit risk**

Credit risks arise principally from lending activities at the banking Subsidiary and the risk of financial loss from the failure of customers to honour fully the terms of their contract with the bank. In addition, there is also credit risk in off-balance sheet financial instruments, such as loan commitments and financial guarantees given by the banking Subsidiary. Although the banking Subsidiary attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties but still there is a risk of financial loss to the Issuer and hence impacting its ability to honour the obligation due to Bondholders.

(l) **No assurance that the growth or historical performance that the Issuer has experienced will continue**

There can be no assurance that the growth or historical performance that the Issuer has experienced will continue. In addition, if the performance of the Group Companies and associates remains unsatisfactory for a prolonged period it could lead to a significant decline in the dividend income for the Issuer and it may not be able to exit from its investments at profit. Investment underperformance may have a material adverse effect on the Issuer's growth prospects, results of operations and/or financial condition.

(m) **Corporate governance**

As an S.A.O.G., the Issuer is subject to significant corporate governance requirements. Any default in compliance could lead to regulatory action and / or penalties. Further, these requirements may require substantial time from the management out of the day-today business operations.

(n) **Reputational risk**

The Issuer's reputation is one of its most important assets. Damage to the Issuer's reputation due to any factor could have a material adverse effect on its business operations and/or financial condition.

(o) **No covenants**

The Bonds do not contain provisions designed to protect Bondholders from a reduction in the creditworthiness of the Issuer. In particular, the Conditions do not restrict the Issuer's ability to enter into a merger, asset sale or other significant transaction that could materially alter its existence, jurisdiction of organisation or regulatory regime and/or its composition and business. In the event the Issuer was to enter into such a transaction, the Bondholders could be materially and adversely affected.

Risk Factors relating to market in which the Issuer operates

(a) **Risks relating to investments in emerging markets**

Emerging markets (such as Oman) are subject to greater risks than more developed markets. These risks include, but are not limited to, higher volatility, limited liquidity and changes in the legal, economic and geo-political environment. Investments in emerging markets may be subject to less publicly available information, more volatile markets and less developed securities market regulation.

(b) **Macro-economic risk**

The global as well as Oman's economic performance has a direct impact on the Issuer and its Group Companies' performance. Any change in the economic environment such as prolonged weakness in oil prices, widening fiscal deficit, country rating downgrade and rising borrowing cost could have an impact on the Issuer's operations and performance.

(c) **Limited liquidity**

Although the Bonds will be listed on the Bonds and Sukuk Market of the MSM yet there is no assurance for the liquidity of investment or that it will continue for as long as the life of the Bonds. The Bonds generally may have limited secondary market liquidity and may be subject to greater price volatility as they are perpetual securities. Illiquidity may have an adverse effect on the market value of the Bonds. Accordingly, a holder of the Bonds may not be able to find a buyer to buy its Bonds readily or at prices that will enable the holder of the Bonds to realise a desired yield. The market value of the Bonds may fluctuate and lack of liquidity, in particular, can have a material adverse effect on the market value of the Bonds.

(d) **Oman's legal system continues to develop and this may create an uncertain environment for investment and business activity**

Oman is currently in the process of developing its legal and regulatory institutions into institutions that are characteristic of more developed markets. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. In some circumstances it may not be possible to obtain the legal remedies provided under the relevant laws and regulations in a timely manner. As the legal environment remains subject to continuous development, investors in Oman may face uncertainty as to the security of their investments. Any unexpected changes in the legal system in Oman may have a material adverse effect on the rights of holders of the Bonds or on Issuer's business, results of operations, financial condition or prospects.

Risk factors relating to the Bonds

(a) **Bonds are perpetual**

The Bonds are perpetual securities. The Issuer is under no obligation to redeem the Bonds at any time. The Bondholders have no right to call for their redemption and, therefore, the Bondholders should be aware that they may be required to bear the financial risks of an investment in the Bonds for an indefinite period of time and may not recover their investment in the foreseeable future.

(b) **The Bonds are unsecured obligations and the claims of the Bondholder's will rank behind the claims of Issuer's Senior Creditors**

The obligations of the Issuer under the Bonds constitute direct, unsecured and subordinated obligations of the Issuer and will rank at all times *pari passu* and rank (a) in priority to the rights and claims of Junior Securities; (b) *pari passu* with the rights and claims of any Parity Securities; and (c) junior to the rights and claims of all Senior Creditors. In the event of the dissolution or liquidation of the Issuer, any claims the Bondholders may have will be subordinated to the claims of all Senior Creditors and that no amounts will be payable until the claims of all Senior Creditors of the Issuer have been satisfied in full. Hence, Subscribers should be aware that if Issuer becomes insolvent, any of Issuer's assets which are the subject of a valid security arrangement will not be available to satisfy the claims of Bondholders and Senior Creditors will rank ahead of the claims of Bondholders accordingly.

(c) **Approval for listing on MSM**

Application will be made to the MSM for the listing and trading of the Bonds on the Bond and Sukuk Market of the MSM. There is no guarantee that the application to the MSM will be approved or maintained. The absence of admission to listing and trading on the MSM or a delisting of the Bonds from the MSM, may have an adverse effect on a Bond's liquidity and the Bondholders' ability to hold or sell the Bonds.

(d) **Risk of reinvestment of redemption proceeds of the Bonds at the same or a higher rate than the coupon rate applicable to the Bonds**

The Bonds may be redeemed at the discretion of the Issuer at the end of five (5) years from the Issue Date and every twelve (12) months thereafter. The Issuer may be expected to redeem the Bonds when its cost of borrowing is lower than the interest payable on them. At those times, a Subscriber generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest payable on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential Subscribers should consider reinvestment risk in light of other investments available at that time.

(e) **The Bonds will be subject to optional redemption by the Issuer including upon the occurrence of certain events**

The Bonds will be redeemable, at the option of the Issuer, in whole but not in part on any Reset Date at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any Optionally Outstanding Payments. There is no maximum period of notice which is required to be given by the Issuer.

In addition, upon the occurrence at any time of an Accounting Event, a Gross Up Event, or a Tax Event, the Issuer shall have the option to redeem, in whole but not in part, the Bonds at the prices set out therein, in each case together with any accrued and unpaid interest up to (but excluding) the redemption date and any Optionally Outstanding Payments.

(f) **There is no limitation on issuing senior securities or Parity Securities**

There is no restriction on the amount of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with the Bonds. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of the Bonds on a winding-up of the Issuer and/or may increase the likelihood of a deferral of interest under the Bonds.

(g) **Resettable fixed rate bonds have a market risk**

The interest rate on the Bond will remain fixed in respect of the period from the Issue Date to the First Call Date (i.e. on 5th anniversary of the Issue Date) and the interest rate will be reset on the First Call Date and every calendar anniversary thereafter. Hence the Bondholders, on the First Call Date and every anniversary thereafter, are exposed to the risk of fluctuating interest rate levels throughout the tenure of the Bonds. Such fluctuations in the interest rates may have an impact on price of Bonds. Further the interest reset mechanism may not fully or accurately reflect the then prevailing market interest rates.

(h) **Under certain conditions, interest payments under the Bonds may be deferred**

The Issuer may defer the payment of interest on the Bonds on any Interest Payment Date. In no event will the holders of Bonds be able to accelerate the payable due to them as result of such deferral. After the Issuer has fully paid all deferred interest (and interest accrued on such deferred interest) on the Bonds and if the Bonds remain outstanding, future interest payments on the Bonds may again be subject to further deferral. Also, any deferral of interest payments may have an adverse effect on the market price of the Bonds. The Bonds may not be redeemed unless and until all outstanding Optionally Outstanding Payments in respect of the Bonds are satisfied in full, on or prior to the date set for the redemption.

(i) **Limited remedies**

The Conditions will provide that the Bonds will be perpetual securities and there is, therefore, no obligation on the Issuer to repay principal on any given date. In addition, certain payments of interest on the Bonds may be deferred in accordance with Condition 5 *(Optional Interest Deferral)* of the Bonds and interest will not therefore be due other than in the limited circumstances described in Condition 5 *(Optional Interest Deferral)* of the Bonds.

The only Enforcement Event in the Conditions is if a default is made by the Issuer for a period of seven (7) Business Days or more in the payment of any principal or fourteen (14) Business Days or more in the payment of any interest, in each case in respect of the Bonds and which is due.

Therefore, it will only be possible for the Bondholders to enforce claims for payment of principal or interest in respect of the Bonds when the same are due.

In addition, in the event that an order is made, or an effective resolution is passed, for the dissolution of the Issuer (otherwise than for the purposes of a solvent dissolution) or a liquidator of the Issuer has been appointed and such liquidator gives notice that it intends to declare and distribute a dividend, the claims of Bondholders will be subordinated to the claims of holders of all Senior Creditors. Accordingly, the claims of all Senior Creditors will first have to be satisfied in any dissolution or liquidation proceedings before the Bondholders may expect to obtain any recovery in respect of their Bonds and prior thereto Bondholders will have only limited ability to influence the conduct of such dissolution or liquidation proceedings.

(j) **Modification and waiver**

The Conditions will contain provisions for calling meetings of the Bondholders to consider matters affecting their interests generally. These provisions will permit defined majorities of Bondholders of the Bonds to bind all Bondholders, including those Bondholders who did not attend and vote at the meetings and Bondholders who voted in a manner contrary to the majority.

(k) **Change of law**

The Conditions of the Bonds are governed by Oman law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Oman law or the official application or interpretation of Oman law after the date of this Prospectus.

(l) **The Bondholders have no voting rights**

The Bondholders have no voting rights with respect to the annual general meetings of shareholders of the Issuer. Consequently, in the Issuer’s annual general meetings of shareholders, the Bondholders cannot influence any decisions by the Issuer to redeem the Bonds or any decisions by the Issuer's shareholders concerning, for instance, the capital structure of the Issuer.

(m) **Potential conflict of interest**

The Issue Manager, Financial Advisor & Lead Arranger and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Issue Manager, Financial Advisor & Lead Arranger and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Issue Manager or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies including the creation of short positions in securities, including potentially the Bonds to be issued hereunder. The Issue Manager, Financial Advisor & Lead Arranger and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

OVERVIEW OF THE BONDS

The following overview refers to certain provisions of the Conditions, and is qualified by the more detailed information contained elsewhere in this Prospectus. Capitalised terms used herein have the meaning given to them in Conditions.

Issuer	Oman International Development & Investment Company S.A.O.G.
Issue Manager	National Bank of Oman S.A.O.G.
Bondholders Agent	Muscat Clearing and Depository Company S.A.O.C.
Paying Agent	Muscat Clearing and Depository Company S.A.O.C.
Registrar	Muscat Clearing and Depository Company S.A.O.C.
Collecting Bank	National Bank of Oman S.A.O.G.
Financial Advisor & Lead Arranger	Ubhar Capital S.A.O.C.
Accounting Classification of the Bonds in Oman	Equity.
Credit Enhancement	None.
Issue Size	Up to RO 75,000,000.
Currency	The Bonds are denominated in Omani Rial
Issue Date	6 June 2018
Minimum Subscription Amount	RO 100,000
Maximum Subscription Amount	RO 75,000,000
Subscription Period	The subscription opening date is 9 May 2018 and the subscription closing date is 29 May 2018. The Issuer may extend the subscription closing date with the approval of CMA.
Form	The Bonds are issued in dematerialised form. Each Bondholder will be recorded in book entry form in the Register. The Register will be maintained by the Registrar at its specified office. No physical certificates or other document of title will be issued in respect of the Bonds. See further "*Condition 1(a) (Form and Denomination)*".

Denominations and Nominal Amount	RO1 and integral multiples of RO1 in excess thereof. No Bond will be issued with a denomination other than RO1.
No fixed maturity	The Bonds will be perpetual bonds in respect of which there is no fixed redemption date. The Bonds have no step-up features or other incentives for the Issuer to redeem the Bonds.
Interest	The interest on the Bonds shall be payable out of Distributable Items. The Bonds will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 6 June 2023 (the ***First Call Date***) at a rate of 7.75% per annum, payable semi-annually in arrears on 6 June and 6 December in each year commencing with the Interest Payment Date falling on 6 December 2018 unless the Issuer elects not to pay such interest in accordance with the Conditions. Thereafter, unless previously redeemed, the Bonds will bear interest at the relevant Reset Interest Rate for the relevant Reset Period payable semi-annually in arrears on 6 June and 6 December in each year.
Issue Price	100%
Status	The Bonds upon issue shall constitute the net worth of the Issuer and the payment obligations of the Issuer in respect of the Bonds shall: (a) constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference or priority among themselves and (subject to such exceptions as are form time to time mandatory under Oman law) rank: (i) in priority only to the rights and claims against the Issuer of the holders of Junior Securities; (ii) *pari passu* with the rights and claims against the Issuer of the holders of any Parity Securities; and

(iii) junior to the rights and claims against the Issuer of all Senior Creditors.

The Bonds are neither secured by the Issuer nor do they benefit from any guarantee or other support from any person or any other arrangement legally or economically enhancing the seniority or priority of the Bondholders claims.

Subordination

In the event of dissolution or liquidation of, or insolvency proceedings against, the Issuer, any claims the Bondholders may have under the applicable Transaction Documents will be subordinated to the claims of all Senior Creditors so that no amounts will be payable under the transaction documents until the claims of all Senior Creditors (and any claims of any creditors that are given preferential treatment by applicable mandatory laws relating to the rights of creditors) of the Issuer have been satisfied in full.

Accordingly, the assets of the Issuer would be applied first in satisfying all Senior Creditors (and any creditors that are given preferential treatment by applicable mandatory laws) claims in full, and payments would be made to Bondholders, pro rata and proportionately with payments made to holder of any other Parity Securities (if any), only if and to the extent that there are any assets remaining after satisfaction in full of all such Senior Creditors (and those creditors that are given preferential treatment by applicable mandatory laws). If the Issuer's assets are insufficient to meet all its obligations to creditors, the Bondholders will lose all or some of their investment in the Bonds. See "*Risk Factors—Risks related to the Bonds generally— Limited Remedies*".

Optional Interest Deferral

The Issuer may, at its discretion, elect to defer any interest which is due and payable on each Interest Payment Date. Any interest not paid, due to such an election of the Issuer, shall constitute an ***Optionally Deferred Payment*** which is otherwise scheduled to be paid on an Interest Payment Date by giving a notice of such election to the Bondholders and the Paying Agent not less than ten (10) and not more than fifteen (15) Business days prior to the relevant Interest Payment Date.

Optionally Deferred Payments shall themselves bear interest as if they constituted the principal of the Bonds at the Prevailing Interest Rate and the amount of such interest (the ***Additional Interest Amount***) shall be calculated by applying the Prevailing Interest Rate to the amount of the Optionally Deferred Payments and otherwise the applicable provisions of the Conditions in relation to the calculation and accrual of interest shall apply mutatis mutandis.

The nominal amount of any Optionally Deferred Payments together with any Additional Interest Amount shall constitute the ***Optionally Outstanding Payments***.

The Additional Interest Amount accrued up to any Interest Payment Date shall be added for the purpose only of calculating the Additional Interest Amount accruing thereafter to the amount of the Optionally Deferred Payments remaining unpaid on such Interest Payment Date so that it will itself constitute an Optionally Deferred Payment.

Subject to "*Condition 5(b) (Payment of Optionally Outstanding Payments)*" if the Issuer elects not to pay interest on an Interest Payment Date, then it will not have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute an Enforcement Event of the Issuer or any other breach of its obligations under the Bonds or for any other purpose.

The Issuer shall have no right to defer any part of any Optionally Outstanding Payments upon the occurrence of a Compulsory Payment Event.

Optionally Outstanding Payments may be satisfied at the option of the Issuer in whole or in part (and if in part, the earliest Optionally Outstanding Payments shall be deemed to be paid first) at any time following delivery of a notice not less than ten (10) and not more than fifteen (15) Business

Days to such effect given by the Issuer to the Bondholders Agent and the Paying Agent informing them of its election to so satisfy such Optionally Outstanding Payments (or part thereof) and specifying the relevant date in such notice.

Compulsory Payment Event and Mandatory Settlement Date

Notwithstanding the above and the provisions of "*Optional Interest Deferral*", the Issuer shall pay any outstanding Optionally Outstanding Payments, in whole but not in part, on any Mandatory Settlement Date pursuant to *"Condition 5(b) (Payment of Optionally Outstanding Payments)"*

Compulsory Payment Event means the occurrence of any of the following events:

(a) the declaration or payment of any distribution or dividend or making any other payment on, and/or procuring that a distribution or dividend or other payment is made on, the Junior Securities; or

(b) paying interest, profit or any other distribution on any Junior Securities or Parity Securities (excluding securities the terms of which do not at the relevant time enable the Issuer to defer or otherwise not to make such payment); or

(c) directly or indirectly redeeming, purchasing, cancelling, reducing, converting or otherwise acquiring any Junior Securities or Parity Securities (excluding securities the terms of which obliges the Issuer to make such payment, such redemption, such repurchase or such acquisition or such conversion into equity).

If any amount of interest is not paid on an Interest Payment Date as a consequence of the Issuer electing not to pay such interest then, from the date of such non-payment, the Issuer will not, so long as any of the Bonds are outstanding, take any action that constitutes a Compulsory Payment Event unless, on or before the date on which such Compulsory Payment Event occurs, all amounts comprising the Optionally Outstanding Payments have been irrevocably paid to the Paying Agent for the benefit of the Bondholders in full.

Mandatory Settlement Date means the earliest of:

(a) the date falling ten (10) Business Days after the date on which a Compulsory Payment Event has occurred;

(b) the next Interest Payment Date on which the Issuer elects to pay the relevant interest payment;

(c) the date on which the Bonds fall due for redemption in connection with the exercise by the Issuer of its redemption options; and

(d) the date on which an Enforcement Event occurs.

Call Option	The Issuer may redeem all, but not some only, of the Bonds on the First Call Date or any Call Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Optionally Outstanding Payments. For the avoidance of doubt, the Issuer shall not do anything which creates an expectation that the Issuer's call option will be exercised.
Redemption due to an Accounting Event, a Gross Up Event or a Tax Event	If an Accounting Event, a Gross Up Event or a Tax Event has occurred and is continuing, then subject to having given not less than thirty (30) or more than (60) days' notice to the Agents, the Issuer may redeem at any time all, but not some only, of the Bonds at par, at 100% of their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Optionally Outstanding Payments.
Variation instead Redemption due to an Accounting Event, a Gross Up Event or a Tax Event	If an Accounting Event, a Gross Up Event, or a Tax Event has occurred and is continuing, the Issuer may without the consent of the Bondholders and upon giving notice to the Agents, at any time vary the terms of the Bonds with the effect that they remain or become, as the case may be, Qualifying Bonds, in each case in accordance with "Condition 7 *(Variation)*" thereof and subject, inter alia, to

the receipt by the Bondholders Agent of the certificate of the directors of the Issuer referred to in “Condition 8 *(Preconditions to Variation Event Redemption)*” thereof.

Purchase of Bonds by the Issuer or any of its Group Companies

The Issuer may, subject to applicable law, at any time pursuant to a tender offer, buyback the Bonds, provided that the tender offer is made available to all Bondholders on equal terms as more fully described under *“Condition 9 (Purchases and Cancellation)”*

Group Companies may subscribe for the Bonds or buy the Bonds on the market.

Enforcement Event

(a) **Non-payment**

If a default is made by the Issuer for a period of seven (7) Business Days or more in the payment of any principal or fourteen (14) Business Days or more in the payment of any interest, in each case in respect of the Bonds and which is due, then the Issuer shall without notice from the Bondholders Agent be deemed to be in default under the Agency Agreement and the Bonds and the Bondholders Agent at its sole discretion may, notwithstanding the provisions of *"Condition 11(b) (Enforcement)"* but subject to *"Conditions 11(c) (Entitlement of Bondholders Agent) and 11(e) (Extent of Bondholders' remedy)",* institute proceedings for the dissolution and liquidation of the Issuer.

For the avoidance of doubt, a non-payment Enforcement Event shall occur if the Issuer, following the occurrence of a Compulsory Payment Event, fails to settle the outstanding Optionally Outstanding Payments in full on the Mandatory Settlement Date.

(b) **Dissolution and liquidation**

In the event of (i) a dissolution and liquidation of the Issuer (whether or not instituted by the Bondholders Agent pursuant to the foregoing and except, in any such case, a solvent dissolution solely for the purposes of a reorganisation, reconstruction or amalgamation, the terms of which reorganisation, reconstruction or amalgamation have previously been approved in writing by the Bondholders Agent or an Extraordinary Resolution and do not provide that the Bonds thereby become redeemable or repayable in accordance with "Condition 11(*a)(ii)* (*Dissolution and liquidation*)" or (ii) following the appointment of an liquidator of the Issuer, such liquidator giving notice that it intends to declare and distribute a dividend, the Bondholders Agent in its discretion may, or if so requested by an Extraordinary Resolution of the holders of the Bonds or in writing by the holders of at least 10% in principal amount of the Bonds then outstanding shall, prove and/or claim in such dissolution or liquidation of the Issuer, subject to being indemnified and/or secured and/or prefunded to its satisfaction such claim being as contemplated under "Condition 3 (*Subordination*)".

Taxation and Additional Amounts	Payments in respect of the Bonds shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (***Taxes***) imposed or levied by or on behalf of Oman or any political subdivision of, or any authority in, or of, Oman having power to tax, unless such withholding or deduction of the Taxes is required by law. In the event that any such withholding or deduction is made, additional amounts may be payable by the Issuer as more fully described under "*Condition 12 (Taxation)*".
Meetings of Bondholders	The Agency Agreement and the Conditions, as more fully described under "*Condition 14 (Meetings of Bondholders, Modifications and Waivers)"*, contain provisions for convening meetings of Bondholders to consider any matter affecting their interests, and for passing resolutions at such

	meetings. These provisions shall permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.
Listing and Admission to Trading	An application for the listing of the Bonds will be made on the Bonds and Sukuk market of Muscat Securities Market (***MSM***).
Governing Law	The Bonds and the Transaction Documents and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, Omani law.
Jurisdiction	In respect of any dispute, claim, difference or controversy under the Bonds and the Transaction Documents, the Issuer has consented to arbitration in accordance with the LCIA Arbitration Rules with the seat of arbitration in Muscat, unless the Bondholders Agent elects to have the dispute, claim, difference or controversy resolved by a court, in which case the Oman courts will have exclusive jurisdiction to settle such dispute.
Ratings	The Bonds will not be rated.
Use of Proceeds	The net proceeds of the issue of the Bonds shall be used to: (a) providing funds for the Issuer's general corporate purposes and future growth; (b) developing alternate sources of funding; and (c) optimising the capital structure.
Eligible Subscribers	The Bonds will be offered to Omani and non-Omani individuals and juristic persons (i.e. non-individuals).
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Bonds in any country or jurisdiction where action for that purpose is required including the United States of America and United States persons and United Kingdom as more fully described under *"Selling Restrictions in Subscription*

and Sale" below.

Distribution	The Bonds may be distributed by way of private placement.
Date of CMA approval in the form of Administrative Order for the Bonds	Kh / 40 / 2018 dated 08 May 2018
Risk Factors	Prospective investors should carefully consider the information set out in "*Risk Factors*" in conjunction with the other information contained or incorporated by reference in this Prospectus.

CREDIT RATINGS OF THE ISSUER

The Issuer has been assigned initial corporate ratings of **'BBB'** Long-Term and **'A3'** Short-Term with a "**stable**" outlook by the Capital Intelligence Ratings Ltd (the ***CI***) on 05 October 2017. CI is a privately owned, independent, international credit rating agency that has been providing credit risk analysis and independent rating opinions since 1982. CI is registered as a credit rating agency in the European Union in accordance with Regulation (EC) No 1060/2009 (as amended) (the ***CRA Regulation***). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

TERMS AND CONDITIONS OF THE BONDS

The following are the terms and conditions (as amended from time to time) of the Bonds (**Conditions**).

The issue of unsecured, perpetual and subordinated bonds in the aggregate principal amount of up to RO 75,000,000 (the **Bonds**, which expression shall, unless the context otherwise requires, include any further bonds issued pursuant to Condition 17 (*Further Issues*) and forming a single series with the Bonds) of Oman International Development & Investment Company S.A.O.G. with commercial registration number 1173774 and registered office at PO Box 3886, PC112, Ruwi, Oman and principal address at near Grand Hyatt Hotel, Way No. 3036, Building No. 2832, Fourth floor, Oman (the **Issuer**) was authorised by resolutions of the board of directors of the Issuer (the **Board of Directors**) passed on 31 January 2018 and by resolutions of the shareholders of the Issuer passed at the extraordinary general meeting of the shareholders of the Issuer (the **EGM**) on 27 March 2018. Muscat Clearing and Depository Company S.A.O.C. (**MCD**) (the **Bondholders Agent**, which expression shall include any person for the time being the bondholders agent under the Agency Agreement) has been appointed as the Bondholders Agent for the Bondholders pursuant to the agency agreement (the **Agency Agreement**) dated on or around the Issue Date between the Issuer and MCD (in its capacity as the Bondholders Agent). In the event of any inconsistency between the Conditions and the terms of the Agency Agreement, the Conditions shall prevail.

These Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement. Copies of (i) the Agency Agreement; (ii) the registrar agreement (the **Registrar Agreement**) dated on or around the Issue Date relating to the Bonds between the Issuer, MCD as the registrar (the **Registrar**, which expression shall include any successor thereto) and MCD as the Bondholders Agent and (iii) the paying agency agreement (the **Paying Agency Agreement**) dated on or around the Issue Date relating to the Bonds between the Issuer, MCD as the paying agent (the **Paying Agent**, which expression shall include any successor thereto) and MCD as the Bondholders Agent are available for inspection during usual business hours at the principal office of the Bondholders Agent (presently at Muscat Clearing and Depository Co. Building, Building No. 678, Way No. 3510, Muttrah Business District (South) PO Box 952, Postal Code 112, Ruwi, Muscat, Oman) and at the specified office of the Paying Agent. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement.

1 Form, Denomination and Title

(a) Form and Denomination

The Bonds are issued in dematerialised form in the denominations of RO 1 each and integral multiples of RO 1 in excess thereof. No Bond will be issued with a denomination other than RO 1.

Each Bondholder will be recorded in book entry form in the register of the Bondholders (the ***Register***) setting out the names and addresses of the Bondholders and the number of Bonds held by them respectively. No physical certificates or other document of title will be issued in respect of the Bonds.

The Issuer shall procure the Registrar to maintain the Register in respect of the Bonds in Oman and in accordance with the provisions of the Registrar Agreement. A copy of the Register will be sent to the Issuer on the Issue Date and such copy will be held by the Issuer at its registered office. In the case of discrepancies between the Register maintained by the Registrar and the copy of the Register held by the Issuer at its registered office, the Register maintained by the Registrar shall prevail.

(b) Title

Title to the Bonds shall pass only by registration in the Register. The persons in whose names any outstanding Bonds are for the time being registered (as set out in the Register) as the holder of any Bonds will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as the absolute owner of the Bonds for all purposes (whether or not any payment thereon is overdue) and no person will be liable for so treating the holder of the Bonds.

In these Conditions, ***Bondholder*** or ***holder of the Bonds*** means the person in whose name a Bond is registered in the Register.

(c) Transfers

Subject to Conditions 1(f) (*Closed periods*) and 1(g) (*Regulations*), a Bond may be transferred only by:

(i) the transferor of such Bond engaging the services of an authorised broker (the ***Broker***) and the due execution of a transfer form (the ***Transfer Form***) required by the Broker to effect the transfer of the Bond; and

(ii) the Broker submitting the duly executed Transfer Form to the MSM.

The Register shall be automatically updated within three (3) Business Days of submission of the duly executed Transfer Form to the MSM by the Broker.

(d) **Confirmation**

The Issuer shall, as soon as reasonably practicable after the Issue Date, cause the Registrar to record the initial Bondholders' names and their respective holdings in the Register. Within five (5) Business Days of the Issue Date, the Registrar will issue each Bondholder with a confirmation (the ***Confirmation***) confirming the number of Bonds held by such Bondholder.

Upon any transfer of Bonds pursuant to Condition 1(c) (*Transfers*), the Registrar will, within five (5) Business Days of such transfer send to each of the transferor and the transferee of the Bonds a Confirmation setting out their new or updated (as applicable) holding of the Bonds.

(e) **Transfers free of charge**

Registration of transfer of Bonds will be effected without charge by or on behalf of the Issuer, the Registrar or the MSM but upon payment (or the giving of such indemnity as the Issuer, the Registrar may reasonably require) by the transferee in respect of any stamp duty, tax, commission or other governmental charges which may be imposed in relation to such transfer.

(f) **Closed periods**

No Bondholder may require the transfer of a Bond to be registered (i) during the period of ten (10) days ending on (and including) the due date for payment of the principal amount or any Interest Payment Date or any Mandatory Settlement Date or any other date on which any payment of the Optionally Outstanding Payments or (ii) after any Bonds has been called for redemption pursuant to Condition 6 (*Redemption*).

(g) **Regulations**

All transfers of Bond and entries on the Register will be made subject to the rules and requirements of the Registrar, the MSM and the Executive Regulation of the CMA.

2 **Status**

The Bonds upon issue shall constitute the net worth of the Issuer and the payment obligations of the Issuer in respect of the Bonds shall:

(a) constitute direct, unsecured and subordinated obligations of the Issuer and will rank at all times *pari passu* and without any preference or priority among themselves and (subject to such exceptions as are from time to time mandatory under Oman law) rank:

(i) in priority only to the rights and claims against the Issuer of the holders of Junior Securities;

(ii) pari passu with the rights and claims against the Issuer of the holders of any Parity Securities; and

(iii) junior to the rights and claims against the Issuer of all Senior Creditors.

The Bonds are neither secured by the Issuer nor do they benefit from any guarantee or other support from any person or any other arrangement legally or economically enhancing the seniority or priority of the Bondholders' claims.

3 **Subordination**

(a) **General**

In the event of dissolution or liquidation of, or insolvency proceedings against, the Issuer, any claims the Bondholders may have under the applicable Transaction Documents will be subordinated to the claims of all Senior Creditors so that no amounts will be payable under the Transaction Documents until the claims of all Senior Creditors (and any claims of any creditors that are given preferential treatment by applicable mandatory laws relating to the rights of creditors) of the Issuer have been satisfied in full.

Accordingly, the assets of the Issuer would be applied first in satisfying all Senior Creditors (and any creditors that are given preferential treatment by applicable mandatory laws) claims in full, and payments would be made to Bondholders, pro rata and proportionately with payments made to holder of any other Parity Securities (if any), only if and to the extent that there are any assets remaining after satisfaction in full of all such Senior Creditors (and those creditors that are given preferential treatment by applicable mandatory laws). If the Issuer's assets are insufficient to meet all its obligations to creditors, the Bondholders will lose all or some of their investment in the Bonds.

(b) **Set-off**

Subject to applicable law, no Bondholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Bonds and each Bondholder shall, by virtue of his holding of any Bond, be deemed to have waived all such rights of set-off, compensation or retention.

4 **Interest**

(a) **Interest Payments**

Subject to Condition 5 (*Optional Interest Deferral*), the Bonds bear interest from (and including) the Issue Date up to (but excluding) the First Call Date (the ***Initial Period***) at a rate of 7.75% per annum (the ***Initial Interest Rate***) on the outstanding principal amount of the Bonds in accordance with the provisions of this Condition 4. Unless previously redeemed in accordance with these Conditions and subject to Condition 5 *(Optional Interest Deferral)*, interest shall be payable on the Bonds semi-annually in arrears on each Interest Payment Date as provided in this Condition 4.

The interest on the Bonds shall be payable out of Distributable Items subject to Condition 5 *(Optional Interest Deferral)*.

(b) **Interest Rate**

For the purpose of calculating payments of interest after the First Call Date, the interest rate will be reset on each Reset Date on the basis of the aggregate of the Reset Reference Rate and the Relevant Initial Margin on the Determination Date, as determined by the Issuer (each a ***Reset Interest Rate***). For the avoidance of doubt, the reset shall apply to the Reset Reference Rate and not to the Relevant Initial Margin.

In the event no Reset Reference Bond is available on account of no auction issue or bond issue in the immediate twelve (12) months period preceding any Reset Date, or there is no tenor matching the Reset Reference Tenor, then the existing Reset Interest Rate will continue until the next Reset Date.

The following hypothetical scenario is used to illustrate the calculation:

For example, in case of the Reset Date of 4 June 2023, the Determination Date will be 30 May 2023. Further, the most recent GDB issue in the twelve (12) months preceding the above Reset Date is for example, a GDB of six (6) years maturity, and the average yield at which allotment is made in this GDB issue is announced as for example, 5.50% per annum.

Accordingly, for the above example, the six (6) year GDB issue will be the Reset Reference Bond and 5.50% per annum will be the Reset Reference Rate. The Reset Reference Tenor will be six (6) years and the Relevant Initial Margin will be 2.68%, being the margin as per the table, corresponding to a maturity of six (6) years. Therefore the Reset Interest Rate will be 8.18% per annum (5.50% + 2.68%) and this will be the interest rate on the Bond up to the next Reset Date which will be on 4 June 2024.

If for example, there is no GDB issue or Omani Rial sovereign debt issue of matching Reset Reference Tenor in the twelve (12) months preceding the Reset Date, then the interest rate applicable on the Bond for the Reset Period ending on 4 June 2023 will continue up to the next Reset Date which will be on 4 June 2024.

The Issuer will, as soon as practicable upon determination of the Reset Interest Rate which shall apply to the Reset Period commencing on the relevant Reset Date, cause the applicable Reset Interest Rate to be notified to the Bondholders in accordance with Condition 16 (*Notices*) but not later than the second Business Day thereafter.

(c) **Calculation of interest**

The interest payable on each Bond on the respective Interest Payment Date shall be calculated by multiplying the Prevailing Interest Rate by the principal amount of such Bond and rounding the resulting figure to the nearest baisa with 0.5 or more of a baisa being rounded upwards. If interest is to be calculated for a period of less than one (1) year, it shall be calculated on an Actual/365 (Fixed) basis, meaning a three hundred and sixty five (365)-day year and the actual number of days elapsed in such period from (and including) the Issue Date or the most recent Interest Payment Date (as applicable) to (but excluding) the relevant payment date divided by three hundred and sixty five (365).

5 **Optional Interest Deferral**

(a) **Interest Deferral**

Interest shall be due and payable on each Interest Payment Date unless the Issuer elects not to pay such interest. Any such election not to pay interest shall not constitute a default of the Issuer or any other breach of obligations under the Bonds or for any other purpose. If the Issuer decides not to pay the interest on an Interest Payment Date, the Issuer shall notify the Bondholder Agent and the Paying Agent in accordance with the Condition 18 *(Agents)* not less than ten (10) and not more than fifteen (15) Business Days prior to the relevant Interest Payment Date.

Any interest not paid due to such an election of the Issuer shall constitute ***Optionally Deferred Payments***. Optionally Deferred Payments shall themselves bear interest as if they constituted the principal of the Bonds at the Prevailing Interest Rate and the amount of such interest (the ***Additional Interest Amount***) shall be calculated by applying the Prevailing Interest Rate to the amount of the Optionally Deferred Payments and otherwise the provisions of this Condition 5 in relation to the calculation and accrual of interest shall apply mutatis mutandis.

The Additional Interest Amount accrued up to any Interest Payment Date shall be added for the purpose only of calculating the Additional Interest Amount accruing thereafter to the amount of the Optionally Deferred Payments remaining unpaid on such Interest Payment Date so that it will itself constitute Optionally Deferred Payments.

The nominal amount of any Optionally Deferred Payments together with any Additional Interest Amount shall constitute ***Optionally Outstanding Payments***.

If any amount of interest is not paid on an Interest Payment Date as a consequence of the Issuer electing not to pay such interest then, from the date of such non-payment, the Issuer will not, so long as any of the Bonds are outstanding, take any action that constitutes a Compulsory Payment Event unless, on or before the date on which such Compulsory Payment Event occurs, all amounts comprising the Optionally Outstanding Payments have been irrevocably paid to the Paying Agent for the benefit of the Bondholders in full. For the avoidance of doubt, subject always to the conditions set out in Condition 5 (b) (*Payment of Optionally Outstanding Payments*) below, the Issuer shall not be restricted from declaring and paying any dividends and distributions to the holders of any Parity Securities and Junior Securities.

(b) **Payment of Optionally Outstanding Payments**

The Issuer may pay the Optionally Outstanding Payments (in whole or in part and if in part, the earliest Optionally Outstanding Payments shall be deemed to be paid first) at any time upon giving not less than ten (10) and not more than fifteen (15) Business Days' notice to the Agents (but not the Registrar) in accordance with Condition 18 (*Agents*) (which notice shall be irrevocable and will oblige the Issuer to pay the relevant Optionally Outstanding Payments on the payment date specified in such notice).

Any outstanding Optionally Outstanding Payments shall become due and payable (in whole but not in part) and shall be paid by the Issuer on any Mandatory Settlement Date.

(c) **Accrual of Interest**

Each Bond will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (as well as after judgement) until whichever is earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven (7) days after the Paying Agent has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(d) **Notifications etc.**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 will (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Paying Agent and the Bondholders.

6 **Redemption**

(a) **No Fixed Redemption Date**

The Bonds are perpetual securities in respect of which there is no fixed or final redemption date. The Bonds have no step-up features or other incentives for the Issuer to redeem the Bonds.

The Bonds may be redeemed in whole but not in part or the terms thereof may be varied by the Issuer only in accordance with the provisions as set out in Condition 7 (*Variation*). The Bonds are not redeemable at the option of the Bondholders at any time.

The Issuer shall (subject to the provisions of Condition 3(a) (*General*)) only have the right to repay them in accordance with the following provisions of this Condition 6.

(b) **Issuer's Call Option**

The Issuer may, by giving not less than thirty (30) days' notice to the Agents and, in accordance with Condition 16 (*Notices*), the Bondholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Bonds), that the Issuer shall redeem all, but not some only, of the Bonds at the end of five (5) years from the Issue Date (the ***First Call Date***) and every twelve (12) months thereafter (each a ***Call Date***) at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Optionally Outstanding Payments.

Upon the expiry of such notice, the Issuer shall redeem the Bonds. The Bonds are not redeemable at the option of the Bondholders at any time.

For the avoidance of doubt, the Issuer shall not do anything which creates an expectation that the Issuer's call option will be exercised.

(c) **Redemption for Certain Taxation Reasons**

On any date on or after the Issue Date, a Gross Up Event or a Tax Event has occurred and is continuing, then the Issuer may, subject to having given not less than thirty (30) nor more than sixty (60) days' notice to the Agents and, in accordance with Condition 16 (*Notices*), the Bondholders (which notice shall be irrevocable) and subject to Condition 8 (*Preconditions to Variation Event Redemption*), redeem in accordance with these Conditions all, but not some only, of the Bonds at any time at par, at 100% of their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Optionally Outstanding Payments or the terms of the Bonds may be varied in accordance with the provisions as set out in Condition 7 (*Variation*). Upon the expiry of such notice, the Issuer shall redeem the Bonds.

(d) **Redemption for Accounting Reasons**

On any date on or after the Issue Date, an Accounting Event has occurred and is continuing at the time such notice is delivered, then the Issuer may, subject to having given not less than thirty (30) nor more than sixty (60) days' notice to the Agents and, in accordance with Condition 16 (*Notices*), the Bondholders (which notice shall be irrevocable) and subject to Condition 8 (*Preconditions to Variation Event Redemption*), redeem in accordance with these Conditions all, but not some only, of the Bonds at any time at par, at 100% of their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Optionally Outstanding Payments or the terms of the Bonds may be varied in accordance with the provisions as set out in Condition 7 (*Variation*). Upon the expiry of such notice, the Issuer shall redeem the Bonds.

7 **Variation**

If an Accounting Event, a Gross Up Event or a Tax Event (each a ***Variation Event***) has occurred and is continuing, then the Issuer may, subject to Condition 8 (*Preconditions to Variation Event Redemption*) (without any requirement for the consent or approval of the Bondholders) and subject to its having satisfied the Bondholders Agent immediately prior to the giving of any notice referred to herein that the provisions of this Condition 7 have been complied with, and having given not less than thirty (30) nor more than sixty (60) days' notice to the Agents and, in accordance with Condition 16 (*Notices*), the Bondholders (which notice shall be irrevocable) may at any time, vary the terms of the Bonds with the effect that they become, Qualifying Bonds, and the Bondholders Agent shall (subject to the following provisions of this Condition 7 and subject to the receipt by it of the certificate of the directors of the Issuer referred to in Condition 8 (*Preconditions to Variation Event Redemption*) below) agree to such variation.

Upon expiry of such notice, the Issuer shall vary the terms of the Bonds in accordance with this Condition 7.

The Bondholders Agent agrees, at the expense of the Issuer, to use reasonable endeavours to assist the Issuer in the variation of the terms of the Bonds so that they become Qualifying Bonds, provided that the Bondholders Agent shall not be obliged to participate in, or assist with, any such variation if the terms of the proposed Qualifying Bonds or the participation in or assistance with such variation would impose, in the Bondholders Agent's opinion, more onerous obligations upon it or expose it to liabilities or reduce its protections. If the Bondholders Agent does not participate or assist as provided above, the Issuer may redeem the Bonds as provided in Condition 6 (*Redemption*).

In connection with any variation in accordance with this Condition 7, the Issuer shall comply with the rules of any stock exchange on which the Bonds are for the time being listed or admitted to trading.

In these Conditions, ***Qualifying Bonds*** means bonds that:

(a) are issued by the Issuer;

(b) rank at least equally with the ranking of the Bonds and at least pari passu in a dissolution or liquidation of the Issuer with any Parity Securities; and

(c) contain terms which are not materially prejudicial to Bondholders as compared with the original terms of the Bonds (as reasonably determined by the Issuer (in consultation with a recognised accountancy firm of international standing and counsel of international standing in each case qualified to advise on such matters in Oman) and the Issuer certifies the same to the Bondholders Agent and the CMA) and which:

(i) provide for the same or a more favourable Prevailing Interest Rate from time to time as applied to the Bonds immediately prior to such variation and preserve the same Interest Payment Dates;

(ii) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to principal and as to redemption of the Bonds, including (without limitation) as to timing of, and amounts payable upon, such redemption;

(iii) preserve any existing rights under these Conditions to any accrued interest, any Optionally Deferred Payments, any Optionally Outstanding Payments and any other amounts payable under the Bonds which, in each case, has accrued to Bondholders and not been paid;

(iv) do not contain terms providing for the mandatory deferral of payments of interest and/or principal; and

(v) may include a feature which contains a term for the mandatory repayment of such bonds on a specified date which shall be a Call Date (and the inclusion of such feature shall be deemed not to be materially prejudicial to Bondholders as compared with the terms of the Bonds) while retaining an option as described in Condition 6(b) (*Issuer's Call Option*) prior to such date; and

(d) if the Bonds are listed or admitted to trading on any stock exchange (including the MSM) immediately prior to the relevant variation are listed or admitted to trading on the same stock exchange or are listed on a well-recognised and reputable stock exchange as selected by the Issuer.

8 **Preconditions to Variation Event Redemption**

Prior to the publication of any notice of redemption pursuant to Condition 6 *(Redemption)* (other than redemption pursuant to Condition 6(b) (*Issuer's Call Option*)) or any notice of variation pursuant to Condition 7 (*Variation*), the Issuer shall deliver to the Bondholders Agent and the CMA a certificate in form and substance satisfactory to the Bondholders Agent signed by two directors of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem or vary is satisfied, and where the relevant Variation Event requires measures reasonably available to the Issuer to be taken, the relevant Variation Event cannot be avoided by the Issuer taking such measures, together with (in the case of a redemption pursuant to Condition 6(c) (*Redemption for Certain Taxation Reasons*)) an opinion of independent tax or legal advisers of recognised standing to the effect that the circumstances described in Condition 6(c) (*Redemption for Certain Taxation Reasons*) apply (other than any requirement to avoid the relevant event by taking measures reasonably available to the Issuer) and (in the case of a redemption pursuant to Condition 6(d) (*Redemption for Accounting Reasons*)) a copy of a letter or report from a recognised accounting firm confirming that an Accounting Event has occurred. In relation to a variation pursuant to Condition 7 (*Variation*) such certificate shall also include further certifications that the criteria specified in paragraphs (a) to (d) of the definition of Qualifying Bonds will be satisfied by the proposed Qualifying Bonds upon issue and that such determinations were reached by the Issuer in consultation with independent legal advisers of recognised standing. The Bondholders Agent may rely absolutely upon and shall be entitled to accept such directors' certificate (and, if applicable, opinion, letter or report) without any liability to any person for so doing and without any further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs in which event it shall be conclusive and binding on the Bondholders.

Any redemption of the Bonds in accordance with Conditions 6(b) (*Issuer's Call Option*) 6(c) (*Redemption for Certain Taxation Reasons*) or 6(d) (*Redemption for Accounting Reasons*) shall be conditional on all outstanding Optionally Outstanding Payments being paid in full in accordance with the provisions of Condition 5 (*Optional Interest Deferral*) on or prior to the date thereof, together with any accrued and unpaid interest up to (but excluding) such redemption date.

The Bondholders Agent is under no obligation to ascertain whether any Variation Event or any event which could lead to the occurrence of, or could constitute, any such Variation Event has occurred and, until it shall have actual knowledge or express notice pursuant to the Agency Agreement to the contrary, the Bondholders Agent may assume that no such Variation Event or such other event has occurred.

(a) **Purchases**

Subject to the requirements (if any) of the CMA and the MSM (or any other stock exchange) on which the Bonds may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations in Oman, the Issuer may, at any time purchase or acquire the Bonds but such purchase or acquisition shall only be made pursuant to a public tender offer provided that tender offer is made available to the Bondholders on equal terms. Such Bonds shall be surrendered to the Registrar for cancellation. Group Companies may subscribe for the Bonds or buy the Bonds on the market

(b) **Cancellation**

All Bonds which are redeemed will be cancelled and may not be reissued or resold. Bonds purchased by the Issuer shall be surrendered to the Registrar for cancellation and when surrendered, shall be cancelled.

10 **Payments**

(a) **Method of Payment**

Payment of principal and interest will be made by the Paying Agent in Omani Rial by electronic transfer to the registered account of each Bondholder or if a Bondholder does not have a registered account, by a cheque drawn on a bank in the name of such Bondholder mailed to the registered address of such Bondholder.

Payments of principal and payment of interest (including, for the avoidance of doubt, Optionally Outstanding Payments) shall be made by the Paying Agent on an Interest Payment Date (other than Optionally Outstanding Payments due pursuant to Condition 5(b) (*Payment of Optionally Outstanding Payments*) on a Mandatory Settlement Date) and in relation to redemptions pursuant to optional redemptions by the Issuer as a result of the occurrence of any of the Variation Events, payments shall be made upon the expiry of the notice as provided by the Issuer to the Agents in accordance with Conditions 6(c) (*Redemption for Certain Taxation Reasons*) and 6(d) (*Redemption for Accounting Reasons*).

Interest on the Bonds (including, for the avoidance of doubt, Optionally Outstanding Payments) due on an Interest Payment Date and Optionally Outstanding Payments due pursuant to Condition 5(b) (*Payment of Optionally Outstanding Payments*) on a Mandatory Settlement Date will be paid to the Bondholder shown on the Register at the close of business on the date (the ***Record Date***) being one (1) Business Day before the date for the payment of interest.

For the purpose of this Condition 10(a), a Bondholder's registered account means the account maintained by or on behalf of it with a bank that processes payments in Omani Rial, details of which appear on the Register at the close of business on the relevant Record Date before the due date for payment and a Bondholder's registered address means its address appearing on the Register at that time.

Pursuant to the terms of the Paying Agency Agreement, the Issuer has undertaken to cause to be deposited into the Transaction Account in same day freely transferable funds no later than three (3) Business Days prior to each Interest Payment Date, Mandatory Settlement Date or any other date on which a payment is due to a Bondholder under the Bonds an amount equal to such amount due on that date.

(b) **Payments Subject to Applicable Laws**

Payments in respect of the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in Oman, but without prejudice to the provisions of Condition 12 (*Taxation*).

(c) **Payment only on a Business Days**

Payment instructions (for value on the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated by the Paying Agent, on the due date for payment.

Bondholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Business Day.

(d) **Partial Payments**

If the amount of principal or interest (including, for the avoidance of doubt, Optionally Outstanding Payments) which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest (including, for the avoidance of doubt, Optionally Outstanding Payments) in fact paid. If both the principal amount and interest are due and payable and the available funds are insufficient to discharge all the amounts due and payable, the available funds shall first be applied towards payment of interest and secondly, towards payment of the principal amount and shall be applied pro rata among the Bondholders.

(e) **Agents**

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other agents, provided that it will at all times maintain a Bondholders Agent, a Paying Agent and a Registrar, each appropriately licensed to carry out such activities in Oman and having its specified office in Oman (which may be the same entity). Notice of any termination or appointment and of any changes in specified offices will be given to Bondholders by the Issuer in accordance with Condition 16 (*Notices*) and the Agency Agreement, the Registrar Agreement or the Paying Agent Agreement, as the case may be.

In acting under the Agency Agreement, the Registrar Agreement or the Paying Agent Agreement, as the case may be and in connection with the Bonds, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Bondholders Agent and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

11 **Enforcement Event**

(a) **Enforcement Event**

(i) **Non-payment**

If a default is made by the Issuer for a period of seven (7) Business Days or more in the payment of any principal or fourteen (14) Business Days or more in the payment of any interest, in each case in respect of the Bonds and which is due (an ***Enforcement Event***), then the Issuer shall without notice from the Bondholders Agent be deemed to be in default under the Agency Agreement and the Bonds and the Bondholders Agent at its sole discretion may, notwithstanding the provisions of Condition 11(b) (*Enforcement*) but subject to Conditions 11(c) (*Entitlement of Bondholders Agent*) and Condition 11(e) (*Extent of Bondholders' Remedy*), institute proceedings for the dissolution and liquidation of the Issuer.

For the avoidance of doubt, an Enforcement Event shall occur if the Issuer, following the occurrence of a Compulsory Payment Event, fails to settle the outstanding Optionally Outstanding Payments in full on the Mandatory Settlement Date.

(ii) **Dissolution and liquidation**

In the event of (i) a dissolution and liquidation of the Issuer (whether or not instituted by the Bondholders Agent pursuant to the foregoing and except, in any such case, a solvent dissolution solely for the purposes of a reorganisation, reconstruction or amalgamation, the terms of which reorganisation, reconstruction or amalgamation have previously been approved in writing by the Bondholders Agent or an Extraordinary Resolution and do not provide that the Bonds thereby become redeemable or repayable in accordance with these Conditions) or (ii) following the appointment of an liquidator of the Issuer, such liquidator giving notice that it intends to declare and distribute a dividend, the Bondholders Agent in its discretion may, or if so requested by an Extraordinary Resolution of the Bondholders or (subject to Condition 14(c) (*Disenfranchisement of the Issuer and its Group Companies*)) in writing by the

Bondholders of at least 10% in principal amount of the Bonds then outstanding shall, (subject to Condition 11(c) (*Entitlement of Bondholders Agent*)) prove and/or claim in such dissolution or liquidation of the Issuer, such claim being as contemplated in Condition 3(a) (*General*).

(b) **Enforcement**

The Bondholders Agent may at its discretion (subject to Condition 11(c) *(Entitlement of Bondholders Agent*)) and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Agency Agreement or the Bonds but in no event shall the Issuer, by virtue of the institution of any such proceedings, steps or actions, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(c) **Entitlement of Bondholders Agent**

The Bondholders Agent shall not be bound to take any of the actions referred to in Condition 11(a) (*Enforcement Event*) or 11(b) (*Enforcement*) above against the Issuer to enforce the terms of the Agency Agreement, the Bonds or take any other action or step under these Conditions or the Agency Agreement unless (i) it shall have been so requested by an Extraordinary Resolution of the Bondholders or (subject to Condition 14(c) (*Disenfranchisement of the Issuer and its Group Companies*)) in writing by the Bondholders of at least 10%. in principal amount of the Bonds then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) **Right of Bondholders**

No Bondholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the dissolution or claim in the liquidation of the Issuer or to prove in such dissolution or liquidation unless the Bondholders Agent, having become so bound to proceed, institute, prove or claim, fails to do so within a reasonable period and such failure shall be continuing, in which case the Bondholder shall have only such rights in respect of its Bonds against the Issuer as those which the Bondholders Agent is entitled to exercise in respect of such Bonds as set out in this Condition 11.

(e) **Extent of Bondholders' remedy**

The Enforcement Event described in Condition 11(a) (*Enforcement Event*) above shall occur only in the event of non-payment of an amount which is due for payment. For the avoidance of doubt, if any payment of interest in respect of the Bonds is deferred (in whole or in part), the amount of interest so deferred shall not be due on the date on which it would otherwise (in the absence of such deferral) have become due. Accordingly, non-payment of any Optionally Deferred Payments or Optionally

Outstanding Payments (other than on any Mandatory Settlement Date) on such date shall not constitute an Enforcement Event.

No remedy against the Issuer, other than as provided in this Condition 11 shall be available to the Bondholders Agent or the Bondholders, whether for the recovery of amounts owing in respect of the Bonds or under the Agency Agreement or in respect of any breach by the Issuer of any of its other obligations or undertakings under or in respect of the Bonds or under the Agency Agreement.

Nothing in this Condition 11 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Agents or the rights and remedies of the Agents in respect thereof.

12 **Taxation**

All payments in respect of the Bonds by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present of future taxes, duties, assessments or governmental charges of whatever nature (***Taxes***) imposed or levied by or on behalf of Oman or any political subdivision of, or any authority in, or of, Oman having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Bondholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds in the absence of the withholding or deduction (such amounts being **Additional Amounts**).

References in these Conditions to principal, interest, Optionally Outstanding Payments and/or any other amount in respect of the Bonds shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Agency Agreement.

13 **Prescription**

Unless provided otherwise by applicable law in Oman, claims against the Issuer in respect of Bonds will become void unless presented for payment or made, as the case may be, within a period of ten (10) years (in respect of claims relating to principal) and five (5) years (in respect of claims relating to interest) from the Relevant Date relating thereto.

14 **Meetings of Bondholders, Modification and Waiver**

In this Condition ***forty eight (48) Hours*** means a period of forty eight (48) hours including all or part of two (2) days (other than a Friday or a Saturday) on which commercial banks and foreign exchange markets in Muscat are open for business and for the purposes of calculating a period of "**clear days**" in relation to a meeting, no account shall be taken of the day on which the notice of such meeting is given or the day on which such meeting is held (or, in the case of an adjourned meeting, the day on which the meeting to be adjourned is held).

(a) **Meetings of Bondholders**

(i) **Convening meetings**

A meeting of Bondholders may be convened by the Issuer or the Bondholders Agent and shall be convened by the Issuer if requested in writing by Bondholders holding not less than 10% in principal amount of the Bonds for the time being outstanding. Notice of such meeting shall be given in accordance with the procedures set out in Condition 16 (*Notices*).

(ii) **Appointment of Proxy**

A proxy may be appointed in the following circumstances:

(A) A Bondholder may, by an instrument in writing in the English and Arabic languages (a "**form of proxy**") signed by the holder or, in the case of a corporate entity, signed on its behalf by a duly authorised signatory of the corporate entity and delivered to the specified office of the Registrar not less than forty eight (48) Hours before the time for which such meeting is convened, appoint the person (a "**proxy**") to act on his or its behalf in connection with any meeting of the Bondholders and any adjourned such meeting.

(B) Any proxy appointed pursuant to subparagraph (a) above shall, so long as such appointment remains in full force, be deemed, for all purposes in connection with the relevant meeting or adjourned meeting of the Bondholders, to be the holder of the Bonds to which such appointment relates and the Bondholder shall be deemed for such purposes not to be the holder.

(iii) **Powers of Meetings**

At any such meeting one or more Voters present and holding or representing in the aggregate not less than two-thirds of the aggregate face amount of the Bonds then outstanding, or at any adjourned meeting one or more persons holding or representing in the aggregate not less than one-third of the aggregate face amount of the Bonds then outstanding shall (subject as provided below) form a quorum for the transaction of business (including the passing of an

Extraordinary Resolution) provided that at any meeting at which is to be proposed an Extraordinary Resolution for the purpose of a Reserved Matter the quorum shall be one or more Voters present and holding or representing in the aggregate not less than two thirds of the aggregate face amount of the Bonds then outstanding, or at any adjourned meeting one or more persons holding or representing in the aggregate not less than two thirds of the aggregate face amount of the Bonds then outstanding, and no business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of the relevant business.

A meeting shall, subject to these Conditions and without prejudice to any powers conferred on other persons by any Transaction Document, have the following powers exercisable only by Extraordinary Resolution (subject to the provisions relating to quorum contained above):

(A) power to sanction any compromise or arrangement proposed to be made between, or any abrogation, modification, compromise or arrangement in respect of the rights of, the Issuer, the Bondholders Agent and the Bondholders or any of them;

(B) power to waive or authorise any breach by the Issuer of its obligations under these Conditions or any act or omission which might otherwise constitute a default under these Conditions;

(C) power to assent to any modification of these Conditions which is proposed by the Issuer, the Bondholders Agent or any Bondholder (which shall also be subject to the approval of the CMA);

(D) power to give any authority or sanction which under the provisions of these presents is required to be given by Extraordinary Resolution;

(E) power to appoint any persons (whether Bondholders or not) as a committee or committees to represent the interests of the Bondholders and to confer upon such committee or committees any powers or discretions which the Bondholders could themselves exercise by Extraordinary Resolution;

(F) power to discharge or exonerate the Issuer and/or the Bondholders Agent from all liability in respect of any act or omission for which the Issuer and/or the Bondholders Agent may have become responsible under these presents;

(G) power to authorise the Bondholders Agent and/or the Issuer to concur in and execute and do all such deeds, instruments, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution; and

(H) power to sanction any scheme or proposal for the exchange or sale of the Bonds for or the conversion of the Bonds into or the cancellation of the Bonds in consideration of shares, stock and/or other obligations and/or securities of the Issuer.

A resolution passed at a meeting duly convened and held by or on behalf of the Bondholder(s) of not less than two thirds of the persons eligible to vote at such meeting, (ii) a resolution in writing signed by or on behalf of the Bondholders of not less than two thirds in principal amount of the Bonds for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing systems(s) (in a form satisfactory to the Bondholders Agent) by or on behalf of the Bondholder(s) of not less than two thirds in principal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Bondholders.

(iv) **Chairman**

The chairman of a meeting shall be such person as the Bondholders Agent may nominate in writing, but if no such nomination is made or if the person nominated is not present within sixty (60) minutes from the time fixed for the meeting, the Bondholders or proxies present shall choose one of their number to be chairman.

The chairman may, but need not, be a Bondholder or proxy. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

(v) **Attendance**

The following may attend and speak at a meeting:

(A) Bondholders and proxies;

(B) the chairman;

(C) the Issuer and the Bondholders Agent (through their respective representatives) and their respective financial and legal advisers;

(D) a person acting as secretary to the meeting as appointed by the Bondholders Agent; and

(E) an observer from the CMA should the CMA decide an observer should attend.

No one else may attend or speak.

(vi) **Quorum and adjournment**

No business (except choosing a chairman) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within sixty (60) minutes from the time for which such meeting is convened, it shall, if convened on the requisition of Bondholders or if the Issuer and the Bondholders Agent agree, be dissolved. In any other case it shall be adjourned until such date, not less than fourteen (14) days nor more than one month later, and time and place as the chairman may decide. If a quorum is not present within sixty (60) minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.

The chairman may, with the consent of (and shall if directed by) a meeting, adjourn the meeting from time to time and from place to place. Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this paragraph.

At least seven (7) days' notice of a meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting.

(vii) **Voting**

Each question submitted to a meeting shall be decided by a show of hands unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman, the Issuer and the Bondholders Agent or one or more persons representing 2% of the aggregate face amount of the Bonds then outstanding.

Unless a poll is demanded, a declaration by the chairman that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it.

If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.

A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.

On a show of hands, every Voter shall have one vote. On a poll, every Voter has one vote in respect of each one Omani Rials of the aggregate face amount of the Bonds then outstanding represented or held by him. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.

(viii) **Chairman Vote and ordinary resolutions**

In case of equality of votes, the chairman shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.

(ix) **Effect and Publication of an Extraordinary Resolution**

An Extraordinary Resolution shall be binding on all the Bondholders, whether or not present at the meeting, and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances justify the passing thereof. The Issuer shall give notice of the passing of an Extraordinary Resolution to Bondholders within fourteen (14) calendar days.

(x) **Minutes**

Minutes shall be made of all resolutions and proceedings at every meeting and shall be approved by the chairman of the meeting and signed by the secretary and legal advisor appointed by the Bondholders Agent and filed by the Bondholders Agent with the CMA within two weeks from the date of such meeting. Such minutes of meeting shall be conclusive evidence of the matters in them. Until the contrary is proved, every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

(xi) **Variation and Qualifying Bonds**

Notwithstanding the above provisions of this Condition 14(a), the agreement or approval of the Bondholders shall not be required in the case of any variation of these Conditions and/or the Agency Agreement and/or any other Transaction Document required to be made in the circumstances described in Condition 7 (*Variation*) in connection with the variation of the terms of the Bonds so that they become Qualifying Bonds, and to which the Bondholders Agent has agreed pursuant to the relevant provisions of Condition 7 (*Variation*).

(b) **Modification and Waiver**

The Bondholders Agent may agree, without the consent of the Bondholders, to (i) any modification of any of the provisions of the Agency Agreement, or any Transaction Documents or the Issuer's memorandum and Articles of Association, the Bonds or these Conditions which in the Bondholders Agent’s opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law, and (ii) (A) any other modification (except as mentioned in the Agency Agreement) or to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Agency Agreement or the Transaction Documents, or (B) determine that any Enforcement Event shall not be treated as

such provided that such modification, waiver, authorisation or determination is, (x) in the opinion of the Bondholders Agent, not materially prejudicial to the interests of the Bondholders and (y) not in contravention of any express direction given by Extraordinary Resolution or request in writing by the Bondholders of at least 10%. in the principal amount of the Bonds for the time being outstanding and (z) other than in respect of a Reserved Matter. Any such modification, authorisation, determination or waiver shall be binding on the Bondholders and shall be notified to the Bondholders in accordance with Condition 16 (*Notices*) as soon as practicable.

(c) **Disenfranchisement of the Issuer and its Group Companies**

The Issuer or any Group Company holding the Bonds shall not be entitled to vote at any Bondholder meetings and shall not be treated as 'outstanding' for Conditions 11 (a) (*Enforcement Event*), 11(c) (*Entitlement of Bondholders Agent*), 14(a) (*Meetings of Bondholders*) and 14(b) (*Modification and Waiver*).

(d) **Entitlement of the Bondholders Agent**

In connection with the exercise of its functions (including but not limited to those referred to in this Condition 14) the Bondholders Agent shall have regard to the interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and the Bondholders Agent shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Bondholders Agent or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders, except to the extent already provided for in these Conditions or the Agency Agreement.

15 **The Bondholders Agent**

(a) **Powers**

The Bondholders Agent has certain powers which are vested solely in it from the date of the Agency Agreement pursuant to Article (27) of the Executive Regulation.

The appointment of a Bondholders Agent by the Issuer is intended to be in the interests of the Bondholders and does not affect the Issuer's continuing role and obligations as the issuer.

(b) **Indemnification**

The Agency Agreement contains provisions for the indemnification of the Bondholders Agent and for its relief from responsibility, including:

(i) provisions relieving it from taking actions, steps or proceedings unless indemnified and/or secured and/or prefunded to its satisfaction; and

(ii) provisions limiting or excluding its liability in certain circumstances.

The Bondholders Agent is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. The Agency Agreement provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Bondholders Agent shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Bondholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

(c) **No Liability**

The Bondholders Agent makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Issuer under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Bondholders in respect of any payments which should have been paid by the Issuer but are not so paid and shall not in any circumstances have any liability arising, other than as expressly provided in these Conditions or in the Agency Agreement.

(d) **Reliance on Certificates, Reports, Advice etc.**

The Bondholders Agent may rely without liability to Bondholders on a report, confirmation or certificate or opinion or any advice of any auditors, insolvency officials, accountants, financial advisers, financial institution or other experts (as applicable) of the Issuer or any other person called for by or provided to the Bondholders Agent, whether or not addressed to it, in accordance with and for the purposes of the Agency Agreement or the other Transaction Documents and such certificate, opinion, advice, confirmation or report may be relied upon by the Bondholders Agent (without liability to any person) as sufficient evidence of the facts stated therein notwithstanding that such certificate, opinion, advice, confirmation or report and/or any engagement letter or other document entered into by the Bondholders Agent or any other person in connection therewith contains a monetary or other limit on the liability of the auditors or insolvency officials of the Issuer, or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate, opinion, advice, confirmation or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Bondholders Agent shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.

(e) **Proper Performance of Duties**

Nothing shall, in any case in which the Issuer or the Bondholders Agent has failed to show the degree of care and diligence required of it as agent (having regard to the provisions of the Agency Agreement conferring on it any powers, rights, authorities or discretions) exempt the Issuer or the Bondholders Agent from or indemnify either of them against any liability for gross negligence, wilful default or fraud of which either of them may be guilty in relation to their duties under the Agency Agreement.

(f) **Notice of Events**

The Bondholders Agent shall not be responsible for monitoring or ascertaining whether a Variation Event or an Enforcement Event has occurred or exists and, unless and until it shall have actual knowledge or received express notice pursuant to the Agency Agreement to the contrary, the Bondholders Agent is entitled to assume that no such Variation Event or such other event or circumstance exists or has occurred (without any liability to any person for so doing).

16 **Notices**

All notices to the Bondholders will be posted to the Bondholders (or the first of any joint named Bondholders) at their respective addresses in the Register maintained by the Registrar.

Any notice shall be deemed to be given 5 Business Days after despatch. In addition to the above, all notices to the Bondholders with respect to any meeting of the Bondholders shall be published in, at least, two daily newspapers (one of which shall be an Arabic newspaper) in Oman on 2 consecutive days and shall also be sent to the Bondholders, in the case of Bondholders' meetings, at least 15 days prior to the date of the meeting. Any notice relating to a Bondholders' meeting will be required to be accompanied by an agenda of the meeting and will be subject to the prior approval of the CMA. Each such notice shall be deemed to have been given on the date of such publication, or if published more than once or on different dates, on the second date on which such publication is made.

17 **Further Issues**

The Issuer may from time to time without the consent of the Bondholders create and issue further Bonds ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. Any such Bonds shall be constituted by a supplemental to the Agency Agreement.

18 **Agents**

Muscat Clearing and Depository Company S.A.O.C.

Muscat Clearing and Depository Co. Building
Building No. 678, Way No. 3510
Muttrah Business District (South)
P.O. Box 952
Postal Code 112
Ruwi
Muscat
Sultanate of Oman

and/or any other or further Paying Agent or Registrar and/or specified offices as may from time to time be duly appointed by the Issuer pursuant to the Paying Agent Agreement or Registrar Agreement, respectively, and notice of which has been given to the Bondholders.

19 **Governing Law and Arbitration**

(a) **Governing Law**

The Transaction Documents and the Bonds (including any non-contractual obligations arising out of or in connection with the Transaction Documents or the Bonds) are governed by, and will be construed in accordance with Omani law.

(b) **Arbitration**

The Issuer and the Bondholders Agent have in the Agency Agreement agreed that, subject to this Condition 19(b), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Agency Agreement and/or the Bonds (including any dispute, claim, difference or controversy regarding their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligation arising out of or in connection with it) (a ***Dispute***) shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the ***Rules***), which Rules (as amended from time to time) are incorporated by reference into this Condition 19. For these purposes:

(i) the seat of arbitration will be Muscat;

(ii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party nominated arbitrators failed to nominate the third arbitrator within fifteen (15) days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA; and

(iii) the language of the arbitration shall be English.

(c) **Court of Law**

(i) Notwithstanding Condition 19(b) (*Arbitration*) above, the Bondholders Agent, may in the alternative, and at its sole discretion, by notice in writing to the Issuer:

(A) within twenty eight (28) days of service of a Request for Arbitration (as defined in the Rules); or

(B) in the event no arbitration is commenced, require that a Dispute be heard by a court of law. If the Bondholders Agent gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 19(d) (*Submission to Jurisdiction*) and, subject as provided below, any arbitration commenced under Condition 19 (b) (*Arbitration*) in respect of that Dispute will be terminated. Each of the parties to the terminated arbitration will bear its own costs in relation thereto.

(ii) If any notice to terminate the arbitration in accordance with this Condition 19 is given after service of any Request for Arbitration in respect of any Dispute, the Bondholders Agent must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by a court of law. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

(A) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(B) his entitlement to be paid his proper fees and disbursements; and

(C) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

(d) **Submission to Jurisdiction**

In the event that a notice pursuant to Condition 19(c) (*Court of Law*) is issued, the following provisions shall apply:

(i) subject to paragraph (iii) below, the Omani courts shall have exclusive jurisdiction to settle any Dispute and the Issuer irrevocably submits to the exclusive jurisdiction of such courts;

(ii) the Issuer agrees that the Omani courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(iii) this Condition 19(d) is for the benefit of the Bondholders Agent (for and on behalf of the Bondholders) only. As a result, and notwithstanding paragraphs (a) and (b) above, the Bondholders Agent may take proceedings relating to a Dispute (***Proceedings***) in any other court with jurisdiction. To the extent allowed by law, the Bondholders Agent may take concurrent Proceedings in any number of jurisdictions.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Bondholders Agent. Unless otherwise defined below, defined terms used below have the meaning given to them in the Conditions.

1 **Agency Agreement**

The Agency Agreement will be entered into on or around the Issue Date by the Muscat Clearing and Depository Co. S.A.O.C. in its capacity as Bondholders Agent and the Issuer and will be governed by Oman law.

Under the Agency Agreement, the Bondholders Agent agrees to act as representative of the collective interest of the Bondholders. The Bondholders Agent's obligations under the Agency Agreement include:

(a) monitoring material contracts, events, actions and announcements (including publication of annual financial statements) entered into or announced by the Issuer, from time to time;

(b) confirming from time to time that the Issuer is complying with its obligations under the Conditions;

(c) acting upon any reasonable request of a Bondholder, the auditors of the Issuer, the MCI, Central Bank of Oman, the MSM, the CMA, or the Issuer itself, who may alert the Bondholders Agent to a situation which may constitute an event which has, or potentially may have, a material effect on the rights of the Bondholders; and

(d) acting as an intermediary with the aim of resolving any material dispute arising between the Issuer and Bondholders.

In the event that the Issuer breaches any term of a Transaction Document, fails to make a payment when due in accordance with the Conditions or in the event that any material event takes place which in the opinion of the Bondholders Agent is deemed to have, or potentially have, a material adverse effect on the rights of the Bondholders, the Agency Agreement provides that the Bondholders Agent shall have the right to take actions to protect the rights of the Bondholders in accordance with the procedures set out in the Agency Agreement. The procedures set out in the Agency Agreement to be followed by the Bondholders Agent are summarised below:

(a) The Bondholders Agent upon becoming aware of a breach of obligations under the Conditions or the Transaction Documents, breach of applicable regulation, negligent act, or similar act or omission on the part of the Issuer, forthwith bring such matter to the attention of the Issuer, by way of written letter addressed to the chief executive officer of the Issuer.

(b) The Bondholders Agent and the Issuer shall then use their best endeavours to address and remedy the relevant breach. Where appropriate and to the extent agreed with the Issuer, the Bondholders Agent shall be entitled to take decisions and actions on behalf of Bondholders without calling a meeting of Bondholders.

(c) In the event that the Issuer fails to remedy a breach of obligations under the Conditions or the Transaction Documents, breach of applicable regulation, negligent act, or similar act or omission on the part of the Issuer a reasonable time period of having been given due notice by the Bondholders Agent to do so, or in the event that the Issuer commits an act which may have a material adverse effect on the rights of the Bondholders, the Bondholders Agent is entitled to take such actions as it deems appropriate. Where possible and practical, the Bondholders Agent shall act in accordance with the instructions of the Bondholders issued in accordance with the Conditions.

The Agency Agreement provides that the Issuer shall provide to the Bondholders Agent the quarterly financial results of the Issuer and a copy of all notices of general meetings of the shareholders of the Issuer. The Agency Agreement also provides that the Bondholders Agent shall be entitled to attend general meetings of the shareholders of the Issuer and shall be entitled to address such meetings where deemed appropriate by the chairman of such meeting.

2 **Paying Agency Agreement**

The Paying Agency Agreement will be entered into on or around the Issue Date between Muscat Clearing and Depositary Company S.A.O.C. (in each of its capacities as the Bondholders Agent and the Paying Agent) and the Issuer and will be governed by the laws of Oman. Pursuant to the Paying Agency Agreement, the Issuer agrees to cause to be deposited into a transaction account (the ***Transaction Account***), which account shall be nominated and operated by the Paying Agent on behalf of the Issuer for the benefit and use of the Bondholders, in same day freely transferable funds no later than three (3) Business Days before any Interest Payment Date or any Mandatory Settlement Date or any other date on which a payment is due to a Bondholder in accordance with and pursuant to the Conditions an amount equal to the amount due on such date.

Under the Paying Agency Agreement, the Paying Agent agrees to do all such acts as are reasonably necessary to pay on behalf of the Issuer or, as the case may be, the Bondholders Agent, on each date on which any payment becomes due and payable, in same day freely transferable funds, such amounts are as are then payable to

Bondholders in accordance with the Conditions and in accordance with each Bondholder's entitlement under the Bonds as per the records maintained with the Registrar. The Paying Agent shall discharge this obligation by making electronic transfers of any such amount in OMR directly to the registered account of each Bondholder or if a Bondholder does not have a registered account, by cheque drawn on a bank in the name of such Bondholder mailed to the registered address of such Bondholder. The term "registered account of each Bondholder" is defined in the Paying Agency Agreement to mean the account maintained by or on behalf of that Bondholder with a bank that processes payments in OMR, details of which appear on the Register (as defined below) at the close of business one Business Day before the day on which the relevant payment is to be made.

3 **Registrar Agreement**

The Registrar Agreement will be entered into on or around the Issue Date between Muscat Clearing and Depositary Company S.A.O.C (in each of its capacities as the Bondholders Agent and the Registrar) and the Issuer and will be governed by the laws of Oman. Pursuant to the Registrar Agreement, the Registrar will agree to carry out certain services, including the following:

(a) recording, maintaining and managing the Register;

(b) recording and maintaining records of all payments made by the Paying Agent on behalf of the Issuer from time to time;

(c) allowing the Issuer to gain access to and make copies of the Register and any information relating to the Bondholders maintained by the Registrar or the Bondholders Agent from time to time;

(d) notifying the Paying Agent in writing of the payment obligations of the Issuer under the Conditions at least ten (10) Business Days prior to such payments becoming due;

(e) within five (5) Business Days of the Issue Date, issue each Bondholder with a confirmation confirming the number of Bonds held by such Bondholder;

(f) ensuring that the Register has been automatically updated within three (3) Business Days of submission of a duly executed Transfer Form to the MSM by a Broker to record the transfer of the relevant Bonds;

(g) within five (5) Business Days of any transfer of Bonds by a Bondholder, updating the Register and sending to each of the transferor and the transferee of the Bonds a confirmation setting out their new or updated (as applicable) holding of the Bonds; and

(h) making such entries to the Register as are required to give effect to transfers of holdings of the Bonds in accordance with the rules and requirements of the Registrar, the MSM and the Executive Regulations.

USE OF PROCEEDS AND THE ESTIMATED TOTAL EXPENSES OF THE ISSUER IN CONNECTION WITH THE ISSUE AND OFFERING OF THE BONDS

USE OF PROCEEDS

The net proceeds of the issue of the Bonds shall be used to:

(a) provide funds for the Issuer's general corporate purposes and future growth;

(b) develop alternate sources of funding; and

(c) optimise the capital structure.

THE ESTIMATED TOTAL EXPENSES OF THE ISSUER IN CONNECTION WITH THE ISSUE AND OFFERING OF THE BONDS

The estimated total expenses of the Issuer in connection with the issue and offering of the Bonds are estimated to be RO 670,000/- (Omani Rial Six Hundred and Seventy Thousand Only). The estimated total expenses, assuming full subscription of the Bonds, are equivalent to approximately 0.89% of the total expected gross proceeds of the Bonds. These expenses will be borne by the Issuer. The breakdown of the estimated expenses is set out in the table below:

Particulars	**Omani Rial**
Issuer Manager, Financial Advisor & Lead Arranger, Legal and Collecting Bank fees	622,500
CMA and listing fees	4,500
MCD (Agency fees)	25,000
Marketing & printing expenses	8,000
Miscellaneous expenses / contingency	10,000
TOTAL	**670,000***

These are estimates and may change as per the actuals

FINANCIAL HIGHLIGHTS

The Issuer prepares and presents its consolidated financial statements which comprise of the Parent Company (i.e. the Issuer itself) 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". These financial statements have been prepared in accordance with IFRS. The summarised financial performance of the Group and Issuer as per the 2017 Consolidated Audited Financial Statements, the 2016 Consolidated Audited Financial Statements and the 2015 Consolidated Audited Financial Statements is set out below. This Prospectus is to be read in conjunction with the Audited Annual Financial Statements and construed on the basis that the Audited Annual Financial Statements form part of this Prospectus.

Financial Highlights - Group

Figures in RO Million	2015	2016	2017
Total Revenues	140.8	217.5	237.4
Net Profit	37.2	37.6	33.6
Total Assets	2,248.8	2,396.5	2,451.3
Total Liabilities	1,917.2	2,000.1	2,107.8
Total Equity (including non-controlling interest)	331.6	396.5	343.5

Non-controlling interests' represents:

- 49% of OAB's equity is owned by the minority shareholder, Arab Bank PLC, Jordan. Accordingly, 49% of OAB's profit for the year is attributable to non-controlling interests.
- 21.74% of NLGIC's equity is owned by the public shareholder. Accordingly, 21.74% of NLGIC's profit for the year is attributable to non-controlling interests.

Group Consolidated Performance in 2017

For the year ended 31 December 2017, total Group revenues rose by 9.1% to RO 237.4 million while net profits dropped by 10.5% to RO 33.6 million, over the same period in 2016. Issuer's shareholders' share of the Group net profits stood at RO 20.5 million, compared to RO 23.9 million, a decline of 14% over the same period in 2016. While the major subsidiaries (OAB and NLGIC) performed well in 2017, the Issuer witnessed temporary weakness in the results of two of portfolio companies - ONIC and IGI. The Issuer believes that these companies will resume their growth trends in the years ahead and begin contributing in line with their expectations. Another source of lower profits at the Group level was the fact that the Group was unable to recognize capital gains resulting from the IPO of NLGIC due to International Accounting Standards. On the positive side, Group's leasing businesses, led by NFC, continued to deliver healthy profits despite challenging conditions in the broader financial services sector.

Group Consolidated Performance in 2016

Despite the macroeconomic challenges in 2016, the Group's performance in 2016 was relatively resilient and delivered healthy performance. The Group's prudent financial and risk management resulted in a strong balance sheet. In 2016, the Issuer created a new subsidiary - ONIC to house its financial investments across private and public equities and fixed income, and was the major contributor to the Group revenue in addition to the revenue generated from existing two subsidiaries - OAB and NLGIC and four associates - IGI, NFC, OOLC and AAIC.

As a revenue diversification strategy, the Group with its strategic partners also established U Capital in November 2016 with a vision to create a leading independent investment banking platform with major business divisions that include: Corporate Finance, Asset Management, Brokerage and Custody Services – covering local and regional markets.

For the year ended 31 December 2016, Group's total revenues rose by 55% to RO 217.5 million and Group's net profit grew by 1% to RO 37.6 million over the same period in 2015. Issuer's share of the Group's net profit stood at RO 23.9 million, compared to RO 22.9 million, a growth of 4% over the same period in 2015. The growth in net profit was attributable mainly to the strong growth in ONIC which recorded total investment income of RO 7.1 million for the year ended 31 December 2016. In addition, NLGIC's net profit rose by 8% over the same period in 2015. Overall, this was partially offset by the decline of 16% in OAB's net profit. The share of profit from other 11 associate companies also contributed to the growth of Group's net profit for the year ended 31 December 2016.

Financial Highlights – Issuer (Parent Company)

Figures in RO Million	2015	2016	2017
Total Revenues	19.5	35.2	37.7
Net Profit	13.6	24.8	27.9
Total Assets	320.6	379.2	387.7
Total Debt	102.5	138.9	139.3
Total Equity	215.5	237.6	246.0
Gearing Ratio	32.0%	36.6%	36.0%
Net Debt / Equity	47.1%	57.8%	56.3%
Return on Average Equity	9.9%	10.9%	11.5%

Issuer's borrowings:

Figures in RO Million	2015	2016	2017
Bank Borrowings	**102.5**	**138.9**	**139.3**
- **Due within 1 year**	52.5	61.1	91.8
- **Due in more than 1 year**	50.0	77.8	47.5

The borrowings are mainly to fund Issuer's investment activities. All outstanding borrowings are due for settlement within one (1) to five (5) years. Term loans are unsecured and carry an average interest rate of 4.04% (2016: 3.30%).

Capital Management

The Issuer's objectives is 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. The Issuer's strategy is to maintain the gearing ratio at an acceptable level. The gearing ratio at 31 December 2015, 2016 and 2017 for the Issuer was 32.0%, 36.6% and 36.0% respectively.

Figures in RO '000	As on 31.12.2015	As on 31.12.2016	As on 31.12.2017
Bank Borrowings	102,500	138,900	139,300
Less: bank balances and cash	(1,112)	(1,564)	(878)
Net Debt (a)	101,388	137,336	138,422
Total Equity (b)	215,484	237,603	246,001
Total Capital (c = a + b)	316,872	374,939	384,423
Gearing Ratio (a/c)	**32.0%**	**36.6%**	**36.0%**

Parent Company (Issuer) Performance in 2017

For the year ended 31 December 2017, total revenues rose by 7% to RO 37.7 million and net profit by 12% to RO 27.9 million, over the same period in 2016. The increase in the Parent Company's 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. During second-half of 2017, NLGIC successfully completed its IPO at a total valuation of RO 85 million. The Issuer sold 25% of its stake in NLGIC, resulting in net proceeds of RO 20 million.

Major Subsidiaries (2017)

Investment in Subsidiaries	2017		2016	
	Holding %	**Carrying Value (RO Million)**	**Holding %**	**Carrying Value (RO Million)**
OAB	50.99	140.50	50.99	129.05
NLGIC	73.45	46.81	97.93	57.44
ONIC	99.00	38.51	98.00	25.38

Investment in Subsidiaries	2017		2016	
ORIS	99.98	0.33	99.98	0.72
Others	NA	2.24	NA	1.73
Total	**--**	**228.40**	**--**	**214.32**

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. OAB reported a profit of RO 26.5 million for the year ended 31 December 2017 compared to RO 24.5 million, a growth of 8% over the same period in 2016. It increased its Loans & Advances by 4% to RO 1.65 billion compared to RO 1.59 billion at 31 December 2016. Customer deposits rose by 7% to RO 1.75 billion compared to RO 1.63 billion at 31 December 2016. The shareholders' funds increased by 9% to RO 276 million compared to RO 253 million as at 31 December 2016.

NLGIC reported a gross insurance premium of RO 116.1 million compared to RO 96 million 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 8.4 million compared to RO 4.7 million for the same period of last year, a growth of 78.7%. 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.

In November 2017, NLGIC listed its shares on MSM through an IPO and the Issuer divested 25% of its stake. Further, a stake of 4.81% was acquired by the Group Company from the secondary market. As a result of divestment though this IPO, the net proceeds for the Issuer were RO 20 million and an amount of RO 4.8 million was recorded as “realized gain on sale of subsidiary” in the profit and loss statement of the Parent Company.

ONIC is the Issuer’s 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 1.13 million 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. The Issuer expects ONIC to further expand and diversify its investment portfolio, which will result in recurring investment income stream in the years ahead.

Major Associates (2017)

Investment in Associates	2017		2016	
	Holding %	Carrying Value (RO Million)	Holding %	Carrying Value (RO Million)
Oman Orix Leasing Company S.A.O.G.	--	--	35.00	15.38
National Finance Company S.A.O.G.	25.56	12.57	25.56	11.75
Oman Chlorine S.A.O.G.	--	--	15.11	7.32
National Detergent Company S.A.O.G.	--	--	20.94	2.81
National Biscuit Industries Ltd. S.A.O.G.	--	--	28.92	1.43
Al Ahlia Insurance Company S.A.O.G.	24.30	10.35	20.03	9.23
Takaful Oman Insurance SAOG	17.35	3.23	--	--
International General Insurance Holding Limited	20.00	30.44	20.00	30.35
Ubhar Capital S.A.O.C.	36.00	5.331	36.00	4.32
National Finance House B.S.C.	17.47	2.93	17.47	2.82
Modern Steel Mill LLC	19.49	3.87	19.49	3.65
Shamal Plastic Industries LLC	15.00	0.73	15.00	0.71
Gulf Acrylic Industries LLC	15.00	0.51	15.00	0.51
Total	**--**	**69.96**	**--**	**90.28**

During the year 2017, Issuer's share of profit in the associate companies stood at RO 7.0 million compared to RO 7.99 million, a decline of 12.4%. While NFC, OOLC and AAIC delivered strong results, the overall decline was mainly due to the losses suffered by IGI due to 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, there was a significant decline in Issuer's share of profits from IGI. However, the Issuer expects IGI to recover from this one-off decline in profits and regain its footing in 2018.

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 Issuer's investment in OOLC was classified as FVOCI (fair value through other comprehensive income) as of reporting date. Also during the year, the Issuer divested its investments in National Detergent Company S.A.O.G., Oman Chlorine S.A.O.G. and National Biscuit Industries S.A.O.G. for a consideration of RO 11.5 million.

During the year, AAIC listed its shares on MSM through an IPO. As part of IPO offerings the Issuer divested 5.01% from its holding for a net consideration of RO 1.4 million. Post IPO, the Issuer acquired an additional stake of 9.28% valued at RO 3.0 million from secondary market.

Parent Company (Issuer) Performance in 2016

For the year ended 31 December 2016, total revenues rose by 80% to RO 35.2 million and net profit rose by 82% to RO 24.8 million, over the same period in 2015. The increase in the Parent Company's net profit was mainly due to the strong growth in ONIC and the fact that Issuer's share of profit from five (5) associates in previous year represented only four (4) months of the year as against full year in 2016. The Issuer tightly controlled its operating expenses, which stayed flat compared to last year. Cost to Income Ratio stood at around 12%, among the lowest versus peers in the region. As at 31 December 2016, total assets of the Parent Company increased by 79% to RO 379 million compared to RO 321 million at 31 December 2015. Similarly, shareholders' equity of the Parent Company rose to RO 238 million compared to RO 215 million as at 31 December 2015. The Parent Company's Debt / Equity ratio at the end of the 2016 was 58%.

Major Subsidiaries (2016)

Investment in Subsidiaries	2016		2015	
	Holding %	Carrying Value (RO Million)	Holding %	Carrying Value (RO Million)
OAB	50.99	129.05	50.99	115.25
NLGIC	97.93	57.44	97.93	39.57
ONIC	98.00	25.38	98.00	19.17
ORIS	99.98	0.72	99.98	0.73
Others	NA	1.73	NA	2.74
Total	**-**	**214.32**	**-**	**177.46**

OAB increased its Net Loans & Advances by 5% to RO 1.59 billion and customer deposits by 2% to RO 1.63 billion as at 31 December 2016 over the same period in 2015. It reported a net profit of RO 24 million for the year ended 31 December 2016, a decline of 16% as compared to previous year, primarily due to sudden rise in cost of funding amid a liquidity crunch, drop in non-interest income and sharp rise in provisions.

NLGIC continued its high growth with net insurance premiums rising by 25% to RO 57 million for the year ended 31 December 2016, signifying the underlying growth in the broader insurance sector and more importantly major gains in its market share. NLGIC's net profit rose by 8% to RO

4.7 million over the same period in 2015. NLGIC's growth prospects are strong and its recurring revenues from insurance business are stable.

ONIC manages all financial investments of Issuer across private equity, public equity, fixed income and other structured investments, reported total investment income of RO 7.1 million for the year ended 31 December 2016.

Major Associates (2016)

Investment in Associates	2016		2015	
	Holding %	Carrying Value (RO Million)	Holding %	Carrying Value (RO Million)
Oman Orix Leasing Company S.A.O.G.	35.00	15.38	35.00	14.20
National Finance Company S.A.O.G.	25.56	11.75	25.56	10.93
Oman Chlorine S.A.O.G.	15.11	7.32	15.11	7.12
National Detergent Company S.A.O.G.	20.94	2.81	20.94	2.71
National Biscuit Industries Ltd. S.A.O.G.	28.92	1.43	28.92	1.28
International General Insurance Holding Limited	20.00	30.35	20.00	28.33
Al Ahlia Insurance Company S.A.O.C.	20.03	9.23	20.03	8.97
Ubhar Capital S.A.O.C.	36.00	4.32	--	--
National Finance House B.S.C.	17.47	2.82	17.47	2.69
Modern Steel Mill LLC	19.49	3.65	19.49	3.79
Shamal Plastic Industries LLC	15.00	0.71	15.00	0.69
Gulf Acrylic Industries LLC	15.00	0.51	15.00	0.49
Total	**--**	**90.28**	**--**	**81.20**

Investment in the eleven associates comprises five associates listed on the MSM and six unquoted associates. During the year 2016, share of profit in the associate companies rose to RO 8.0 million compared to RO 3.8 million, a growth of 110%, mainly driven by the merger with ONICH on 19 August 2015.

Dividend Policy of the Issuer

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

The Issuer has a track record of consistently paying dividend since its inception. The Issuer's objective is to provide its shareholders with a reasonable and consistent annual cash return on their investment in the share capital of the Issuer.

In 1983, the Issuer was set up with a paid up share capital of RO 8.0 million and over the years its paid up share capital has grown to RO 69.9 million (as on 31 December 2017). Against this the Issuer has paid aggregate cash dividend of RO 90.1 million to its shareholders since inception. In addition, aggregate stock dividend of RO 36.99 million has been distributed since inception.

The Board has also proposed a cash dividend of 15 baisa per share (totaling RO 10.5 million) and a stock dividend of 10 shares for every 100 shares (totaling RO 6.99 million), representing 15% and 10% of the paid-up capital; respectively, which has been approved by the shareholders in the annual general meeting scheduled on 27 March 2018.

BUSINESS DESCRIPTION OF THE ISSUER AND THE GROUP

History

Oman International Development and Investment Company S.A.O.G. (the *Issuer*) is an Omani public joint stock company and was established in 1983 and registered in accordance with the laws of Oman. Issuer's principal place of business and registered address is: Al Shatti Al Qurum, Way No. 3036, Building No. 2832, Fourth Floor, P O Box 3886, Ruwi, Postal Code 112, Oman. Its commercial registration number is 1173774.

The Issuer's authorised share capital is 900,000,000 shares of 100 baisa each. At 31 December 2017, 699 million shares of 100 baisa each have been issued and are fully paid resulting in a share capital of RO 69.9 million.

The Issuer and its consolidated Group Companies (as defined in the Conditions) (the ***Group***) have operations predominantly in Oman. The Issuer is the overall holding company of the Group. As the holding company of the Group, the Issuer is largely dependent on the performance of its operating Subsidiaries and the payment of dividends by them.

The Issuer is a publicly listed company with diversified sources of income. It is among the longest established investment companies in the GCC. It has an operating history of more than thirty four (34) years with an extensive footprint in Oman across various asset classes including banking, asset management and advisory, insurance and real estate. The Issuer, through its prudent approach and long-standing expertise founded in deep knowledge of the sectors and asset classes in which it invests, has delivered consistent performance from its portfolio of investments through the various economic cycles. The Issuer's flexible business model and strong financial profile has made it into a preferred counterparty during periods of economic weakness and market volatility.

The "Ominvest" brand signifies dependability, continuity and success, as the Issuer has demonstrated its ability to consistently achieve stable earnings and returning dividend despite difficult conditions over an extended period of time.

The Issuer is listed on MSM and is a constituent of MSM 30 index. Its market capitalisation as on 31 December 2017 was RO 326 million and has more than 2,500 shareholders comprising both institutional and individual investors mainly from Oman and the GCC.

In August 2015, the Issuer merged with ONICH resulting in a significantly larger investment entity. Post-merger (with ONICH), the Issuer created a new subsidiary ONIC with a paid up capital of RO 20 million. ONIC was created with the intention that the Issuer will focus on its core investments, while ONIC will manage all non-core and other financial investments of Issuer across private equity, public equities, fixed income and other specialised or structured investments.

Objectives and Business Strategy

Issuer's stated objectives are to provide its shareholders with a consistent annual return on their capital, together with an opportunity to participate in long-term gains from its investments within and outside Oman. The Issuer aims to enhance shareholders' value by generating above market returns on share capital with sustainable long term growth.

In order to diversify its investment portfolio, the Issuer explores opportunities within and outside Oman with the dual goal of growth in earnings and mitigating earnings volatility. The Issuer also aims to participate in ventures that contribute to the economic development of Oman and to function as a fully integrated investment and financial services group. The Issuer adheres to the strictest standards of corporate governance and has been consistently ranked among the top twenty (20) businesses operating within Oman according to the leading business publication, Oman Economic Review (Source: 17th Annual review of Oman's top twenty (20) listed companies for 2015 published on 08 May 2016 and OER Top 20: Weathering the Storm published on 05 May 2015).

Strategic Investments	Financial Investments	Fee-based Activities
• Banks • Insurance • Leasing • Growth Sectors	• Public Equities • Private Equity • Real Estate	• Investment Banking • Capital Markets • Asset Management

Sustainable Shareholders' Returns

The Issuer is currently focussed on the following six major initiatives:

(a) increasing its stake in the banking sector and improve the performance of its existing strategic investments in the banking sector;

(b) expanding its footprint in the GCC insurance sector through organic expansion and acquisitions;

(c) exploring strategic collaborations among leasing associates to realise synergies (merger has already commenced between OOLC and NFC and the merger will create Oman's largest NBFC);

(d) building and growing investment banking and asset management platform to generate fee income from corporate finance & advisory, asset management, brokerage, research and custody services (example: U Capital);

(e) developing a diverse portfolio of high quality financial investments in public and private equity through ONIC; and

(f) establishing a real estate investment and projects advisory business to build high quality real estate assets in Oman and to provide project advisory services to group companies (example: ORIS).

The Issuer believes that these initiatives will assist in diversification of its revenue streams as well as create durable value for its shareholders.

Shareholders

The major shareholders of the Issuer include: U Capital – Asset Management / Local Trust, Al Hilal Investment, OIF, CSEPF and Public Authority for Social Insurance amongst others.

Shareholder's name	Shareholding
U Capital – Asset Management / Local Trust	24.08%
Al Hilal Investment	20.09%
Civil Service Employees' Pension Fund	11.45%
OIF	5.00%
Public Authority for Social Insurance	3.80%

Issuer's Subsidiaries include:

Subsidiaries	Activity	Country	Status
Oman Arab Bank S.A.O.C.	Banking	Oman	Subsidiary (50.99%)
National Life & General Insurance Company S.A.O.G.	Insurance	Oman	Subsidiary (73.45%)
Oman National Investment Corporation S.A.O.C.	Investment	Oman	Subsidiary (99.00%)
Oman Real Estate Investment & Services S.A.O.C.	Investment	Oman	Subsidiary (99.98%)

Subsidiaries	Activity	Country	Status
Salalah Resorts S.A.O.C.	Integrated Tourism	Oman	Subsidiary (99.99%)
Al Jabal Al Aswad Investment LLC	Tourism	Oman	Subsidiary (99.98%)
Budva Beach Properties doo	Tourism	Montenegro	Subsidiary (100.00%)

Brief Descriptions of Major Subsidiaries

Oman Arab Bank S.A.O.C.

OAB has contributed significantly to the Issuer's success since OAB's inception. OAB was established in October 1984 with Ominvest (51%) and Arab Bank PLC of Jordan (49%) as principal shareholders. OAB operates more than 65 branches and offices and has more than 135 ATMs across Oman and provides a range of products and services in retail banking, corporate and project finance, investment banking, and trade finance. As of December 30, 2017, the OAB's total assets stood at RO 2.14 billion and a net worth of RO 305.54 million. In FY 2017, OAB earned an interest income of RO 88.1 million as against RO 77.7 million in 2016. The average cost of funds for this period was 1.81% (30 September 2016: 1.52%). Net loans and advances as on 30 December 2017 were RO 1.65 billion up by 3.7% on y-o-y basis. Customer deposits were RO 1.7 billion, up by 6.7% on y-o-y basis. The net profit for the period from continuing operations were RO 26.5 million, up by 81% on y-o-y basis. OAB maintains a healthy CAR and as on 31 December 2017 it reported a CAR of 15.70% as against 13.25% as required by the CBO. OAB employed 1,172 staff as at 30 September 2017. In July 2017, Moody's assigned long-term deposit ratings of Baa3 with a negative outlook to OAB.

National Life & General Insurance Company S.A.O.C.

NLGIC was established in 1995 and is engaged in the business of life and general insurance within the Oman, UAE and Kuwait. Subsequent to the merger of ONICH with Issuer, NLGIC became a subsidiary of the Issuer. NLGIC offered 25% of its shares through an IPO (in December 2017) and was listed on the MSM. Post IPO, Issuer's stake is reduced to 73.45% from 97.93%. NLGIC is a dominant player in health insurance industry with a market share of over 65% in Oman and is well recognized brand, providing insurance protection to nearly 200,000 individuals. It has a network of seventeen (17) branches in Oman, two (2) branches in UAE and one (1) in Kuwait and also has a strong network of intermediary brokers and agencies with around two hundred (200) combined touch point for policy sales and servicing in Oman, UAE and Kuwait. NLGIC's gross written premiums recorded a CAGR of 21.2% during the period 2012-17 and reached RO 114.6

million in 2017. Net PAT in 2017 was RO 8.4 million as compared to RO 4.7 million during 2016 (higher by 78%). NLGIC's business strategy has been focused upon creating new markets through launch of innovative products and expanding distribution sales points. The future growth strategy of NLGIC is focused on the following areas: (1) business growth in existing markets by increasing its market share in Oman motor insurance segment; (2) mass selling of retail products through bancassurance; (3) backward integration into medical networks through purchase of a third party administration services; and (4) enter new GCC markets through branch and / or associate model. As of 31 December 2017, NLGIC's market capitalisation stood at RO 113.2 million. In April 2017, A.M. Best affirmed the financial strength rating of B++ (Good) with a stable outlook. The ratings reflect NLGIC's financial strength and creditworthiness.

Oman National Investment Corporation S.A.O.C.

ONIC was established in October 2015 and manages Issuer's non-strategic financial investments (both public and private). ONIC business structure focuses on building its investment portfolio across strategic and non-strategic financial investments and its investment philosophy is to achieve high risk-adjusted returns by making few high-quality investments in durable and profitable businesses at attractive valuations and holding them for the long term. ONIC currently manages public and private equity assets worth over RO 200 million of the Group. ONIC is well positioned to grow and diversify in new sectors and markets. ONIC's long term plans are: (1) creating opportunities relating to advisory services for private equity investments in Oman and international markets; (2) diversifying away from the financial sector and into education, healthcare, technology, logistics, retail and other growth sectors; and (3) building on core competencies and track record to help improve profitability and foster growth by exhibiting positive investment returns and successful exits.

During Q4 2017, ONIC purchased 167.8 million shares of the Issuer (representing 24% stake) at the cost of RO 81.5 million. Other notable investments include stakes in Bank Muscat S.A.O.G., Ahli Bank S.A.O.G., Horizon (AD) Investments Ltd, etc.

Oman Real Estate Investment and Services

ORIS was established in 2016 to carry out all real estate activities including investments, advisory and project management in Oman as well as to provide project advisory services to the Group Companies and its affiliates. Currently ORIS is developing Ominvest Business Centre at Muscat Hills in Oman which is an ITC and has freehold status and is thus available for both local and foreign investment. Additionally, ORIS also provides project and real estate advisory services to group companies. ORIS also owns and manages one residential and one commercial property in Ruwi area that has high occupancy rates and generate consistent rental income for the Issuer. Additionally, ORIS also provides project advisory services to Group Companies with matters pertaining to real estate. ORIS also manages real estate Subsidiaries of the Issuer namely; Budva Beach Properties doo and Salalah Resorts S.A.O.C. With respect to Budva Beach Properties doo, the Issuer plans to develop a touristic-residential property in Montenegro. The proposed project is expected to be beach-front mixed use development located in Budva, Montenegro, on the Adriatic Coast. Budva Beach Properties doo owns the land and is currently exploring partnership to develop the project. With respect to Salalah Resorts S.A.O.C., it is an ITC project and is in the process of developing a real estate tourism project in Salalah. The Issuer is considering suitable business partners for joint investment to develop the project.

Issuer's Associates

Associates			
Quoted	**Holding %**	**Unquoted**	**Holding %**
National Finance Company S.A.O.G.	25.56%	International General Insurance Holding Limited	20.00%
Al Ahlia Insurance Company S.A.O.G.	24.30%	Ubhar Capital S.A.O.C.	36.00%
Takaful Oman Insurance S.A.O.G.	17.35%	NFH	17.47%
		Modern Steel Mill LLC	19.49%
		Shamal Plastic Industries LLC	15.00%
		Gulf Acrylic Industries LLC	15.00%

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 Issuer does not attempt to play a role in the day to day management of its independent Subsidiaries and Associates. Instead, Issuer's management concentrates on broader strategic initiatives such as intra-group mergers and acquisitions, alignment of asset allocation for investment portfolios at the subsidiary level, and possible product and / or marketing synergies between group companies.

As at 31 December 2017, the Issuer's investments in its Associates amounted to RO 70.0 million. Based on carrying value, 38% of the investments are quoted investments and the balance is unquoted.

Quoted Associates

National Finance Company S.A.O.G (now merging with Oman Orix Leasing Company S.A.O.G.).

NFC and OOLC have signed a merger agreement on 27 December 2017 (the **Merger**).

NFC was established in 1987, and is regulated by the CBO. It has twelve (12) branches across Oman and the principal activity is leasing business and derives its revenue from financing operations, factoring and working capital funding within Oman. Based on net finance assets of all listed leasing companies in Oman, NFC has a market share of 19% as on 30 September 2017. NFC's FY 2017 net loans and advance book were reported to be at RO 200.5 million. The retail portion of net loans and advances were 59% and the rest was corporate portion.

OOLC was established in 1994 and is also regulated by the CBO. It has eight (8) branches across Oman and its principal activity is leasing of motor vehicles, equipment, plants and machinery. OOLC derives all of its income from leasing, factoring and working capital operations within Oman. Based on net finance assets of all listed leasing companies in Oman, NFC has a market share of 19% as on 30 September 2017. OOLC's net loans and advance book were reported to be at RO 200 million and the retail portion of net loans and advances were 38% and the rest was corporate portion.

NFC and OOLC Merger Impact

The Merger will create Oman's largest NBFC; and will surpass the largest NBFC, AOFS, in terms of net finance assets. The current largest NBFC is AOFS with net finance assets of RO 225 million, and a market share of 22% (based on of total net finance assets of the leasing sector of Oman as on 30 September 2017 (listed companies only)). With NFC and OOLC each with a market share of 19%, the merged entity is expected to have a market share of approximately 38% with pro-forma net finance assets worth over RO 400 million, thus becoming the largest NBFC in Oman. The merged entity: (1) will be cost efficient as it is expected to improve synergies between the two entities post-merger; (2) will likely be able to finance larger projects in lieu of a larger capital base and higher leverage potential; (3) will be in a better position to negotiate better interest rates with banks for its loans as the merged entity will improve leverage metrics; (4) will have a well-diversified financing portfolio split evenly between retail and corporates; (5) will be well positioned for expansion, support SMEs and enhance Omanization; (6) will have improved key performance indicators.

OOLC's board of directors, in the extraordinary general meeting held on December 13, 2017, approved the merger of itself with NFC, and informed its shareholders of the Merger consideration that OOLC's shareholders will be entitled to receive, as under:

(a) cash consideration: For each share held in OOLC, the shareholder will be entitled to receive RO 0.190 per share (One Hundred Ninety Baizas per share); or

(b) Swap Ratio: For each share of the OOLC, the shareholders will be entitled to receive 0.9029 share of NFC.

Each shareholder of OOLC is requested to intimate in writing by 5.00 PM on March 20, 2018 as to whether it decides to receive cash consideration or shares of NFC. Shareholders who do not confirm their decision by March 20, 2018, will automatically receive shares of NFC.

Al Ahlia Insurance Company S.A.O.G.

AAIC is one of the oldest non-life insurance company in Oman. It merged with multinational RSA Group in 2010/11, and as a result it became the leading local company with the expertise and support of a global leader. The RSA Group is involved in the multinational general insurance business with core markets including the United Kingdom, Ireland, Scandinavia, Canada and the Middle East with the capability to write business across the globe. RSA Group has more than 13,500 employees, 9 million customers, presence in over 100 countries and net written premiums of RO 3.8 billion in 2015. RSA Group is the ultimate parent company of AAIC and the Issuer owns 24.30% stake in AAIC. AAIC offers a wide range of products and services for both the commercial and retail sector. Retail: motor, travel, personal accident and home products. Commercial: property, casualty, motor, construction, marine, professional and specialty lines. Some of the key achievements include: Oman Insurer of the Year 2011, 2012, 2014 & 2015 by MENA Insurance Review, Trusted Insurance Brand 2015, Oman Economic Review and Insurer of the Year 2017 (Overall) by MENA Insurance Review. The Issuer owns 24.30% stake in AAIC and it reported a PAT of RO 3.7 million in FY17.

Takaful Oman Insurance S.A.O.G.

TOI is incorporated as a public joint stock company in Oman. The principal activity of TOI is to manage general and family Takaful activities by applying hybrid model by applying Wakala and Mudaraba models. TOI operates in accordance with Islamic Shari'a principles. The Issuer owns 17.35% stake in TOI and it reported a PAT of RO 1.9 million in FY17.

Unquoted Associates

International General Insurance Holding Limited

IGI was established in 2001 and is registered in the Dubai International Financial Centre with operations in Bermuda, London, Amman, Kuala Lumpur and Casablanca. IGI specialises in wholesale insurance and reinsurance, underwriting energy, property, financial institutions, ports & terminals, construction & engineering, general aviation, political violence, professional indemnity, directors' and officers', casualty, forestry and proportional and non-proportional reinsurance treaty business. IGI is rated '**A-**' with a '**stable**' outlook rating by S&P and '**A–**' (Excellent) with a '**stable**' outlook rating by A.M. Best. The Issuer owns 20.00% stake in IGI and it reported a PAT of RO 12.3 million in FY16.

Ubhar Capital S.A.O.C.

One of the key initiatives of the Issuer is to build and grow investment banking and asset management platform to generate fee income. To achieve this goal, U Capital was formed in November 2016 by Issuer with a 36% ownership, Arab Bank (Switzerland) Ltd. with 34% and OIF with 30%. U Capital acquired IMG business and is licensed by the CMA to carry comprehensive investment banking activities. U Capital started its operation in 2017 and its major business divisions include: Corporate Finance & Advisory, Asset Management, Brokerage, Research and Custody Services – covering local and GCC markets. U Capital is the number one brokerage in Oman with 21.6% market share (as on 31 December 2017) with a total traded value of approximately RO 427 Million in FY 2017 (Source: MSM Statistics 2017 as published on www.msm.gov.om).

National Finance House BSC

NFH was established in 2006 in Bahrain and specialises in providing consumer and corporate financing for the purchase of private, commercial and heavy vehicles. It is licensed by the Central Bank of Bahrain and has a paid-up capital of Bahraini Dinar (***BHD***) 7.5 million. The Issuer owns 17.47% stake in NFH and it reported a PAT of BHD 1.27 million in FY16.

Modern Steel Mill LLC

MSM LLC was established in 2001 at the Rusayl Industrial Estate, Oman and it manufactures steel billets utilising advanced electrical arc furnace technology. MSM LLC currently produces over 160,000 metric tons per annum, and its products are distributed across both Oman and the UAE. The Issuer owns 19.49% stake in the MSM LLC.

Shamal Plastic Industries LLC & Gulf Acrylic Industries LLC

GAIL and SPIL were established in 2001 within the Sohar Industrial Estate and is a shared endeavour between the Assarain Group, Zubair Corporation, Mohsin Haider Darwish Group, OAB and Issuer. The Assarain Group is established in Oman since 1976 and is one of the premier diversified trading and investment organisation within Oman with diverse involvements ranging from construction, manufacturing and infrastructure to real estate, consumer products, food distribution, travel, insurance, investments and health care. Assarain Group owns stakes in MSM LLC, SPIL and GAIL, all of which are classified as unquoted associate companies of the Issuer. The Mohsin Haider Darwish Group is established since 1987 in Oman with varied interests in trading, contracting, projects and manufacturing. Mohsin Haider Darwish Group owns stakes in SPIL and GAIL, which are classified as unquoted associate companies of the Issuer. As for Zubair Corporation, it is an industrial conglomerate and is involved in automotive, energy and logistics, engineering, construction and contracting, real estate and hospitality, financial services. The Issuer owns 15.00% stake in each of the entities. Both entities combined, are equipped with two (2) Italian Omipa extrusion lines, capable of offering a wide variety of extruded thermoplastic sheets conforming to international standards. Additionally, the extrusion lines are capable of producing co-extruded sheets, combining qualities of two (2) polymers in order to manufacture unique products tailored specifically towards distinctive client requirements.

Key Strengths of the Issuer

(a) **Stability and continuity:** An operating history spanning more than thirty four (34) years and during this period it has delivered consistent performance from its portfolio of investments. It is also one of the largest listed investment companies in Oman. It is a constituent of MSM 30 index and had a market capitalization of RO 326 Million (as on 31-Dec-17) (US$ 847 million).

(b) **Diversified investments and revenue base:** Holdings are well diversified across the banking, leasing and insurance segments hence reducing concentration risk. OAB, NLGIC and ONIC are highly profitable and are on a high growth trajectory. Similarly some of the key Associates in the leasing and insurance sectors remain in a strong position and continue to enhance shareholder value.

(c) **Strong and stable cash flows:** Steady profitability & uninterrupted dividend pay-outs – Issuer has paid dividends in each year since its inception in 1983.

(d) **Experienced, dynamic management team**: Strong and experienced management team, a well-defined strategy and investment philosophy and a solid risk management architecture.

(e) **Strong capital structure:** Moderate leverage, low cost to income ratio and debt to equity ratio within acceptable limits (post conclusion of this issuance, debt / equity ratio to improve further).

Corporate Governance

The Issuer adheres to its Articles of Association and the Commercial Companies Law of Oman (as amended) as well as the rules and regulations for listed companies issued by the MSM. Furthermore, the Issuer complies without exception with the Code.

Regulatory Environment and Compliance

The Issuer has track record for complying with all the prevailing laws and regulations. There have been no instances of non-compliance on any matter relating to the Code, CMA regulations or the MSM listing agreements in the past years. This is due to the strong governance and compliance infrastructure. The Issuer is continually assessing the impacts of legal and regulatory developments. The Issuer has adopted policies and enhanced its procedures aimed at detecting and preventing the use of its business and services for money laundering and related activities, applying systems and controls on a risk-based approach throughout its businesses and operations. The Issuer has policies and a dedicated department for managing existing and new legal and regulatory obligations.

Insurances

The Issuer adopts a conservative approach to risk management and insurance planning. The various insurance policies taken by the Issuer are – medical insurance to employees, group life insurance, directors and officers liability insurance and other general insurance (workmen compensation, property all risk, fidelity guarantee, money insurance, public liability, etc.).

Recent Developments

In the AGM held on 27 March 2018, the Board approved stock dividend to the shareholders representing 10% of the share capital, which resulted in increase of share capital from RO 69.9 million to RO 76.9 million.

The following were appointed to the Board for the new period:

- Mr. Jamal Shamis Saoud Al Hooti
- Mr. AbdulAziz Khalifa Abdallah Al Saadi
- Mr. Khalid Abdullah Al Khalili
- Mr. Taya Jandal Ali
- Mr. Majid Salim Saeed Al Araimi
- Mr. Khalid Muhammed Al Zubair
- Mr. Ceruseri Srinivasan Badrinath
- Ms. Khaula Hamood Abdullah Al Harthi
- Mr. Jamal Said Mohamed Al Tai
- Mr. Anwar Hilal Hamdoon Al Jabri

The Board of Directors elected Mr. Khalid Muhammed Al Zubair as Chairman of the Board and Mr. Khalid Abdullah Al Khalili as Deputy Chairman. Mr. Shadi Hamid Zghoul was appointed as Board Secretary.

Comparison of the three months ended 31 March 2018 with the three months ended 31 March 2017

The financial information set out in the tables below shows certain consolidated statement of financial position data for the Group and the Issuer as at 31 March 2018 and 31 March 2017. Such financial information has been extracted from the interim unaudited March 2018 consolidated financial position data and should be read in conjunction with the Group and the Issuer's Consolidated Audited Financial Statements set out elsewhere in this Prospectus.

On 15 April 2018, the Issuer announced interim unaudited financial results for three months ended 31 March 2018:

	Group		%		Parent Company (the Issuer)		%
	Mar-18	**Mar-17**	**Change**		**Mar-18**	**Mar-17**	**Change**
	- - - - RO '000 - - - -				- - - - RO '000 - - - -		
Total income	68,400	61,848	11%		12,593	11,935	6%
Total expenses	(56,407)	(50,580)	12%		(2,142)	(2,418)	-11%
Profit for the period	11,993	11,268	6%		10,451	9,517	10%
Profit attributable to:							
- Shareholders of Ominvest	8,331	8,258	1%		10,451	9,517	10%
- Non-controlling interest	3,662	3,010	22%				

These interim unaudited financial results are subject to finalisation and approval of respective Boards of the Subsidiaries and Associates. These interim unaudited financial results are subject to review by the Audit and Control Committee and approval by the Board of Directors of the Issuer.

In the preparation of the interim unaudited financial results, estimates and assumptions have been applied, which may affect assets, liabilities, revenues and costs. Actual figures may deviate from estimates applied.

MANAGEMENT AND EMPLOYEES

General

The Issuer has a highly experienced management team with a strong track record of success in multiple disciplines.

Board of the Issuer

Composition of the Board of Directors

The Articles of Association of the Issuer 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 Issuer as qualification shares. The election for the Board was held at the ordinary general meeting on 19 November 2015 for a term of three (3) years and the next election to the Board were held at the annual general meeting on the 27 March 2018. As of date 31 December 2017; Issuer had two vacant Board seats. 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 is in accordance with the Code:

(a) 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;

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

The Issuer held eight (8) Board meetings during the year ended 31 December 2017. 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.

Board of Directors as on 31 December 2017

Sr. No.	Name of Director	Position	Representation
1	Khalid bin Muhammad Al Zubair	Chairman	Al Hilal Investments
2	Khalid bin Abdullah Al Khalili	Deputy Chairman	Independent
3	Taya bin Jandal bin Ali	Director	Independent
4	Jamal bin Shamis Al Hooti	Director	Independent
5	C S Badrinath	Director	Zubair Corporation
6	Anwar Hilal Hamdoon Al Jabri	Director	Muscat Trading LLC
7	Majid bin Salim Al Araimi	Director	Independent

Sr. No.	Name of Director	Position	Representation
8	Abdul Aziz Khalifa Abdallah Al Saadi	Director	Civil Services Employees' Pension Fund

None of the Directors is a member of the board of more than four public joint stock companies whose principal place of business is in Oman, or is a chairman of more than two (2) such companies. Furthermore, no Director is a member of the board of directors of a joint stock company which practices similar activities to the Issuer and whose principal place of business is in Oman.

Board Committees

Audit and Control Committee: This committee comprises three (3) non-executive members: Anwar Hilal Al Jabri (Deputy Chairman), Jamal Shamis Al Hooti and Majid Salim Al Araimi. This committee monitors the performance of the external auditors and the internal audit function, and reviews and make recommendations in relation to the Issuer's internal systems and risk control policies. The Committee met five (5) times during the year 2017.

Nomination, Remuneration and Executive Committee : This committee comprises four (4) Board members, Khalid Muhammad Al Zubair (Chairman), Khalid Abdullah Al Khalili (Deputy Chairman), Taya Jandal Ali and CS Badrinath. This committee has the powers and authority to facilitate the smooth running of the operations of the Issuer and exercise all of the responsibilities of the Board within the limits set out in the Issuer's delegation of authority manual approved by the Board. The NREC is also responsible for nomination of competent directors and developing appropriate remuneration policies. The NREC met two (2) times during the year 2017.

Details of Chairmanship / Directorship appointments at other Institutions

Director	Other Directorships	
	Company	Position
Taya Jandal bin Ali	National Finance Co. S.A.O.G.	Chairman
Abdulaziz Khalifa Al Saadi	Bank Nizwa S.A.O.G.	Director
Khalid Abdullah Ali Al Khalili	Bank Nizwa S.A.O.G.	Director
	Al Ahila Insurance S.A.O.G.	Director
Majid Salim Said Al Fannah	Galfar Engineering & Contracting S.A.O.G.	Chairman

Director	Other Directorships	
	Company	Position
Al Araimi	A'Saffa Foods S.A.O.G.	Director
Anwar Hilal Al Jabri	Ahli Bank S.A.O.G.	Director
	Taageer Finance S.A.O.G.	Director
	National Life and General Insurance Co. S.A.O.G.	Chairman

Profile of Directors

Mr. Khalid bin Muhammad Al Zubair

Mr. Khalid bin Muhammad Al Zubair is the Chairman of the Issuer and represents the shareholding of Al Hilal Investments on the Board. Al Hilal Investment trades in global and GCC equity markets and invests in private equity and marketable investments and participates in co-investment opportunities in the MENA region and India. Al Hilal is one of the major shareholders of the Issuer and holds 20.09% stake in the Issuer. He is the Managing Director of Zubair Corporation, a leading private sector group in Oman with diverse business interests, where he is responsible for providing strategy, direction, support and leadership to the business. Khalid is a graduate of University of Arizona, USA with Bachelor Degree in Business Administration and also has a postgraduate qualification from Harvard Business School Owner/President Management Program.

Mr. Khalid bin Abdullah Al Khalili

Mr. Khalid Al Khalili is the Deputy Chairman of the Issuer and has over sixteen years' experience in varied fields. He is the Chairman of Aflag Group, a diverse group of operating companies. The Aflag Group is involved in a broad base of business activities including real estate development and associated construction and commercial sector. In the past he has held various senior management positions involving varied business disciplines which included finance, project management and real estate developments. Khalid is a member of NREC of the Issuer. Khalid is a graduate in Civil Engineering from Florida Institute of Technology, USA.

Mr. Taya bin Jandal bin Ali

Mr. Taya Jandal Ali is an independent Director in the Board. He has also served as the Chairman of the Issuer from 1996 to 2005. He is currently serving as the Chairman of NFC. During his service with the government, he was the Under Secretary to the advisor of His Majesty the Sultan for Economic Planning Affairs. Taya Jindal is a Diploma graduate of the Faculty of Extra Mural Studies, Cambridge University.

Mr. Jamal bin Shamis Al Hooti

Mr. Jamal Al Hooti is an independent Director in the Board. He is also a member of Audit and Control Committee of the Issuer. In the past he has served as the CEO of Oman Cement Company S.A.O.G. (a leading cement manufacturing company in Oman) and has also held the position of Assistant Director General of Industry in the Ministry of Commerce and Industry and served on the Board of Oman Mining Company and Oman Refinery Company (both government-owned), representing the Ministry of Commerce and Industry and Gulf Stone S.A.O.G. Jamal is a graduate from USA.

Mr. CS Badrinath

Mr. CS Badrinath represents the shareholding of Zubair Corporation on the Board. He has been serving with the Zubair Corporation for the past thirty seven (37) years handling different finance functions, till he took over the current position of the Group CEO of the Zubair Corporation. He is the member of all the monitoring and executive committees and shareholders' forum of the Zubair Corporation companies. He represents Zubair Corporation as a director in many of the public limited companies in which Zubair Corporation has an interest. Badrinath is an Associate Member of the Institute of Chartered Accountants of India. He is also an Associate Member of the Institute of Cost & Works Accountants of India.

Mr. Anwar Hilal Hamdoon Al Jabri

Mr. Anwar Al-Jabri represents the shareholding of Muscat Trading LLC on the Board. He has over eighteen (18) years' experience in investment, banking and financial services. He holds the position of an Investment Director at OIF (a sovereign wealth fund of the Sultanate of Oman). He serves in various public and non-public company boards locally and internationally. Previously, he worked for Oman Refinery Company and the CBO holding various senior posts in investment and financial fields. He is a graduate in Accounting, holds an Master in Business Administration (***MBA***) degree and he is a CPA.

Mr. Majid bin Salim Al Araimi

Mr. Majid Al Araimi Anwar is an independent Director in the Board. He graduated from the University of Missouri-Rolla, USA with a Bachelor of Science degree in Engineering and Management in 1997. He has held many executive and directorship positions in various companies spreading in multiple sectors of engineering, construction, investment, transportation, oil and gas, water and power, packaging and educational institutions.

Mr. Abdul Aziz Khalifa Abdallah Al Saadi

Mr. Abdul Aziz Al Saadi represents the shareholding of CSEPF on the Board. He is also a member of NREC of the Issuer. Currently he is serving as the Deputy Director General for Operations in CSEPF. Previously he held the position of Internal Audit Director from 2001-2013 at

CSEPF and an Assistant Manager Auditing at PWC in 2011. Abdul Aziz is a graduate from in Accounting from Sultan Qaboos University, Oman and holds a MBA in Professional Accounting from Victoria University, Melbourne. He has also successfully completed the Association of Chartered Certified Accountants certification in June 2010.

Profile of Executive Management

The Issuer has a highly capable, committed and motivated management team, whose extensive and diversified experience, business acumen and strong entrepreneurship has led to the successful development of its business. Following are the profiles of key executive management.

Mr. AbdulAziz Al Balushi – Group Chief Executive Officer

Mr. AbdulAziz Mohammed Al Balushi is the Group CEO of the Issuer since January 2014 and joined the Issuer in 2014 and has experience of more than thirty (30) years. He has transformed the Issuer by implementing the new vision, formulating a new organisational culture, structure and policies. He was the key driver behind the merger of the Issuer with ONICH. Before joining the Issuer, he was the CEO of Ahlibank S.A.O.G. from 2007 to 2013. 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 (United Kingdom) and a Fellow Chartered Institute of Bankers (United Kingdom). In November 2012, he was ranked as the "Second Best CEO in the Arab Banking World" by Forbes Magazine. AbdulAziz holds Chairmanship and/or Board representation in many prestigious Omani companies.

Mr. Shahid Rasool - Chief Investment Officer

Mr. Shahid Rasool is the Chief Investment Officer of the Issuer since August 2014 and joined the Issuer in August 2014. Over the last twenty (20) years, he has held leadership responsibilities at prominent investment banks and investment firms in the Middle East. Mr. Rasool has managed substantially large investment platforms across public equities, private equity, fixed income and alternative investments across regional and international markets. Before joining the Issuer, he was from 2009 to 2012 the 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. From 2005 to 2009 he was the head of investments group at the First Abu Dhabi Bank (formerly, First Gulf Bank), where he led a large team and managed multi-asset investment portfolios covering MENA and Global markets. He managed private equity investments at ADIC – an Abu Dhabi based sovereign wealth fund from 2000 to 2005. He is a CFA charter holder and received his MBA from The University of Chicago, Booth School of Business, Illinois, USA.

Mr. Nashat Helal – Chief Financial Officer

Mr. Nashat Helal is the Chief Financial Officer of the Issuer since July 2013 and joined the Issuer in July 2013. He is a member of the Institute of Management accountants and CFA Institute with over than sixteen (16) years of professional experience in managing the finance functions, formulating strategic business plans, budgeting and financial planning. Before joining the Issuer, he was the Chief Financial Officer of Oman Sail LLC from July 2011 to July 2013, 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 and Certified Management Accountant by profession and holds Bachelor degree in Marketing from Yarmouk University in Jordan. He is currently pursuing his Executive MBA at London Business School.

Mr. Bikram Monga – Chief Risk Officer

Mr. Bikram Monga is the Chief Risk Officer of the Issuer since June 2014 and joined the Issuer in June 2014. He has more than twenty (20) years of international experience in financial services and banking across commercial and 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. He holds a Bachelor of Science (with Honours) in Mechanical Engineering from Moscow and an MBA from University of Alberta, Canada. He is responsible for the risk management, corporate governance, compliance and legal functions.

Mr. Hamid Al Harthi – Head of Support Services

Mr. Hamid Al Harthi is the Head of Support Services of the Issuer since November 2009 and joined the Issuer in November 2009. He is a Certified Internal Auditor (***CIA***) – from the Institution of Internal Auditors (***IIA***), USA and Certified Internal Quality Auditor (***CIQA***). He is a Member of the IIA, USA. He is also a member of Information Systems Audit and Control Association (***ISACA***), USA. He has over twelve (12) years of professional experience in internal audit at various institutions in Oman including; Oman Development Bank, Gulf Investment Services (***GIS***) as a Head of Internal Audit & Group Compliance Officer, at Gulf Baadar Capital Markets, Oman. Hamid graduated from Sultan Qaboos University with a bachelor degree of Science in Accounting from College of Commerce and Economics.

Mr. Muneer Al Mughairi – Chief Internal Auditor

Mr. Muneer is the Chief of Internal Audit of the Issuer since September 2014 and joined the Issuer in September 2014 and has over twelve (12) years of experience in Internal Audit. He worked for various reputable companies such as Oman LNG, Takamul Investment Company, Al Maha Petroleum Marketing Company. In his capacity as Internal Audit Manager at Takamul Investment Company, Muneer was responsible for overseeing the internal audit department of the parent company and to evaluate the requirements of conducting shareholders audits of around eight (8) subsidiaries. He is a CIA, a Certified Fraud Examiner and a Certified Information System Auditor.

Average Number of Employee and its Composition

The Issuer aims for best practice in recruitment, training and development, talent management, health and well-being, retention and succession planning. At 31 December 2017, the Issuer had forty one (41) full-time employees.

As at 31 December	2015	2016	2017
Total employees	**39**	**40**	**41**
- Nationals	26	26	27
- Expatriates	13	14	14

Training and Development

The Issuer places great emphasis on the training and development of its employees. The Issuer has developed a series of training courses with individualised emphasis and focus based on its accumulated industry experience. The Issuer invests in continuing education and training programs for its management and other employees with a view to constantly upgrading their skills and knowledge. New employees are required to attend induction training courses to ensure that they are equipped with the necessary skills to perform their duties.

OVERVIEW OF THE SULTANATE OF OMAN

General

Oman is the second largest country by geographical area among the states of the GCC region after Saudi Arabia. It is spread over a land area of 309,500 square kilometres and is strategically positioned in the Middle East between Asia and Europe, bordering the Arabian Sea, Oman and Persian Gulf and neighbouring Yemen, Saudi Arabia and the UAE . Oman is divided into eleven (11) main Governorates, which are subdivided into a total of sixty one (61) provinces or Wilayats. Muscat is the business and political capital of Oman. Other prominent cities are Salalah, Sohar, Sur, Nizwa and Khasab. As of 31 January 2018, the total population of Oman was reported by the NCSI to be approximately 4.7 million.

Oman pursues an independent foreign policy with the aim of fostering good relations with its neighbours and other countries and has a non-confrontational and pragmatic approach to foreign relations. Oman has been a member of the United Nations since 1971. Oman became a member of the IMF and the International Bank for Reconstruction and Development in 1971. Oman became a member of the World Trade Organisation in 2001. In an effort to foster good relations and encourage trade, Oman entered into Free Trade Agreements with the USA in 2009 and with Singapore in 2013.

Regionally, Oman is a founding member of the GCC and has also been a member of the GCC's Permanent Committee for Petroleum Cooperation, which has prepared the long-term petroleum strategy for the GCC since May 1981. Oman is not a member of the Organisation of the Petroleum Exporting Countries (***OPEC***) but it co-ordinates its oil production with OPEC. Oman joined the Arab League in 1971 and the Organisation of the Islamic Conference in 1972. Oman is also an active member of the Islamic Development Bank.

Sovereign Credit Ratings

Oman has been assigned a long term credit rating of '**BB**' by Standard & Poor’s with a '**stable**' outlook on 16 March 2018, '**Baa3**' with a negative outlook by Moody’s Investor Services on 10 November 2017 and '**BBB-**' with a negative outlook by Fitch on 11 December 2017.

Oman Economic Performance

Oil prices hit a low of less than US$30 a barrel in January 2016, and have since recovered to about US$60 - US$65 a barrel. Oman crude oil prices averaged at US$53 a barrel in 2017 (source: Bloomberg). Oman’s GDP is linked to oil prices and has risen and fallen with the price of oil. The revenue of the government in 2015 and 2016 declined due to drop in oil prices. To address this issue, the government required a number of considerations – including diversifying revenue generation, optimising development expenditure and improving the investment climate of the country. The government undertook fiscal adjustments, accelerate economic diversification and increased the role of private sector to stimulate the economy. Oman has been taking major strides to strengthen its non-oil sectors, especially the industrial and mining sectors, and as part of its diversification plans it introduced its national initiative for diversification - Tanfeedh (meaning: implementation). Tanfeedh's mandate is to implement the ninth five-year plan (2016-2020), which aims for oil's contribution to GDP to decrease to 26%. The government has chosen five sectors with which it sees its best potential: Manufacturing, transport and logistics, tourism, fisheries and mining.

Other important measures taken by the government to mitigate the adverse impact of the decline in oil revenue in previous years include: cuts in subsidies, wages and benefits, defence and capital investments. The government plans to introduce value added taxes in 2019 as well as sin-tax (taxes on tobacco and cola drinks). These measures along with the drawing down of reserves and additional borrowings (domestic & international) have improved the financial stability of the country.

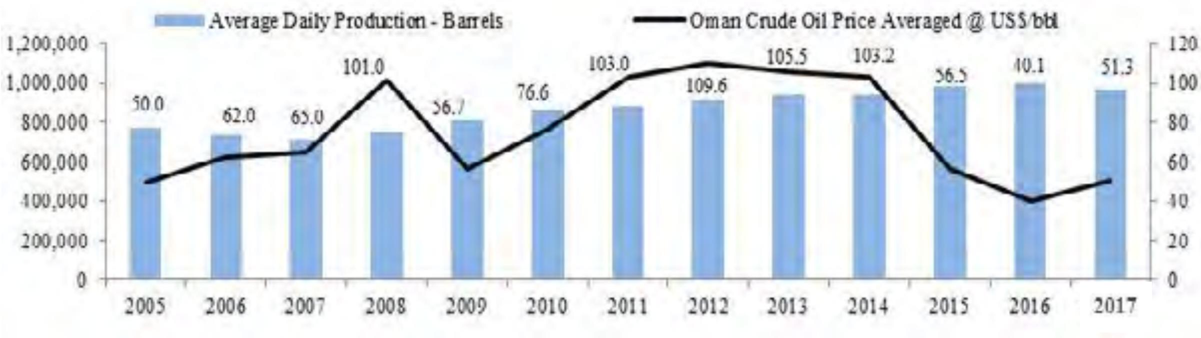
The following table sets out the major macroeconomic indicators for Oman for the years indicated:

Marco economic factors	Unit	2014	2015	2016
GDP at current market price	RO Million (**Mn**)	31,157	26,850	25,489
- **Annual Growth**	%	2.7	(13.8)	(5.1)
Annual Inflation (CPI)	%	1.5	0.1	1.1
Oil Production	Mn barrels	344.4	358.1	367.6
- **Annual Growth**	%	0.2	4.0	2.7
Average daily production of oil	'000 barrels	944	981	1,004
Total Revenues	RO Mn	14,107.5	9,067.5	7,608.2
Net Oil + Gas revenues as a % of GDP	%	38.2	26.6	20.4
Net Oil + Gas Revenue as a % of Total Revenue	%	84.3	78.7	68.2
Population	Mn	4.09	4.32	4.55

Source: 2016 CBO annual reports and quarterly statistical bulletins

GDP at market prices for nine (9) months ended 2017 (end of September) were RO 20.3 billion which is 10% higher on a y-o-y basis. Petroleum activities were higher by 24% on a y-o-y basis and contributed 31% towards the total GDP during this period. (Source: NCSI report published in January 2018).

Oman- Oil Production and Oil prices



Source: NCSI

Total oil production in FY17 was 354.3 million barrels with an average daily production of 970.6 barrels per day. The average oil price for 2017 was US$ 51.3 as against US$ 40.1 in 2016. Oman exported 294.2 million barrels to major countries but it was 8.6% lower than previous year. The major export countries include China, India, Japan, Taiwan, South Korea amongst others.

Oman Budget 2018

Oman announced an expansionary budget for 2018 giving the economy much needed stimulus and a push towards sustainable growth. The 2018 Budget assumes an average oil price of US$50 per barrel, up from an assumption of US$45 for 2017. As of first two (2) months of FY18, the prices of generic crude oil prices of Oman averaged at US$ 65 per bbl., hence Oman's revenue is likely to be higher than budgeted if oil prices stay above US$50.

Revenues are projected at RO 9.5 billion, up from RO 8.7 billion in the 2017 Budget and spending is projected at RO 12.5 billion, up from RO 11.7 billion in the 2017 Budget. The largest share was allocated to the sectors of education, health, housing and social welfare – RO 3.8 billion. Oman is also spending heavily on industrial and infrastructure projects in an attempt to diversify its economy beyond oil exports.

The budget deficit for 2018 is estimated at RO 3.0 billion i.e. 10% of GDP. Of the projected RO 3.0 billion deficit in 2018, RO 500 million is to be covered by withdrawals from financial reserves and the rest through external and domestic borrowing (foreign borrowing of RO 2.1billion and 0.4 billion from domestic sources).

Oman has delayed the introduction of a 5% value-added tax until 2019 (which has already been introduced in Saudi Arabia and UAE).

The revenues and spending of 2018 Budget have been estimated to achieve the following:

(a) to achieve economic growth of at least 3%, and control inflation rate so as to maintain per-capita income;

(b) promote non-oil sector and enhancing their contributions to overall government revenues by no less than 30% of total revenues;

(c) limit the growth of public debt;

(d) maintaining domestic liquidity and focusing on the external borrowing to finance budget deficit;

(e) maintain adequate level of public investment, with the aim to enhance economic diversification, increase employment rates, and strengthen social development;

(f) enhance public-private partnership in order to accelerate implementing more investment projects and private sector initiatives;

(g) support SME by allocating few government projects to SMEs; and

(h) promote Oman in tourism and logistic sector.

Oman Public Finance for eleven (11) months ended 2017

As per as per the NCSI report published in January 2018 following are the key figures of public finance:

(a) Net oil revenues were RO 4.1 billion, 31.2% higher on an y-o-y basis.

(b) Total revenues were RO 7.2 billion, 16.2% higher on y-o-y basis.

(c) Total public expenditure was RO 10.4 billion, 8% higher on y-o-y basis.

(d) Deficit (before financing) were RO 3.3 billion representing a decline of 33.2% on y-o-y basis.

(e) Post financing from local and international debt and financing from reserves, the surplus was RO 1.66 billion. The government drew RO 500 million from its reserves as against RO 1.5 billion in the previous year.

Oman's economy has shown a recovery in 2017. According to the latest monthly bulletin issued by NCSI, the GDP at current prices in the first nine (9) months of 2017 rose to RO 20.3 billion compared to RO 18.4 billion in the same period of 2016. The fiscal consolidation efforts and relatively recovery of oil prices helped to narrow the aggregate fiscal deficit of 2017 Budget, as compared to the deficits in 2015 and 2016.

Rising oil prices, controlled public spending, initiatives to diversify the economy to raise non-oil revenues and higher level of investments in the SME sector is expected to bode well for Oman's economy.

TAXATION

The following is a general description of the current income tax law and practice in Oman (hereinafter referred to as **Income Tax Law**) relating to the Bonds. This is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of the Bond, under the Income Tax Law presently in force in Oman. The prospective subscribers of Bonds are advised to consult their own tax advisers to understand the tax implications relevant to acquiring, holding and disposing of Bonds as well as receiving payments of interest, principal and/or other amounts under the Bonds and the consequences of such actions under the Omani tax laws or laws of any other taxing jurisdiction. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Omani Income Tax Law

As per the provisions of the Income Tax Law, interest on Bonds shall be subject to tax in Oman at the rate of 15%, if the Bondholder is a taxpayer in Oman. Taxpayer means Omani companies, partnerships, joint ventures and sole proprietorships, permanent establishments of foreign companies.

Withholding Tax in Oman

There is a withholding tax levy on payments, as specified under the provisions of the Income Tax Law. Under Article 52 of the Income Tax Law, as amended by the Royal Decree No 9/2017 effective from 27 February 2017(the **Tax Amendments**), withholding tax is payable at the rate of 10% on a gross basis from specified payments that are realised in Oman and made to foreign person. The specified payments, which are covered within the ambit of the withholding tax provisions, are as follows:

(a) royalties;

(b) consideration for carrying on research and development;

(c) consideration for the use or the right to use computer software;

(d) fees for management or provision of services;

(e) dividends on shares; and

(f) interest.

The term “interest”, as used in Article 52 of the Income Tax Law, has not been defined and there is no guidance provided by the Secretariat General for Taxation with respect to the same. Additionally, there is no precise definition of “management fee” provided under the Income Tax Law and it is not clear whether management fees would include any arrangement fee, commitment fee or agency fee.

to the account of any foreign person as specified in Article 40 of the Income Tax Law, (being foreign person that do not have a permanent establishment in Oman or those that carry on business through a permanent establishment but do not include the said income in the gross income of that permanent establishment). Companies in Oman making payment to foreign person of the nature specified above are obliged to deduct withholding tax at source at the rate of 10% on the gross amount paid or credited, whichever is earlier, and to remit it to the Secretariat General for Taxation. The Tax Amendments also extend the withholding tax obligations pursuant to Article 52 to any ministry, authority, public institution or other public juristic person or unit of the administrative apparatus of Oman.

Whilst the term “interest” is not defined under the Income Tax Law, payments in respect of the Bonds by the Issuer to foreign persons, who is not a taxpayer under the Income Tax Law, may be characterised as such and would, therefore, be subject to withholding tax of 10% in accordance with the Tax Amendments.

With regards to any such withholding and/or deduction made on account of withholding tax payable in respect of payments under the Bonds, Condition 12 *(Taxation)* provides that the Issuer is required to pay Additional Amounts in respect of such withholding or deduction in certain circumstances such that the Bondholders will receive the full amount which would have otherwise been receivable by them in the absence of such withholding or deduction.

Capital Gain Tax in Oman

Under the Income Tax Law, gains on the sale or redemption of the Bonds made by Bondholder who is a tax payer in Oman, shall be subject to tax at the rate of 15%, however, as per Article 115 of the Income Tax Law, gains on disposal of securities listed on the MSM is exempted from tax. The word ‘securities’ is not defined under the Income Tax Law hence it is important to refer to the definition of ‘securities’ defined under the Capital Market Law. The Capital Market Law defines securities to include shares and bonds issued by the joint stock companies, government bonds, treasury bonds and other negotiable securities.

Other Taxes in Oman

No stamp, issue, registration fees or similar direct or indirect taxes or duties will be payable in Oman in connection with the issuance, delivery, or execution of the Bonds by the Issuer.

Subscription Conditions and Procedures

Prospective Subscribers (as defined below) will be invited to participate in the offering of the Bonds by way of a private placement (the ***Private Placement***) and the Bonds will be allotted to such Subscribers and on such terms as set out below.

Subscription and Conditions and Procedures – Summary

Issue Size	Up to RO 75,000,000 (Omani Rial Seventy Five Million only)
Minimum Subscription Amount for each Subscriber	RO 100,000
Maximum Subscription Amount for each Subscriber	Full Offer Size
Terms of payment	Will be provided in the Allotment Letter

Eligibility for the subscription of Bonds offered

The Private Placement will be open to Omani and non-Omani individuals and juristic persons (non-individuals).

Prohibitions with regard to the Applications for subscription

In accordance with the Administrative Decision 12/2005 issued by the CMA, the following persons shall not be permitted to participate in the Private Placement:

(a) Multiple applications: a Subscriber may not submit more than one Application Form.

(b) Joint applications: Subscribers may not submit Application Forms in the name of more than one individual (including on behalf of legal heirs).

All such Application Forms will be rejected without contacting the Subscriber.

Investor's Number with Muscat Clearing and Depository Company S.A.O.C. (*MCD*)

Each Subscriber who applies for the Bonds must have an account and an investor number (an ***Investor Number***) with MCD. Any Subscriber may apply for an Investor Number and open an account by completing the relevant MCD application form. This may be obtained from MCD's head office at the address below or its website at www.mcd.gov.om, or from brokerage companies licensed by the CMA.

The completed form may be submitted by a Subscriber through any of the following channels:

(a) at the head office of MCD, situated in the Commercial Business District, Muscat, Oman, or by sending a facsimile to MCD at +968 2481 7491;

(b) at the branch of MSM based in Salalah, Oman, Tel: +968 2329 9822, Fax: +968 2329 9833; or

(c) at the office of any brokerage company in Oman which is licensed by the CMA.

In order to open an account with MCD and receive an Investor Number, a juristic person will be required to provide a copy of its constitutional documents in the form prescribed by MCD, along with a completed MCD application form.

Subscribers who already hold accounts with MCD are advised, before submitting their Application Form (as defined herein), to confirm their details as noted in the Application Form. If required, Subscribers should update their particulars with MCD through any of the channels mentioned above.

All correspondence, including Allotment Letters (as defined below), will be sent to the Subscriber's address as recorded in the Application Form. Subscribers should ensure that their address specified in their Application Form is the same as the address registered with MCD and that such address registered with MCD is correct and is kept up to date at all times.

Each Subscriber should obtain its Investor Number from MCD. The Investor Number will be required in order to complete the Application Form. Each Subscriber is responsible for ensuring that the Investor Number set out in its Application Form is correct. Application Forms not bearing the correct Investor Number may be rejected without contacting the Subscriber.

For more information on these procedures, Subscribers should contact MCD:

Muscat Clearing and Depository Co. S.A.O.C.

Tel: +968 2482 2222 and +968 2482 2260; Fax: +968 2481 7491

www.mcd.gov.om

Subscription Period

The subscription period will commence on the Opening Date (as defined under "*Proposed timetable*" below) and close at 2 p.m. (Muscat time) on the Closing Date (as defined under "*Proposed timetable*" below).

The Issuer may extend the subscription Closing Date with the approval of the CMA.

Subscription Process

Subscribers who wish to apply for Bonds (each a **Subscriber**) may do so by completing an application form (the **Application Form**).

Application Forms will be available at the offices of the Collecting Bank at the relevant address provided at the back of this Prospectus.

Each Subscriber may only submit one Application Form. A Subscriber must submit an Application Form for a minimum of 100,000 Bonds of RO 1 and a maximum of 75,000,000 Bonds of RO 1.

Allocation Process

The Issue Manager will confirm the number and amount of Bonds allocated to each Subscriber using the email address and postal address provided in its Application Form and will send allotment letters (the **Allotment Letters**) to Subscribers who have been allotted Bonds to their addresses as specified in the relevant Application Form.

In case the total subscription amount of all Subscribers exceeds the Issue Size, the Issue Manager shall, in consultation with Issuer, allocate the Bonds to each Subscriber on a pro-rata basis.

Minimum Subscription Amount

The minimum number of Bonds that can be applied for is 100,000 Bonds of RO 1 and in multiples of one Bond of RO 1 each thereafter (the ***Minimum Subscription Amount***).

Maximum Subscription Amount

The maximum number of Bonds that can be applied for is 75,000,000 Bonds of RO 1 each (the ***Maximum Subscription Amount***).

None of the Issuer, the Collecting Bank, the Issue Manager or the Lead Arranger will be liable for rejecting any Application Form in accordance with the procedures and conditions set out in this document or for any change in the applicable laws or regulations that occur after the date of this Prospectus. Subscribers are advised to make their own independent investigations to ensure that their Application Forms comply with prevailing laws and regulations.

Documentation Required

A copy of a valid power of attorney duly endorsed by the competent legal authorities must be included in the event the Application Form is signed on behalf of another person.

In case of juristic persons (non-individuals), each Application Form must be submitted together with adequate and valid evidence, in form and substance satisfactory to the Collecting Bank, that the person signing the Application Form is duly authorised on behalf of that juristic person.

Mode of Application

The Subscriber can only apply for the Bonds in the Private Placement by submitting to the Collecting Bank a duly completed Application Form. The Subscriber will be responsible for providing all particulars and will ensure the correctness and validity of the information set out in the Application Form. The Subscriber is required, before completing the Application Form, to carefully read this Prospectus, including the conditions and procedures relating to the Application Form.

The Subscriber is required to complete the Application Form, including providing the Investor Number and its civil ID number/passport number (where applicable) and provide copies of all particulars as noted in the Application Form in form and substance acceptable to the Collecting Bank. The Collecting Bank receiving the Application Form shall accept only Application Forms which satisfy all the requirements of the application and this Prospectus.

The Subscriber is required to submit the Application Form to the Collecting Bank and the documents in support of the Application Form before 2 p.m. (Muscat time) on the Closing Date.

Acceptance of Application Forms by the Collecting Bank

Application Forms will be accepted by the Collecting Bank if received on or before the Closing Date. The Collecting Bank shall refuse to accept any Application Forms received after 2 p.m. (Muscat time) on the Closing Date.

The Collecting Bank may, in its sole and absolute discretion, refuse to accept an Application Form, including (but not limited to), in the following circumstances:

(a) if the Application Form does not bear the signature of the Subscriber;

(b) if the Application Form does not include the Subscriber's Investor Number registered with MCD;

(c) if the Application Form is submitted in joint names;

(d) if the Investor Number mentioned in the Application Form is incorrect;

(e) if the Subscriber submits more than one Application Form in the same name, all of them will be rejected;

(f) if the required supporting documents are not enclosed with the Application Form;

(g) if the power of attorney is not attached to the Application Form in respect of an Subscriber who applies on behalf of another person; or

(h) if the Application Form does not comply with the legal or eligibility requirements as provided for in this Prospectus.

If the Collecting Bank receives an Application Form that does not comply with the procedures set out in the Prospectus, the Collecting Bank shall take all possible effort to notify the Subscriber of this non-compliance but the Collecting Bank shall in no event bear any liability whatsoever for doing or not doing so. If the Subscriber does not rectify the Application Form and submit it before 2 p.m. (Muscat time) on the Closing Date, the Application Form shall be rejected.

Refusal of Application Forms

The Issue Manager, in consultation with the Issuer, may reject any Application Form in the above mentioned circumstances or if it considers the Application Form to be incomplete or insufficient or for any other reason, and determine the allotment of Bonds to each Subscriber and the number of Bonds to be issued, after approval of the CMA and submitting a detailed report to the CMA showing details of the Application Forms to be rejected and the reason for such rejection.

Enquiry and Complaints

Any Subscriber who wishes to seek clarification or file a complaint with regard to issues related to the allotment or rejected Application Forms may contact the Collecting Bank. For this purpose, the following representative of the Collecting Bank can be contacted:

Bank	Person in charge	Phone No.	Email
National Bank of Oman S.A.O.G.	Krishnan Iyer - Investment Banking Operations	+968 2477 8610	KrishnanN@nbo.co.om ibo@nbo.co.om

Proposed timetable

The following table shows the expected time schedule for the Private Placement of the Bonds:

Procedure	Date
Opening Date	9 May 2018
Closing Date	29 May 2018
Allocation confirmation by the Issue Manager (subject to confirmation by CMA)	30 May 2018
Dispatch of Allotment Letters by Issue Manager	31 May 2018
Issue Date	6 June 2018
Listing Date	7 June 2018

Note: All of the above dates (other than the Opening Date) are indicative dates.

Listing & Trading of the Bonds of the Issuer

Application will be made to the MSM for listing and trading of the Bonds on the Bonds and Sukuk Market of MSM.

Selling Restrictions

General

None of the Issuer, Issue Manager or the Financial Advisor & Lead Arranger has made any representation that any action will be taken in any jurisdiction by any of them that would permit a public offering of the Bonds, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Prospectus comes are required by the Issuer, Issue Manager and the Financial Advisor & Lead Arranger to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Bonds or have in their possession or distribute such offering material, in all cases at their own expense.

Each of Issue Manager and the Financial Advisor & Lead Arranger has agreed that it will, to the best of its knowledge, comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense.

Oman

The Issue Manager has represented and agreed that: (i) the Bonds and this Prospectus will be filed with the CMA; (ii) the issuance of the Bonds will be regulated under Omani law; (iii) the offering of the Bonds by way of a Private Placement has been approved by the CMA and (iv) the information contained in this Prospectus does not constitute:(a) a public offer of securities in Oman as contemplated by the Commercial Companies Law or the Capital Market Law; or (b) an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulation. Additionally, this Prospectus, which is strictly private and confidential, is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of Oman.

United States of America

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S under the U.S. Securities Act of 1933, as amended (the ***Securities Act***) or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Neither the Issue Manager nor the Financial Advisor & Lead Arranger has offered or sold and that neither will offer or sell, any Bonds within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither the Issue Manager and nor the Financial Advisor & Lead Arranger, their affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds.

In addition, until the expiration of forty (40) days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S of the Securities Act.

United Arab Emirates (excluding the Dubai International Financial Centre)

The Bonds have not been and will not be publicly offered, sold or promoted or advertised by it in the United Arab Emirates (the ***UAE***) other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Dubai International Financial Centre

The Bonds will not be offered to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (Version 6/01-15) (MKT) module of the Dubai Financial Services Authority (the ***DFSA***); and

(b) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module.

State of Kuwait

The Bonds have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended, governing the issue, offering and sale of securities. No private or public offering of the Bonds is being made in the State of Kuwait and no agreement relating to the sale of the Bonds will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Bonds in the State of Kuwait.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Bonds. Any subscriber in the Kingdom of Saudi Arabia or who is a Saudi person (a ***Saudi Investor***) who acquires any Bonds pursuant to an offering should note that the offer of Bonds is an offer to ***Sophisticated Investors*** (pursuant to Article 10 of the Offer of Securities Regulations as issued by the Board of the Saudi Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Saudi Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the ***KSA Regulations***)) for the purposes of Article 9 of the KSA Regulations, through a person authorised by the Saudi Capital Market

Authority and following a notification to the Saudi Capital Market Authority under the KSA Regulations. The Bonds will only be directed at Sophisticated Investors.

The offer of Bonds shall not therefore constitute a ***public offer*** pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations, which are summarised as follows:

(a) a Saudi Investor (referred to as a ***transferor***) who has acquired Bonds pursuant to a private placement may not offer or sell Bonds to any person (referred to as a ***transferee***) unless the offer or sale is made through an authorised person where one of the following requirements are met:

- (i) the price to be paid for the Bonds in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount;
- (ii) the Bonds are offered or sold to a Sophisticated Investor; or
- (iii) the Bonds are being offered or sold in such other circumstances as the Saudi Capital Market Authority may prescribe for these purposes;

(b) if the requirement of paragraph 3(a)(i) above cannot be fulfilled because the price of the Bonds being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Bonds to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;

(c) if the requirement in paragraph (b) above cannot be fulfilled, the transferor may offer or sell Bonds if he/she sells his/her entire holding of Bonds to one transferee; and

(d) the provisions of paragraphs (a), (b) and (c) (inclusive) above shall apply to all subsequent transferees of the Bonds.

Kingdom of Bahrain

No Bonds will be offered or sold except on a private placement basis to persons in the Kingdom of Bahrain who are ***accredited investors***.

For this purpose, an accredited investor means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$ 1,000,000 or more;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$ 1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar

No Bonds will be offered or sold directly or indirectly, in the State of Qatar, including the Qatar Financial Centre, except: (a) in compliance with all applicable laws and regulations of the State of Qatar, including the Qatar Financial Centre; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

Selling Restrictions for the jurisdictions inside the European Economic Area

Prohibition of Sales to EEA Retail Investors

No Bonds have been offered, sold or otherwise made available and will not offered, sold or otherwise made available to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

(b) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) neither the Issue Manager nor the Financial Advisor & Lead Arranger has made and will not make an offer of Bonds which are the subject of the offering contemplated by the Prospectus to the public in that Relevant Member State except that it may with effect from and including the Relevant Implementation Date, make an offer of Bonds to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than one hundred and fifty (150) natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds referred to in paragraphs (a) to (c) above shall require the Issuer, the Issue Manager or the Financial Advisor & Lead Arranger to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Bonds to the public” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC, as amended.

United Kingdom

Each of the Issue Manager and the Financial Advisor & Lead Arranger confirms that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act (the **FSMA**)) received by it in connection with the issue or sale of any Bond in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

UNDERTAKINGS

(a) **Issuing Company: Oman International Development & Investment Company S.A.O.G.**

The directors of the Issuer jointly and severally confirm that, to the best of their knowledge:

(i) the information provided in this Prospectus is true and complete;

(ii) due diligence has been undertaken so as to avoid omission of any important facts or information that would have made the expressions in the Prospectus misleading; and

(iii) that all the provisions set out in the Capital Market Law and the CCL and the rules and regulations issued pursuant to them have been complied with.

Signed on behalf of the Board of Directors:

S. No.	Name	Designation	Signature
1			Sd/-
2			Sd/-

(b) **Issue Manager: National Bank of Oman S.O.A.G.**

In accordance with the responsibilities assigned to us pursuant to the provisions laid down in Article 3 of the Capital Market Law and the Executive Regulation issued by the CMA, we have reviewed all the relevant documents and other material required for the preparation of the Prospectus pertaining to the issue of the Bonds.

The Board of Directors of the Issuer shall bear the responsibility with regard to correctness of the information provided for in the Prospectus, and they have confirmed not to have deleted any material information from it, omission of which would have made the Prospectus misleading.

We confirm that we have taken due diligence as required by the profession with regard to the Prospectus that has been prepared under our supervision. On the basis of the review works referred to above and discussion with the issue of the Bonds represented by the Issuer, its directors/founders, officers and other related parties and on the basis of the review carried out by us with these authorities concerned with regard to the subject matter of the Bonds and contents of the documents submitted to us, we confirm the following:

(i) We have taken necessary and reasonable due diligence in ensuring that the information furnished to us by the Issuer and that contained in the Prospectus are consistent with the facts available in the documents, material and other documents pertaining to the Bonds.

(ii) On the basis of our perusal and information made available to us by the Issuer , it is hereby confirmed that the Issuer has neither concealed any fundamental information nor omitted any important information omission of which would have made the Prospectus misleading.

(iii) The Prospectus and the Private Placement to which it relates are consistent with all the rules and conditions governing the transparency as provided for in the Capital Market Law, the Executive Regulation and the prospectus model (as applicable) applied by the CMA. Also noted to be in conformity with the CCL and the directives and decisions issued in this regard.

(iv) The data and information which have been presented in the Prospectus in Arabic (with its unofficial translation in English) are correct, reasonable and adequate as per our perusal so as to assist the investor in taking an appropriate decision whether or not to invest in the Bonds offered in accordance with the rules and conditions governing the transparency.

Issue Manager

Sd/-

National Bank of Oman S.O.A.G.

(c) **Legal Advisor**:

The legal advisor, whose name appears below, hereby confirms to the CMA that all the procedures taken in connection with the issue and offering of the Bonds are in line with the laws and regulations applicable to the Issuer, the CCL, the Capital Market Law and the regulations and directives issued pursuant to them, the requirements and rules for the issue of bonds issued by the CMA (and directed by the CMA), the Articles of Association of the Issuer and the resolutions of the general meeting and the Board of Directors of the Issuer. The Issuer has obtained all applicable approvals in Oman required for the issuance of the Bonds as described in this Prospectus.

Legal Advisor

Sd/-

Trowers & Hamlins

GENERAL INFORMATION

Approval of Prospectus, admission to trading and listing of Bonds

Application will be made to the MSM to have the Bonds listed for trading on the Bond and Sukuk Market of the MSM.

Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in Oman in connection with the issue and performance of the Bonds and the execution and performance of the Transaction Documents (defined in the Conditions) to which it is a party.

Disclosure of material information

So long as any Bonds are outstanding, the Issuer shall immediately disclose any material information in connection with the Bonds by sending written announcements in Arabic and English to the MSM through the MSM's electronic transmission system. MSM shall thereafter duly disseminate and circulate the information by suitable means to make it available to market participants.

Significant or material change

There has been no significant change in the financial or trading position of the Issuer since 31 December 2017. There has been no material adverse change in the prospects of the Issuer since 31 December 2017.

Litigation

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the twelve (12) months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

Auditors

EY has audited the 2017 Consolidated Audited Financial Statements and 2016 Consolidated Audited Financial Statements, as stated in their reports appearing herein. Deloitte has audited the 2015 Consolidated Audited Financial Statements. Neither EY nor Deloitte has any material interest in the Issuer. Both EY and Deloitte are independent auditors registered to practice as auditors with the Ministry of Economy in Oman. The registered address of EY is P.O. Box 1750, PC 112, 5th floor, Landmark building, opposite Al Amine Mosque, Bawshar, Oman. The registered address of Deloitte is Minaret Al Qurum Building. Qurum Area, Muscat, 258, Oman.

Issue Manager and the Financial Advisor & Lead Arranger transacting with the Issuer

The Issue Manager and the Financial Advisor & Lead Arranger and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and/or any of its affiliates in the ordinary course of business.

Potential conflict of interest

Save for the fees payable to the Issue Manager, the Financial Advisor & Lead Arranger, the Collecting Bank, the Bondholders Agent, the Legal Advisor, the Auditors to the Issuer, the Registrar and the Paying Agent, so far as the Issuer is aware, no person, natural or legal, involved in the issue of any Bonds has an interest that is material to the issue of the Bonds.

Material contracts

There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in the Issuer being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Bondholders in respect of the Bonds being issued.

Yield to the First Call Date

The yield of the Bonds for the period from (and including) the Issue Date to (but excluding) the First Call Date (if all interest payments are made in full and if the Bonds are redeemed on the First Call Date) will be 7.75% per annum payable on a semi-annual basis. The yield is calculated at the Issue Date on the basis of the Issue Price and is not an indication of future yield.

Documents Available

For so long as any Bonds remain outstanding, physical copies (and English translations, which will be accurate and direct translations, where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Fridays, Saturdays and public holidays excepted), for inspection by Bondholders at the office of the Bondholders Agent:

(a) the constitutional documents of the Issuer;

(b) the Transaction Documents;

(c) the Audited Annual Financial Statements; and

(d) a copy of this Prospectus together with any supplement to this Prospectus.

OMINVEST

INDEX TO FINANCIAL STATEMENTS

Consolidated Audited Financial Statements as at and for the years ended 31 December 2017 and 2016 (prepared in accordance with IFRS)

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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.

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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	For valuation of financial assets at fair value through profit or loss and other comprehensive income, we have performed the following procedures:
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.	• 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.

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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
س.ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي - ١١٢، سلطنة عمان
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P.O. Box 1750 - P.C. 112, Sultanate of Oman

Sanjay Kawatra
Muscat
8 March 2018

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

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
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 BIN MUHAMMAD AL ZUBAIR
CHAIRMAN

ABDUL AZIZ AL BALUSHI
GROUP CEO

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

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Group		Parent Company	
		2017	2016	**2017**	2016
		(RO'000)	(RO'000)	**(RO'000)**	(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
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.

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OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

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
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

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

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

	Notes	Group		Parent Company	
		2017 (RO'000)	2016 (RO'000)	**2017 (RO'000)**	2016 (RO'000)
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

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

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.

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

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

	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)*
PARENT COMPANY								
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.

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, Fourth Floor, 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.

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation (continued)

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.

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:-

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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)

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.

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.

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)

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

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.

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.

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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)

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments(continued)

2.5.2 Fair value measurement principles (continued)

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.

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.

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NOTES TO FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 roperties 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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Intangible assets (continued)

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.

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.

2.14A 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.18 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Revenue recognition (continued)

- 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.

2.19 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.25 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Insurance contracts (continued)

(b) Recognition and measurement (continued)

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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Insurance contracts (continued)

(b) Recognition and measurement (continued)

General insurance contracts (continued)

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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Deferred acquisition costs and commission income (continued)

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.

2.29 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Business combination (continued)

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.

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

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.

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

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.

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.

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

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
  - 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.

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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).

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7. PREMIUM AND INSURANCE BALANCES RECEIVABLE

Group	*2017* Life RO	*2017* General RO	*2017* Total RO	*2016* Life RO	*2016* General RO	*2016* Total RO
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 **2017 (RO'000)**	Group 2016 (RO'000)	Parent Company **2017 (RO'000)**	Parent Company 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

(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 **2017 (RO'000)**	Group 2016 (RO'000)	Parent Company **2017 (RO'000)**	Parent Company 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

8. INVESTMENT SECURITIES (continued)

(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.

(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%).

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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	**Holding**	**2017 Carrying Value**	Holding	2016 Carrying value
	(%)	***(RO'000)***	*(%)*	*(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)

(d) Investments in associates (continued)

Parent	***Holding (%)***	***2017 Carrying Value (RO'000)***	*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.

(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).

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8. INVESTMENT SECURITIES (continued)

(d) Investments in associates (continued)

(iii) 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. 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 Company 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**
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:

		2017		2016	
	Country of Incorporation	*Holding %*	*Carrying value (RO'000)*	*Holding %*	*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.

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

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8. INVESTMENT SECURITIES (continued)

(e) Investments in subsidiaries (continued)

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.

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

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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).

(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

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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 (i)	**(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

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11(c). PROPERTY AND EQUIPMENT

	Land and buildings (RO'000)	Furniture, fixtures and equipment (RO'000)	Motor vehicles (RO'000)	Capital work in progress (RO'000)	Total (RO'000)
Group					
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

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11(c). PROPERTY AND EQUIPMENT (continued)

	Land and buildings (RO'000)	Furniture, fixtures and equipment (RO'000)	Motor vehicles (RO'000)	Capital work in progress (RO'000)	Total (RO'000)
Parent Company					
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

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12. INTANGIBLE ASSETS

	Trade name (RO'000)	Hospital network (RO'000)	License (RO'000)	Goodwill (RO'000)	Total (RO'000)
Group					
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.

13. (a) SHARE CAPITAL (continued)

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

During the year, a subsidiary company acquired 24% shareholding 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.

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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.

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.

15. OTHER NON-DISTRIBUTABLE RESERVES (continued)

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.

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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

	2017	2016
Group	**(RO'000)**	(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

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19. INSURANCE FUNDS

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**

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 / Acquisition date	**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 / Acquisition date	**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

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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

20. SUBORDINATED DEBT (continued)

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		-

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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	**-**	-

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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

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22. TAXATION (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.

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.

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23. GROSS PREMIUMS AND PREMIUMS CEDED TO REINSURERS

(RO '000)

2017

	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**

(RO '000)

2016

	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

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26. INVESTMENT INCOME

	Group		Parent Company	
	2017	2016	**2017**	2016
	(RO'000)	(RO'000)	**(RO'000)**	(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	2016	**2017**	2016
	(RO'000)	(RO'000)	**(RO'000)**	(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	2016	**2017**	2016
	(RO'000)	(RO'000)	**(RO'000)**	(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

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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	**2990**	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.

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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.

The results of IMG for the year are presented below:

	2017	2016
	RO'000	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	2016
	RO'000	RO'000
Operating	-	514
Investing	-	380
	-	894

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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	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(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

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NOTES TO FINANCIAL STATEMENTS
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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	6334	32,263	-	24,834	35,725
Current and deposits from customers	1,903	19,413	-	6642	1534
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)

Group – 2016	Directors (RO'000)	Associates (RO'000)	Key management (RO'000)	Other related parties (RO'000)	Non-controlling interests (RO'000)
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).

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33. RELATED PARTY TRANSACTIONS (continued)

2017

Parent	***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**	-	-	-

2016

Parent	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	-	-	-

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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

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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.

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.

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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	-	-	0	14,609
Loans and advances to customers	1,642,513	-	-	0	1,642,513
Other assets	52,160	-	14	118	52,292
Projects work in progress	-	-	3,399	0	3,399
Property and equipment	30,525	-	-	371	30,896
Intangible assets	17,298	-	-	0	17,298
Total assets	2,280,680	813	23,191	146,609	2,451,293
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
				0	
Total liabilities	2,060,159	-	447	47,153	2,107,759

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NOTES TO FINANCIAL STATEMENTS
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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)
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
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

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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 – 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**
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

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NOTES TO FINANCIAL STATEMENTS
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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:						
- At amortised cost	1.67%	23,000	19,000	81,847	109,007	232,854
- Investments						
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	382,038	243,024	962,386	2,107,759

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NOTES TO FINANCIAL STATEMENTS
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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	7,200	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	456,087	336,699	771,670	2,000,073

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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**	**54,700**	**47,100**	**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	8,200	81,800	2,688	141,588

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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	**509,053**	**753,473**	**509,308**	**335,925**	**2,107,759**

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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

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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	**39,558**	**54,700**	**47,408**	-	**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.

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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.

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. FINANCIAL RISK MANAGEMENT POLICIES

42.2 Credit risk (continued)

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

Items on the statement of financial position	2017 RO' 000	2016 RO' 000
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

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.

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42. FINANCIAL RISK MANAGEMENT POLICIES

42.2 Credit risk (continued)

42.2.3 Credit risk management (continued)

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.

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.

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NOTES TO FINANCIAL STATEMENTS
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42. FINANCIAL RISK MANAGEMENT POLICIES

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**

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

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42. FINANCIAL RISK MANAGEMENT POLICIES

42.2 Credit risk (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%).

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%).

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42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

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).

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	2016	**2017**	2016
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%

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42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

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).

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.

42.5.4 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.

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

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.

	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.

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.6 Capital management (continued)

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	2016
	RO' 000	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.

43. INSURANCE RISK MANAGEMENT POLICIES (continued)

Short-duration life insurance contracts (continued)

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.

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.

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NOTES TO FINANCIAL STATEMENTS
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43. INSURANCE RISK MANAGEMENT POLICIES (continued)

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.

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.

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.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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.

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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
	(RO'000)	(RO'000)	**(RO'000)**	(RO'000)
Profit for the year attributable to shareholders of the parent (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
	(RO'000)	(RO'000)	**(RO'000)**	(RO'000)
Equity attributable to shareholders of the parent (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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Consolidated Audited Financial Statements as at and for the years ended 31 December 2016 and 2015 (prepared in accordance with IFRS)

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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 2016, 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 2016 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.

Other matter

The financial statements of the Company and the Group for the year ended 31 December 2015 were audited by another auditor, who expressed an unmodified opinion on those statements on 29 February 2016.

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
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Key audit matters (continued)

Early adoption of IFRS 9 Financial Instruments ("IFRS 9") in the separate and consolidated financial statements
The International Accounting Standards Board issued IFRS 9 – "Financial Instruments" which replaces "IAS 39 – Financial Instruments" in three phases as follows:

- Phase 1 – Classification and measurement of financial assets and financial liabilities;
- Phase 2 – Impairment methodology; and
- Phase 3 – Hedge accounting.

Effective 1 January 2016, the Group has early adopted IFRS 9 ahead of its mandatory effective date of 1 January 2018. As allowed by IFRS 9, the classification and measurement and impairment requirements have been applied retrospectively without restating comparatives.

The key change arising from early adoption of Phase 1 of IFRS 9 are:

- Classification and measurement of financial assets are based on business model within which they are held and their contractual cash flow characteristics.
- The Group's credit losses are now based on an expected loss model rather than an incurred loss model.

There were no significant changes arising from the early adoption of hedge accounting requirements under IFRS 9. We have considered early adoption of IFRS 9 as a key audit matter; as it involved significant audit effort and significant judgement is involved to determine the classification and impairment provision for financial assets under the standard. Refer to the accounting policy relating to the early adoption of IFRS 9 and relevant disclosures in notes 2.5. A, 8 and 42.2.3 respectively, to the financial statements.

Our procedures, amongst others, included the following:

- Obtained the IFRS 9 impact assessment calculations prepared by the external expert and involved our internal experts to check these calculations. Further, we performed procedures to ensure the competence, objectivity and independence of the external expert;
- Performed the detailed procedures including reviewing the results of business model assessment and cash flow characteristics test performed by the management and their external experts that are used to determine the appropriate classification and measurement of financial assets;
- For Expected Credit Loss Provision (ECL) against financial assets on early adoption of IFRS9, we obtained an understanding of the Group's provisioning methodology, the underlying assumptions and the sufficiency of the data used by the management. Our procedures in this regard are discussed in detail under the key audit matter "*Impairment provision for loans and advances to customers in the consolidated financial statements*; and
- Assessed the appropriateness of the disclosures in the financial statements in accordance with IFRS.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
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Key audit matters (continued)

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 A (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, amongst others, included the following:

- Assessed the modelling techniques and methodology against the requirement of IFRS9;
- 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.

Sale of Investment Management Group (IMG) business in the consolidated financial statements
We considered the accounting for the sale and subsequent derecognition of the banking subsidiary's IMG business as a key audit matter due to its material effect on the financial statements. Refer to accounting policy relating to the discontinued operations and relevant disclosures in notes 2.30 and 32 respectively, to the financial statements.

We read the sale purchase agreement entered by the banking subsidiary of the group for the sale of IMG business and discussed the clauses associated with completion of the sale transaction and whether all the relevant accounting implications have been considered relating to the disposal of the IMG business. We read the relevant regulatory approvals obtained by the banking subsidiary and agreed the receipt of the cash consideration. We checked the profit calculation relating to the sale transaction. Given the material nature of the matter, we particularly focused on evaluating the adequacy of disclosures, accounting treatment and financial statement impact of the transaction.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG (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. Due to the magnitude of the balances and the estimation uncertainty and subjectivity involved in the assessment of these liabilities, we have considered the valuation of the insurance funds as a key audit matter. The estimation of insurance funds, in particular the actuarial / mathematical and unexpired risk reserve - life assurance and incurred but not reported reserves, involves a significant degree of judgement. These liabilities are based on the 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 costs. A range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We assessed the management's calculation of the insurance funds by performing the following procedures:

- Understood and tested the governance process in place to determine the insurance funds, including testing the associated financial reporting control framework;
- Assessed the experience and competency of the NLGIC's independent actuary to perform the year-end valuation for life assurance.
- Tested the underlying company data used in estimation to the source documentation;
- Involved our actuarial specialist team members, to apply industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices;
- Using actual claims history, we compared the methodology models and assumptions used in the estimation against historical claims paid;
- We have tested the liability calculation used by the management for its unexpired risk reserve and incurred but not reported reserves;
- Tested the adequacy and completeness the disclosures on the insurance contract liabilities, presented in 19 of the financial statements.

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 A, 2.5 B 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
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Other information included in the Group's 2016 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 2016 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 2016 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.

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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
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Auditor's responsibilities for the audit of the financial statements (continued)

- 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.
- 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

Sanjay Kawatra
Muscat
9 March 2017

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	Group 2016 (RO'000)	Group 2015 (RO'000)	Parent Company 2016 (RO'000)	Parent Company 2015 (RO'000) (Restated)
Assets					
Balances with banks and money at call		**269,405**	193,267	**1,564**	1,112
Deposits with banks	**6**	**71,492**	116,484	**-**	-
Premium and insurance balance receivable	**7**	**34,607**	28,386	**-**	-
Re-insurance share in insurance funds	**19**	**26,685**	22,688	**-**	-
Investment securities	**8**	**200,293**	192,920	**11,080**	11,091
Investments in associates	**8(d)**	**90,276**	81,275	**90,276**	81,199
Investments in subsidiaries	**8(e)**	**-**	-	**214,324**	177,459
Loans and advances to customers	**9**	**1,590,799**	1,504,571	**-**	-
Due from subsidiaries		**-**	-	**49,831**	39,578
Other assets	**10**	**51,299**	44,855	**2,830**	786
Investment properties	**11(a)**	**10,475**	10,311	**9,143**	9,036
Projects work in progress	**11(b)**	**2,970**	5,484	**-**	-
Property and equipment	**11(c)**	**30,189**	29,609	**143**	294
Intangible assets	**12**	**18,054**	18,998	**-**	-
Total assets		**2,396,544**	2,248,848	**379,191**	320,555
Equity and liabilities					
Capital and reserve					
Share capital	**13(a)**	**63,579**	55,286	**63,579**	55,286
Share premium	**14(a)**	**61,036**	69,329	**61,036**	69,329
Legal reserve	**14(b)**	**27,523**	26,682	**27,523**	26,682
General reserve	**14(e)**	**13,033**	13,543	**13,033**	13,543
Other non-distributable reserves	**15**	**48,419**	39,044	**30,573**	21,198
Cumulative changes in fair value reserve		**(5,033)**	(9,060)	**(149)**	(4,176)
Retained earnings		**32,578**	25,113	**42,008**	33,622
Equity attributable to equity holders of the Parent Company		**241,135**	219,937	**237,603**	215,484
Perpetual Tier I capital bonds	**13(b)**	**30,000**	-	**-**	-
		271,135	219,937	**237,603**	215,484
Non-controlling interests		**125,336**	111,706	**-**	-
Total equity		**396,471**	331,643	**237,603**	215,484
Liabilities					
Due to banks	**17**	**150,856**	97,404	**138,900**	102,500
Deposits from customers	**18**	**1,625,381**	1,593,225	**-**	-
Insurance funds	**19**	**67,833**	59,614	**-**	-
Subordinated debt	**20**	**70,000**	70,000	**-**	-
Other liabilities	**21**	**81,037**	92,143	**2,688**	2,571
Taxation	**22**	**4,966**	4,819	**-**	-
Total liabilities		**2,000,073**	1,917,205	**141,588**	105,071
Total equity and liabilities		**2,396,544**	2,248,848	**379,191**	320,555
Net assets per share (Rial Omani)	**46**	**0.379**	0.398	**0.374**	0.390

The financial statements were authorised for issue by the Board of Directors on 28 February 2017 and signed by:

KHALID BIN MUHAMMAD AL ZUBAIR
CHAIRMAN

ABDULAZIZ AL BALUSHI
GROUP CEO

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

OMINVEST

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**Group**		**Parent Company**	
		2016 (RO'000)	*2015 (RO'000)*	***2016 (RO'000)***	*2015 (RO'000) (Restated)*
Continuing operations					
Gross premium earned	23	**95,953**	30,035	**-**	-
Interest income	24	**78,604**	64,351	**2,538**	-
Investment income – net	26	**10,373**	8,497	**2,089**	1,728
Fee and commission income – net	27	**18,055**	19,984	**-**	-
Other operating income	28	**6,561**	14,198	**961**	97
Share of results from subsidiaries		**-**	-	**21,604**	13,921
Share of results from associates		**7,985**	3,774	**7,985**	3,774
Total revenue		**217,531**	140,839	**35,177**	19,520
Premium ceded to re-insurers	23	**(38,566)**	(13,461)	**-**	-
Net claims	19	**(48,466)**	(13,282)	**-**	-
Interest expense	25	**(30,244)**	(16,804)	**(4,045)**	(1,978)
Operating expenses	29	**(59,003)**	(48,911)	**(4,627)**	(3,898)
Provision for impairment of due from a subsidiary		**-**	-	**(1,709)**	(17)
Provision for impairment of project work in progress	11(b)	**(2,411)**	(2,200)	**-**	-
Allowance for loan impairment, net of recoveries		**(7,679)**	(5,350)	**-**	-
Total expenses		**(186,369)**	(100,008)	**(10,381)**	(5,893)
Profit before tax from continuing operations		**31,162**	40,831	**24,796**	13,627
Income tax expense	22	**(3,469)**	(4,067)	**-**	(19)
Profit for the year from continuing operations		**27,693**	36,764	**24,796**	13,608
Discontinuing operations					
Profit after tax for the year from discontinuing operations	32	**9,882**	429	**-**	-
Profit for the year		**37,575**	37,193	**24,796**	13,608
Profit for the year attributable to:					
Equity holders of the Parent Company		**23,875**	22,949	**24,796**	13,608
Non-controlling interests		**13,700**	14,244	**-**	-
		37,575	37,193	**24,796**	13,608
Basic earnings per share attributable to the equity holders of the Parent Company (RO)	45	**0.038**	0.046	**0.039**	0.027
Other comprehensive income (expense):					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation reserve	14(g)	**(104)**	(1,239)	**(104)**	(1,239)
Items not to be reclassified subsequently to profit or loss:					
Fair value changes of financial assets fair value through other comprehensive income		**2,936**	(15,907)	**2,972**	(10,076)
Share of change in revaluation reserve of associates		**-**	71	**-**	71
Share of change in fair value reserve of associates		**-**	(393)	**-**	(393)
		2,936	(16,229)	**2,972**	(10,398)
Other comprehensive income / (expense) for the year		**2,832**	(17,468)	**2,868**	(11,637)
Total comprehensive income for the year		**40,407**	19,725	**27,664**	1,971
Total comprehensive income for the year attributable to:					
Equity holders of the Parent Company		**26,743**	6,429	**27,664**	1,971
Non-controlling interests		**13,664**	13,296	**-**	-
		40,407	19,725	**27,664**	1,971

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	*Group*		*Parent Company*	
		2016	*2015*	***2016***	*2015*
		(RO'000)	*(RO'000)*	***(RO'000)***	*(RO'000)*
Operating activities					*(Restated)*
Profit before tax from continuing operations		**31,162**	40,831	**24,796**	13,627
Profit before tax from discontinued operations	**32**	**123**	488	**-**	-
		31,285	41,319	**24,796**	13,627
Adjustments for:					
Depreciation on property and equipment and investment property		**4,618**	3,763	**328**	215
Amortisation of intangible assets	**12**	**944**	347	**-**	-
Share of results from associates		**(7,985)**	(3,774)	**(7,985)**	(3,774)
Share of results from subsidiaries		**-**	-	**(21,604)**	(13,921)
Gain on business combination	**5**	**-**	(4,823)	**-**	-
Allowance for loan impairment net of recoveries	**9**	**7,679**	5,350	**-**	-
Provision for impairment of project work in progress	**11(b)**	**2,411**	2,200	**-**	-
Provision for impairment on investments		**-**	715	**-**	309
Provision for impairment of due from subsidiaries		**-**	-	**1,709**	17
Gain on sale of property and equipment		**(33)**	(2,440)	**-**	-
Gain on sale of an investment property		**-**	(652)	**-**	(652)
Change in the fair value of financial assets at fair value through profit or loss		**(955)**	354	**(1,340)**	(109)
(Profit) / loss on sale of investments		**(3,407)**	(2,055)	**(81)**	4,632
Income from amortised cost / held-to-maturity investments		**(1,406)**	(1,198)	**-**	-
Operating profit/ (loss) before working capital changes		**33,151**	39,106	**(4,177)**	344
Changes in operating assets and liabilities					
Investment securities		**1,196**	(83,642)	**1,831**	16,339
Loans and advances to customers		**(93,907)**	(269,585)	**-**	-
Due from subsidiaries		**-**	-	**(11,962)**	(36,820)
Other assets		**(6,444)**	2,634	**(2,044)**	559
Deposits from customers		**32,156**	128,019	**-**	-
Premiums and insurance balances receivables		**(6,221)**	5,641	**-**	-
Re-insurance share in insurance funds		**(3,997)**	4,199	**-**	-
Insurance funds		**8,219**	(9,349)	**-**	-
Other liabilities		**(11,620)**	1,224	**117**	(899)
Cash used in operations		**(47,467)**	(181,753)	**(16,235)**	(20,477)
Tax paid		**(4,669)**	(3,760)	**-**	(19)
Net cash flow used in operating activities		**(52,136)**	(185,513)	**(16,235)**	(20,496)
Investing activities					
Investments in / rights issue by subsidiaries		**-**	-	**(21,278)**	(19,600)
Acquisition of investment in associates		**(4,588)**	-	**(4,320)**	-
Sale of investment in associates		**268**	-	**-**	-
Dividend received from associates		**3,221**	872	**3,221**	872
Dividend received from subsidiaries		**-**	-	**8,477**	7,098

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Group 2016 (RO'000)	Group 2015 (RO'000)	Parent Company 2016 (RO'000)	Parent Company 2015 (RO'000) (Restated)
Proceeds from disposal of an investment property		**-**	1,100	**-**	1,100
Net cash transfer on business combination		**-**	8,946	**-**	(23,022)
Proceeds from disposal of investment division by banking subsidiary		**12,000**	-	**-**	-
Capital expenditure on investment property		**(409)**	(70)	**(283)**	(70)
Projects work in progress		**8**	(145)	**-**	-
Additions to property and equipment		**(5,226)**	(2,910)	**(7)**	(84)
Proceeds from sale of property and equipment		**138**	2,455	**5**	-
Net cash flow generated from / (used in) investing activities		**5,412**	10,248	**(14,185)**	(33,706)
Financing activities					
Bank borrowings		**50,800**	63,500	**36,400**	58,500
Subsidiary rights issue (non-controlling interests)		**5,722**	-	**-**	-
Proceeds from issue of subordinated bonds		**30,000**	20,000	**-**	-
Other movements		**(36)**	-	**-**	-
Dividends paid		**(11,267)**	(13,557)	**(5,528)**	(6,735)
Net cash generated from financing activities		**75,219**	69,943	**30,872**	51,765
Net change in cash and cash equivalents		**28,495**	(105,322)	**452**	(2,437)
Cash and cash equivalents at the beginning of the year		**299,847**	405,169	**1,112**	3,549
Cash and cash equivalents at the end of the year	**30**	**328,342**	299,847	**1,564**	1,112

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED	*Attributable to equity holders of the 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)*	*Perpetual Tier 1 Capital bonds (RO'000)*	*Sub-total (RO'000)*	*Non-controlling interests (RO'000)*	*Total (RO'000)*
At 1 January 2015	33,674	-	24,802	12,064	34,820	6,292	21,017	132,669	-	132,669	104,323	236,992
Profit for the year	-	-	-	-	-	-	22,949	22,949	-	22,949	14,244	37,193
Other comprehensive expense	-	-	-	-	(1,168)	(15,352)	-	(16,520)	-	(16,520)	(948)	(17,468)
Total comprehensive income (expense) for the year	-	-	-	-	(1,168)	(15,352)	22,949	6,429	-	6,429	13,296	19,725
Transfer from/ (to) retained earnings	-	-	1,880	1,479	5,392	-	(8,751)	-	-	-	-	-
Issue of new shares pursuant to merger (note 5)	18,245	69,329	-	-	-	-	-	87,574	-	87,574	-	87,574
Additional non-controlling interests arising on the acquisition of ONICH (note 5)	-	-	-	-	-	-	-	-	-	-	909	909
Bonus shares issued (note 13(a))	3,367	-	-	-	-	-	(3,367)	-	-	-	-	-
Dividend paid (note 16)	-	-	-	-	-	-	(6,735)	(6,735)	-	(6,735)	(6,822)	(13,557)
At 1 January 2016 (as previously stated)	**55,286**	**69,329**	**26,682**	**13,543**	**39,044**	**(9,060)**	**25,113**	**219,937**	**-**	**219,937**	**111,706**	**331,643**
Transition adjustment on adoption of IFRS 9 (note 4.3.2)	-	-	-	-	-	**1,058**	**(1,058)**	-	-	-	-	-
At 1 January 2016 (restated)	**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 (expense)	-	-	-	-	**(104)**	**2,972**	-	**2,868**	-	**2,868**	**(36)**	**2,832**
Total comprehensive income / (expense) 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**

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

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	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)*
PARENT COMPANY								
At 1 January 2015 (as previously stated)	33,674	-	9,072	-	-	6,970	10,191	59,907
Impact of change in accounting policy (note 4.3.1)	-	-	15,730	12,064	16,974	(677)	28,676	72,767
At 1 January 2015 (restated)	33,674	-	24,802	12,064	16,974	6,293	38,867	132,674
Profit for the year	-	-	-	-	-	-	13,608	13,608
Other comprehensive expense	-	-	-	-	(1,168)	(10,469)	-	(11,637)
Total comprehensive income for the year	-	-	-	-	(1,168)	(10,469)	13,608	1,971
Transfers from / (to) retained earnings	-	-	1,880	1,479	5,392	-	(8,751)	-
Bonus shares issued (note 13(a))	3,367	-	-	-	-	-	(3,367)	-
Dividend paid (note 16)	-	-	-	-	-	-	(6,735)	(6,735)
Issue of new shares pursuant to merger (note 5)	18,245	69,329	-	-	-	-	-	87,574
At 1 January 2016	**55,286**	**69,329**	**26,682**	**13,543**	**21,198**	**(4,176)**	**33,622**	**215,484**
Transition adjustment on adoption of IFRS 9 (note 4.3.2)	**-**	**-**	**-**	**-**	**-**	**1,058**	**(1,058)**	**-**
	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 (expense)	**-**	**-**	**-**	**-**	**(104)**	**2,972**	**-**	**2,868**
Total comprehensive income (expense) 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**

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

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2016

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 is 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, Fourth Floor, P O Box 3886, Ruwi, Postal Code 112, Sultanate of Oman.

These consolidated financial statements for the year ended 31 December 2016 comprise the Parent Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The separate financial statements represent the financial statements of the Parent Company on a stand-alone basis. The consolidated and separate financial statements are collectively referred to as "the financial statements".

As further explained in note 5, on 19 August 2015, the operations of Oman National Investment Corporation Holding Company SAOG (ONICH) were merged with Ominvest against an issue of 33% shares of the combined entity to the shareholders of ONICH.

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.

2.2 Basis of preparation

The Group early adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2016. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The related accounting policies are set out in note 2.5A and 2.5B for IFRS 9 and IAS 39 respectively.

The financial statements are prepared under the historical cost convention except for Financial assets at fair value through other comprehensive income (applicable from 1 January 2016), available-for-sale investments (applicable before 1 January 2016) and financial investments at fair value through profit or loss 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 4.3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation (continued)

The financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2016. 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.

In the Parent Company's separate financial statements, the investment in the subsidiaries are accounted for using equity method. Details are set out in note 4.3.

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.

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation (continued)

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 an associate 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 an associate is shown on the face of the statement of income outside operating profit 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.

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.

In the Parent Company's separate financial statements, the investment in the associates are accounted for using equity method. Details are set out in note 4.3.

2.5 Financial instruments

2.5A Accounting policies applied from 1 January 2016

2.5A.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:-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

2.5A Accounting policies applied from 1 January 2016 (continued)

2.5A.1 Financial assets and liabilities (continued)

a) Recognition and measurement(continued)

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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

2.5A Accounting policies applied from 1 January 2016 (continued)

2.5A.1 Financial assets and liabilities (continued)

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

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments(continued)

2.5A Accounting policies applied from 1 January 2016 (continued)

2.5A.1 Financial assets and liabilities (continued)

c) Impairment of financial assets (continued)

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 consolidated 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.

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.

2.5B Accounting policies applied prior to 1 January 2016

2.5B.1 Financial assets – Initial recognition and subsequent measurement

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available for sale, loans and advances and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The related notes for cash and cash equivalents, borrowings and other liabilities are set out in notes 2.12, 2.13 and 2.14 respectively.

2.5B.2 Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes “regular way trades”: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)/

2.5 Financial instruments(continued)

2.5B Accounting policies applied prior to 1 January 2016 (continued)

2.5B.2 Date of recognition (continued)

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

2.5B.3 Financial assets at fair value through profit or loss

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

Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

2.5B.4 Available-for-sale investments

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group has not designated any loans or receivables as available-for-sale. After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in other comprehensive income in the cumulative changes in fair value. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of profit or loss. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the Effective Interest Rate (EIR). Dividends earned whilst holding available-for-sale financial investments are recognised in the statement of profit or loss and other comprehensive income as investment income when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the statement of profit or loss and removed from the cumulative changes in fair value.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments(continued)

2.5B Accounting policies applied prior to 1 January 2016 (continued)

2.5B.5 Financial investments held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. In the case where the Group sells more than an insignificant amount of held to maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Held-to-maturity investments are initially recognised at fair value plus transaction costs. These are subsequently carried at amortised cost using the effective interest method.

2.5B.6 Loans and advances to customers and due from banks

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

2.5B.7 Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- the Group has transferred substantially all the risks and rewards of the asset, or
- the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.5B.8 Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and an impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events as well as considering the guidelines issued by the regulators:

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NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments(continued)

2.5B Accounting policies applied prior to 1 January 2016(continued)

2.5B.8 Impairment of financial assets (continued)

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

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

(a) Assets carried at amortised cost

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

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

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

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

2.5B Accounting policies applied prior to 1 January 2016 (continued)

2.5.B.8 Impairment of financial assets (continued)

(b) Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from equity and recognised in the statement of profit or loss.

Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

(c) Renegotiated loans

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

2.5.8 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

2.5.8 Fair value measurement principles (continued)

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 consolidated 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.

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 33.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 available-for-sale, are included in other comprehensive income.

(iv) On consolidation, 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 for consolidation 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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Freehold land and land with factory buildings are considered as a separate class of assets by the Group's associate companies. These are revalued on a regular basis.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Intangible assets (continued)

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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.18 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Revenue recognition (continued)

- 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. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis. Asset management fees related to investment funds are recognised pro-rata over the period the service is provided. The same revenue recognition criteria are applied for custody services that are continuously provided over an extended period of time.

- 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.

- Insurance policy fees

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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Trade and settlement date accounting

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

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.

2.25 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 which are described below. In addition, the company writes short term individual medical and personal accident policies.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Insurance contracts (continued)

(b) Recognition and measurement (continued)

(i) Individual life policies

These consist of the following types of policies:

- With profits conventional policies (i.e., policies with a discretionary participation feature) which insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they are received. Provisional premiums are recognised at year end for premium receivables of policies which have not lapsed. Benefits are recorded as an expense when they are incurred. Each policy has a defined benefit amount payable which is guaranteed.

  Apart from this reversionary and terminal bonuses are declared by the subsidiary from time to time based on the profitability of the individual life portfolio. Reversionary bonuses convert into guaranteed benefits once declared and a certain minimum level of bonus is guaranteed for certain policies

  The liability for such policies is determined on a net premium basis by determining the present value of benefits less the present value of future net premiums, a theoretical net premium being calculated using conservative assumptions for mortality and discounting and an adjustment to recognise acquisition costs. For paid up policies, a provision for expenses required to maintain policies is also made. The subsidiary also performs a liability adequacy test to ensure that the reserve set aside is not less than the liability determined as the sum of the expected discounted value of the benefit payments, commissions payable and the future administration expenses that are directly related to the contract, less the expected discounted value of premiums that are receivable (making realistic assumptions as to mortality, persistency and maintenance expenses and using a discount rate inherent in the pricing of fixed income securities held by the subsidiary).

- Term assurance where the benefits are payable only in the event of death of the insured. These include policies where the insured amount is constant throughout the term of the policy and decreasing term assurance policies where the sum assured reduces at a pre-decided rate every year. The premium is paid either over the term of the policy or as a single premium. Premiums are recognised as revenue when they are received. Provisional premiums are recognised at year end for premiums receivables of polices which have not lapsed. These are without profit policies.

  For single premium policies the liability is determined as the discounted value of expected future claims as well as expenses which are expected to be incurred in administering the policies. For regular premium policies the liability is determined on a net premium basis along the same lines as conventional with profits policies.

(ii) Individual credit life policies

These are life insurance contracts underwritten on single premium and on an individual basis and issued to protect financial institution for their outstanding loan from the customer. These contracts protect the financial institutions from the consequences of events (such as death or disability) that would effect on the ability of the customer to repay his outstanding loan. These are without profit policies. These contracts are issued for the duration of loans with the insurance premium being received as a single premium. Further amounts are received if and when loans are topped up. Similarly refunds are allowed in case of pre-closure or change in terms of the loan.

Single premiums are recognised as revenue when due. An unearned risk premium reserve net of reinsurance has been kept for each contract. The risk premium has been worked out based on gross premium less acquisition costs. 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.

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NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Insurance contracts (continued)

(iii) Group life policies

These are short term life insurance contracts underwritten on a group basis, the lives covered usually being employees of a common employer. These contracts protect the subsidiary's customers (the employer) from the consequences of events (such as death or disability) that would effect on the ability of the employee or his/her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the customer. There are no maturity or surrender benefits.

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 disclosed 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 policyholders. Claims reported are recognised at the time of being reported. A separate provision for incurred but not reported claims is made based on the company's experience relating to claims reporting patterns in the past.

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

(iv) Group medical policies

These 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Insurance contracts (continued)

(v) Group credit life policies

These are life insurance contracts underwritten on a group basis and issued to financial institutions to protect their outstanding loan portfolios. These contracts protect the company's customers (financial institutions) from the consequences of events (such as death or disability) that would effect on the ability of the customer's borrowers to repay outstanding loans. These are without profit policies.

These contracts are issued on two basis:

- For the duration of loans with the insurance premium being received as a single premium. Further premiums are received if and when loans are topped up.
- Short term contracts covering the risk for a year at a time, with premiums being determined and paid monthly on outstanding balances.

Single premiums are recognised as revenue when due. A liability for unexpired risk is determined as the discounted value of expected future claims as well as expenses which are expected to be incurred in administering the policies.

Monthly premiums are recognised upon declaration by financial institutions of the amount payable. As such, premiums are usually recognised once they have been fully earned and no unearned premium reserve is determined to be necessary. The company does, however, at the end of the year, evaluate the profitability of the portfolio to determine if any premium deficiency reserve is required.

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.

(vi) 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.

(vii) 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.

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NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Insurance contracts (continued)

(vii) General insurance contracts (continued)

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 company'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 company 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.

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.

(viii) Reinsurance contracts held

In order to protect itself against adverse experience, the subsidiary has entered into contracts with reinsurers under which it is compensated for losses on one or more contracts issued by the subsidiary. Insurance contracts entered into by the subsidiary under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the subsidiary is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily reinsurance premiums payable for reinsurance contracts and are recognised as an expense when due.

The subsidiary assesses its reinsurance assets for impairment on an annual basis.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.29 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Business combination (continued)

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 32. 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 consolidated 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 Impairment losses on loans and advances- Prior to 1 January 2016

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

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

3.3 Measurement of the expected credit loss allowance - From 1 January 2016

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, which also sets out key sensitivities of the ECL to changes in these elements.

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.

3.4 Business models and SPPI as significant judgments

As well as ECL, determining the appropriate business models and assessing the SPPI requirements for financial assets may require significant accounting judgement and have a significant impact on the financial statements. When this is the case, these judgements should also be disclosed or cross-referenced in this section.

3.5 Held-to-maturity investments- Prior to 1 January 2016

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. In such situations, the investments would therefore be measured at fair value and not at amortised cost.

3.6 Useful lives of property and equipment and investment properties

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

3.7 Useful lives of intangible assets

Amortisation 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 using its best estimates.

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

3.8 Taxes

The Group and the Parent Company 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.

3.9 Impairment of available-for-sale equity investments - Prior to 1 January 2016

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost or objective evidence of impairment exists. This determination of what is considered to be significant or prolonged requires judgement. In applying judgement, the Group evaluates among other factors, the volatility in share price. Objective evidence of impairment may be due to deterioration in the financial health of the investee, industry and sector performance.

3.10 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.

3.11 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.

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

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

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.

(b) Estimate of future benefit payments and premiums arising from long-term insurance contracts, and related deferred acquisition costs and other intangible assets

The determination of the liabilities under long-term insurance contracts (which basically consist of individual life policies and group credit life policies issued for the whole loan period on a single premium basis) is dependent on a number of estimates made by the company with respect to:

- Mortality and disability
- Investment returns (discount rate applied)
- Expenses

Mortality and disability

The mortality rates are derived from mortality table Permanent Assurances, combined – AMC00 and AFC00 for males and females respectively. 146% of the AMC00table has been used as best estimate mortality for the insured population in Oman. This table has two years of selection mortality. The so called Carenz period has been applied in the calculations. All children are assumed to be boys. A margin of prudence of 25% over the best estimate derived has been applied based on a mortality experience study of the portfolio on an amount and life basis.

For long term group and individual credit life contracts reinsurance risk premium rates are used for both mortality and disability.

Were the numbers of deaths in future years to differ by 10% from management's estimate, the liability would increase by RO 74,892 (0.92%) or decrease by RO 74,779 (0.92%) [2015 – increase by RO 88,747 (0.99%) or decrease by RO 80,058 (0.89%)].

Investment income / discount rate

Under the net premium valuation method used by the company for valuing most policies in the individual life portfolio, the valuation rate of interest serves as both the estimate of investment income and the discount rate. The valuation interest rate used for conventional guaranteed business should reflect a conservative long-term interest rate. This rate is used to discount the future benefits and future premiums to arrive at the liability figure. A valuation interest rate of 3% per annum was used for the purpose of the valuation of the basic reserves for individual life portfolio. The same valuation discount rate has been used for valuing bonuses as well.

The subsidiary's estimate of return on fixed income securities matching the duration of the company's liability under such policies is around 4.2% p.a. However, rate of 3% p.a. has been considered suitable allowing for both the credit spread as well as prudence in the valuation basis. An earning in excess of the interest rate are usually a source of surplus for with profits policyholders.

Uncertainty relating to interest rate assumptions lies in the investment of net future cash flows; reinvestment risk of coupon payments received on fixed income contracts; and the uncertainty surrounding both returns from and the value of equity investments. Were the interest rate assumptions to vary by 50 basis point from management's estimate for 2016, the gross liability would increase by RO 119,968 (1.9%) or decrease by RO 115,360 (1.8%) [2015 – increase by 180,938 (2.2%) or decrease by RO 146,509 (1.8%)].

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.

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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 2016, 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 to its operations and effective for periods beginning on 1 January 2016.

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Annual Improvements 2012-2014
  - IFRS 5 Non- Current Assets Held for Sale and Discontinued Operations
  - IFRS 7 Financial Instruments: Disclosures
  - IAS 19 Employee Benefits
  - IAS 34 Interim Financial Reporting
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying consolidation exception

Other than amendments to IAS 27, the adoption of other standards and interpretations has not resulted in changes to the Group's accounting policies and has not affected the amounts reported for the current and prior periods. Impact of adoption of IAS 27 is set out in note 4.3.

4.2 Standards issued but not yet effective

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for the year ended 31 December 2016:

IFRS 15 - Revenue from Contracts with Customers: IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to 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 principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plan to adopt the new standard on the required effective date. The Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

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.

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

4.3 CHANGES IN ACCOUNTING POLICY FROM 1 JANUARY 2016

4.3.1 IAS 27 Separate Financial Statements

Consequent to the amendments in IAS 27 effective from 1 January 2016, the Parent Company has adopted equity method to account for its investments in associates and subsidiaries in the separate financial statements. These investments were earlier recorded at cost less impairment. These amendments have been applied retrospectively. The following is the summary of changes in the Parent Company's financial statements due to change in its accounting policy:

Effect on the Parent Company's statement of financial position as at 31 December 2014

	Previously reported as on 31 December 2014 (RO '000)	Adjustment (RO '000)	Restated as on 31 December 2014 (RO '000)
Investment in associates	6,249	7,583	13,832
Investment in subsidiaries	50,536	65,183	115,719
Retained earnings	10,191	28,676	38,867
Legal reserve	9,072	15,730	24,802
General reserve	-	12,064	12,064
Subordinate debt reserve	-	15,297	15,297
Cumulative changes in fair value reserve	6,970	(677)	6,293
Revaluation reserve	-	1,677	1,677

Effect on the Parent Company's statement of financial position as at 31 December 2015

	Previously reported as on 31 December 2015 (RO '000)	Adjustment (RO '000)	Restated as on 31 December 2015 (RO '000)
Investment in associates	71,035	10,164	81,199
Investment in subsidiaries	107,176	70,283	177,459
Due from subsidiaries	39,596	(18)	39,578
Retained earnings	2,696	30,926	33,622
Legal reserve	9,362	17,320	26,682
General reserve	-	13,543	13,543
Subordinate debt reserve	-	20,396	20,396
Cumulative changes in fair value reserve	(1,619)	(2,557)	(4,176)
Foreign exchange revaluation reserve	-	(1,239)	(1,239)
Contingency reserve	-	293	293
Revaluation reserve	-	1,748	1,748

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

4.3 CHANGES IN ACCOUNTING POLICY FROM 1 JANUARY 2016 (continued)

4.3.1 IAS 27 Separate Financial Statements (continued)

Effect on the Parent Company's statement of comprehensive income for the year ended 31 December 2015

	Previously reported for year ended 31 December 2015 (RO '000)	Adjustment (RO '000)	Restated for the year ended 31 December 2015 (RO '000)
Share of results of subsidiaries	-	13,921	13,921
Provision for impairment of due from a subsidiary	-	(17)	(17)
Dividend from subsidiaries	7,099	(7,099)	-
Provision for subsidiary receivable	(1,003)	1,003	-
Other comprehensive income	-	(3,047)	(3,047)
Share of results of associates	-	3,774	3,774
Dividend from associates	872	(872)	-

4.3.2. IFRS 9 Financial Instruments

The impact of change relating to classification and measurement as at 1 January 2016 has been to decrease retained earnings by RO 1.06 million.

Expected loss model of IFRS 9 resulted in a lower provision requirement of RO 5 million as of 1 January 2016 as compared to loan loss provision maintained by the Group. The Group has not incorporated this adjustment in the financial statements on materiality basis as well as considering the fact that the related regulatory requirements addressing the implementation of IFRS 9 are yet to be issued in Oman. The impact on the current year provision amounted to RO 2 million. Further details are set out in note 42.2.2.

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

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5. BUSINESS COMBINATION

On 19 August 2015, the operations of Oman National Investment Corporation Holding Company SAOG (ONICH) were merged with Ominvest SAOG against an issue of 33% shares of the combined entity to the shareholders of ONICH. As a result of the merger, OMINVEST acquired 100% of the ONICH for a total consideration of RO 87,573,284 in the form of issue of new shares. The merger is accounted under IFRS 3 due to OMINVEST acquiring a controlling stake in ONICH through the issue of new shares of OMINVEST. Accordingly, Ominvest is treated as the "accounting acquirer" and ONICH is treated as the "accounting acquiree" for an accounting purposes. The fair value of the shares issued as part of the consideration paid for ONICH was based on the published share price of OMINVEST on 19 August 2015 of RO 0.480 per share.

The fair values of identifiable assets acquired and the liabilities assumed at 19 August 2015 were as follows:

Particulars	**Fair value recognized on acquisition**	**Carrying value immediately prior to acquisition**
Assets	RO '(000)	RO '(000)
Cash and bank balances	1,789	1,789
Bank and other deposits	30,795	30,795
Premiums and insurance balances receivables *	34,027	34,027
Reinsurers share of outstanding claims	10,878	10,878
Reinsurers share of actuarial / mathematical and unexpired risk reserves	16,009	16,009
Investments at fair value through profit or loss	12,461	12,461
Investments at amortised cost	648	648
Available for sale investments	1,389	1,389
Other receivables and prepayment	4,138	4,138
Investment in associates	59,615	49,672
Deferred tax assets	114	114
Investment properties	7,800	7,800
Property and equipment	736	736
Goodwill	-	146
Trade name	9,117	-
Hospital network	7,597	-
License	2,631	-
Total assets	**199,744**	**170,602**
Gross outstanding claims	22,714	22,714
Actuarial / mathematical and unexpired risk reserve	46,249	46,249
Due to reinsurers	4,197	4,197
Bank term loans	18,192	18,192
Investment property loan	5,446	5,446
Other liabilities	9,310	9,310
Income tax payable	331	331
Total liabilities	**106,439**	**106,439**
Fair value of net assets of the acquiree	**93,305**	
Non-controlling interests	(909)	
Total identifiable net assets acquired	**92,396**	
Total consideration transferred in the form of issuance of new shares	(87,573)	
Bargain on business combination	**4,823**	

* Premium and insurance balances receivable is after provision of doubtful debts of RO 665,615.

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NOTES TO THE FINANCIAL STATEMENTS
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5. BUSINESS COMBINATION (continued)

The Group had recognised a gain of RO 4.8 million on acquisition of ONICH Holding SAOG due to the synergies expected from the combined operations such as:

a) reduction in operating costs;
b) shared back office solutions;
c) the banking company financing the Group's new leasing companies; and
d) bancassurance

In the merger, Ominvest has acquired five separate businesses classified as investments in associates across different sectors in which their fair market values are significantly higher than their carrying values.

For the non-controlling interests in National Life and General Insurance SAOC, the Group elected to recognise the non-controlling interests in at its proportionate share of the acquired net identifiable assets.

Transaction costs of RO 0.2 million have been expensed and are included in operating expenses (note 29).

The acquired business contributed revenues of RO 31 million and net profit of RO 3.66 million to the Group for the period from 19 August to 31 December 2015. If the acquisition had occurred on 1 January 2015, consolidated pro-forma revenue and profit for the year ended 31 December 2015 would have been RO 197.4 million and RO 37.659 million respectively. These amounts have been calculated using the subsidiary's and associate's results.

Net cash flows on merger	**Group (RO'000)**	**Parent Company** (RO'000)
Cash and bank balances	**1,789**	**116**
Bank and other deposits	**30,795**	**-**
Cash and bank acquired	**32,584**	**116**
Bank term loans	**(18,192)**	**(17,692)**
Investment property loan	**(5,446)**	**(5,446)**
Borrowing assumed	**(23,638)**	**(23,138)**
	8,946	**(23,022)**

There were no acquisitions in the year ended 31 December 2016.

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6. DEPOSITS WITH BANKS

Group	2016 (RO'000)	2015 (RO'000)
Money market placements	**16,659**	24,400
Current accounts	**13,421**	58,826
Capital deposits	**500**	500
Deposits	**27,370**	24,216
Subordinated deposits	**13,542**	8,542
	71,492	116,484

At 31 December 2016, 60% of the Group's Money market placements were with Oman Housing Bank SAOC, which is owned by Government of Oman. (2015– 63% of the Bank's placements were with two banks rated Aa3 to A1).

Capital deposits represents RO 500,000 (2015 - 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% (2015–1%) 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 and United Arab Emirates, denominated in Rial Omani of RO 22,690,854 (2015 – RO 19,817,000) and denominated in UAE Dirhams of RO 4,678,502 (2015 – RO 4,398,928) and carry effective annual interest rates ranging between 1.25% to 5% per annum (2015 - 0.71% to 4.10% per annum).

Subordinated deposits are held with commercial banks in the Sultanate of Oman and Bahrain, denominated in Rial Omani of RO 11,000,000 (2015 –RO 6,000,000) and denominated in US Dollars of RO 2,542,320 (2015 – 2,542,320) and carry annual interest rates ranging between 4.5% to 7.88% per annum (2015 - 4.5% to 7.88% per annum)

7. PREMIUM AND INSURANCE BALANCES RECEIVABLE

Group	*2016* Life RO	*2016* General RO	*2016* Total RO	*2015* Life RO	*2015* General RO	*2015* Total RO
Premium receivable	**27,735**	**2,123**	**29,858**	23,681	1,045	24,726
Premium receivable from a related party	**99**	**1**	**100**	336	1	337
Reinsurance balances receivable	**4,827**	**508**	**5,335**	3,454	506	3,960
	32,661	**2,632**	**35,293**	27,471	1,552	29,023
Allowance for impaired debts	**(537)**	**(149)**	**(686)**	(440)	(197)	(637)
	32,124	**2,483**	**34,607**	27,031	1,355	28,386
Movement in allowance for impaired debts						
At 1 January/acquisition date	**440**	**197**	**637**	393	181	574
Provided during the year	**97**	**7**	**104**	119	23	142
Written off during the year	**-**	**(55)**	**(55)**	(72)	(7)	(79)
At 31 December	**537**	**149**	**686**	440	197	637

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8. INVESTMENT SECURITIES

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

	Group		**Parent Company**	
	2016 (RO'000)	2015 (RO'000)	**2016 (RO'000)**	2015 (RO'000)
Financial assets at fair value through profit or loss (note a)	**19,000**	8,936	**9,161**	1,264
Financial assets at fair value through other comprehensive income (note (b)(i))	**84,869**	-	**1,919**	-
Available-for-sale investments (note (b)(ii))	**-**	86,483	**-**	9,827
Investments at amortised cost (note (c)(i))	**96,424**	-	**-**	-
Held-to-maturity investments (note (c)(ii))	**-**	97,501	**-**	-
	200,293	192,920	**11,080**	11,091

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

(i) Financial assets designated 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***	
	2016 (RO'000)	*2015 (RO'000)*	***2016 (RO'000)***	*2015 (RO'000)*
Quoted investments				
Local investments by sector				
Financial sector	**5,586**	3,268	**3,516**	1,179
Services	**2,459**	3,145	**717**	15
Industrial	**3,558**	1,683	**492**	65
	11,603	8,096	**4,725**	1,259
Oman Al Arabi Fund	**-**	438	**-**	-
Local quoted investments	**11,603**	8,534	**4,725**	1,259
Foreign quoted investments	**7,396**	5	**4,436**	5
Quoted investments	**18,999**	8,539	**9,161**	1,264
Unquoted local investments	**1**	323	**-**	-
Total financial assets designated at fair value through profit or loss	**19,000**	8,862	**9,161**	1,264

(ii) Financial assets held for trading

	Group		***Parent Company***	
	2016 (RO'000)	*2015 (RO'000)*	***2016 (RO'000)***	*2015 (RO'000)*
Total financial assets held for trading	**-**	74	**-**	-
Total financial assets designated at fair value through profit or loss	**19,000**	8,936	**9,161**	1,264

Investment in the Financial Settlement Guarantee Fund (FSGF) has been sold as part of the sale of Investment Banking unit of the banking subsidiary (refer note 32). As at 31 December 2016, the outstanding investment in FSGF is RO Nil (2015 - RO 203,307). Refer note 41 for the maturity profile of the investment securities.

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

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8. INVESTMENT SECURITIES (continued)

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

	Group		Parent Company	
	2016 (RO'000)	2015 (RO'000)	**2016 (RO'000)**	2015 (RO'000)
Local investments				
Quoted investments (cost)	**77,196**	-	**-**	-
Fair value reserve	**548**	-	**-**	-
Unquoted investments (cost)	**1,389**	-	**861**	-
Fair value reserve	**213**	-	**436**	-
Total local investments	**79,346**	-	**1,297**	-
Foreign investments				
Quoted investments (cost)	**4,727**	-	**-**	-
Fair value reserve	**(826)**	-	**-**	-
Unquoted investments (cost)	**3,373**	-	**1,578**	-
Fair value reserve	**(1,751)**	-	**(956)**	-
Total foreign investments	**5,523**	-	**622**	-
Total Investments at fair value through other comprehensive income	**84,869**	-	**1,919**	-

(b) (ii)Available-for-sale investments

	Group		Parent Company	
	2016 (RO'000)	2015 (RO'000)	**2016 (RO'000)**	2015 (RO'000)
Local investments				
Quoted investments (cost)	-	77,505	-	2,512
Fair value reserve	-	(6,295)	-	(150)
Unquoted investments (cost)	-	1,050	-	861
Fair value reserve	-	(15)	-	-
Total local investments	-	72,245	-	3,223
Foreign investments				
Quoted investments (cost)	-	15,184	-	7,664
Less: Provision for impairment	-	(715)	-	(309)
Fair value reserve	-	(1,876)	-	(1,410)
Unquoted investments (cost)	-	3,380	-	1,579
Less: Provision for impairment	-	(861)	-	(861)
Fair value reserve	-	(776)	-	(59)
Deferred tax liability on fair value reserve	-	(98)	-	-
Total foreign investments	-	14,238	-	6,604
Total available-for-sale investments	-	86,483	-	9,827

Investments amounting to RO 5.4 million (2015 – RO 4.97 million) are held in the name of associate companies / brokers in trust on behalf of the Group.

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

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8. INVESTMENT SECURITIES (continued)

(c) (i) Investment at amortised cost

	Group		Parent Company	
	2016 (RO'000)	2015 (RO'000)	**2016 (RO'000)**	2015 (RO'000)
Treasury bills				
- held by the banking subsidiary	**40,290**	-	-	-
Oman Government Development Bonds and Sukuks				
- held by the banking subsidiary	**55,633**	-	-	-
Banks and Corporate Bonds				
- held by insurance subsidiary	**501**	-	-	-
Total Investments at Amortised Cost	**96,424**	-	-	-

(c) (ii) Held-to-maturity investments

	Group		Parent Company	
	2016 (RO'000)	2015 (RO'000)	**2016 (RO'000)**	2015 (RO'000)
Treasury bills				
- held by the banking subsidiary	-	43,000	-	-
Oman Government Development Bonds				
- held by the banking subsidiary	-	53,855	-	-
Banks and Corporate Bonds				
- held by insurance subsidiary	-	646	-	-
Total Held-to-maturity investments	-	97,501	-	-

The Government Development Bonds are denominated in Rial Omani and carry interest rates varying between 2.75% to 5.5% (2015 – 2.75% to 5.5%) per annum.The treasury bills are denominated in Rial Omani and carry yield rates ranging between 0.46% to 0.86% (2015: 0.64% to 0.72%). The maturity profiles of these investments, based on the remaining maturity from the reporting date, are as follows:

	2016 RO'000 Amortised cost	*2015 RO'000 Held to maturity*
Treasury bills		
Upto 3 months	**40,290**	36,000
Between 3 and 9 months	**-**	7,000
Government bonds		
1 to 5 years	**49,684**	50,419
Above 5 years	**5,313**	2,800
Sukuk bonds		
1 to 5 years	**636**	636
Corporate bond 1 to 5 years	**501**	646
Total	**96,424**	97,501

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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:

Parent	***Holding (%)***	***2016 Carrying value (RO'000)***	*Holding (%)*	*2015 Carrying value (RO'000)*
Quoted				
Oman Orix Leasing Company SAOG	35.00%	**15,377**	35.00%	14,202
National Finance Company SAOG	25.56%	**11,748**	25.56%	10,932
Oman Chlorine SAOG	15.11%	**7,320**	15.11%	7,121
National Detergent Company SAOG	20.94%	**2,814**	20.94%	2,707
National Biscuit Industries Ltd. SAOG	28.92%	**1,426**	28.92%	1,283
		38,685		36,245
Unquoted				
International General Insurance Holding Limited	20.00%	**30,352**	20.00%	28,326
Al Ahlia Insurance Company SAOC	20.03%	**9,226**	20.03%	8,973
Ubhar Capital SAOC	36.00%	**4,320**	-	-
National Finance House B.S.C.	17.47%	**2,819**	17.47%	2,685
Modern Steel Mill LLC	19.49%	**3,653**	19.49%	3,787
Shamal Plastic Industries LLC	15.00%	**709**	15.00%	690
Gulf Acrylic Industries LLC	15.00%	**512**	15.00%	493
		51,591		44,954
Total		**90,276**		81,199

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 28,676,499 (2015 - RO 29,024,075).

During 2015, the Parent Company had gained significant influence in Modern Steel Mills LLC, Shamal Plastic Industries LLC and Gulf Acrylic Industries LLC due to representation on the Board and participation in key policy making decisions in collaboration with other shareholders. Accordingly, these available-for-sale investments were transferred to investments in associates.

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AT 31 DECEMBER 2016

8. INVESTMENT SECURITIES (continued)

(d) Investments in associates (continued)

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)***
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
2015				
National Finance Company SAOG	190,433	147,969	15,879	1,539
National Biscuit Industries SAOG	7,101	2,861	10,927	187
National Detergent Company SAOG	25,422	11,805	22,577	134
International General Insurance Holding Limited	292,268	183,351	59,813	1,104
Oman Orix Leasing Company SAOG	161,721	126,360	15,925	701
Al Ahlia Insurance Company SAOC	70,341	35,647	27,054	73
Oman Chlorine SAOG	59,690	34,496	7,621	121
National Finance House B.S.C.	49,227	35,801	3,227	86
Modern Steel Mill LLC	15,059	567	11,561	(224)
Gulf Acrylic Industries LLC	1,839	816	1,961	12
Shamal Plastic Industries LLC	1,875	433	3,165	41
				3,774

8. INVESTMENT SECURITIES (continued)

(e) Investments in subsidiaries

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

		2016		*2015*	
	Country of Incorporation	***Holding %***	***Carrying value (RO'000)***	*Holding %*	*Carrying value (RO'000)*
Oman Arab Bank SAOC *(Principal activity: Banking)*	Oman	50.99	**129,056**	50.99	115,248
National Life and General Insurance Co SAOC *(Principal activity: Insurance)*	Oman	97.93	**57,436**	97.93	39,569
Oman National Investment Corporation SAOC *(Principal activity: Investments)*	Oman	98.00	**25,382**	98.00	19,174
Oman Real Estate Investment & Services SAOC *(Principal activity: Investments)*	Oman	99.98	**719**	99.98	729
Salalah Resorts SAOC *(Principal activity: Integrated Tourism Project)*	Oman	99.98	**-**	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	**1,631**	100.00	2,639
Total investments in subsidiaries			**214,324**		177,459

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

Name of the subsidiary	**Assets (RO'000)**	**Liabilities (RO'000)**	**Revenues (RO'000)**	**Share of results (RO'000)**
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**
2015				
Oman Arab Bank SAOC	1,928,699	1,756,680	95,075	14,793
National Life and General Insurance Co SAOC	103,361	77,227	31,013	1,550
Oman National Investment Corporation SAOC	56,531	36,957	-	(1)
Salalah Resorts SAOC	1,949	1,966	-	(1,310)
Oman Investment Services SAOC	1,500	771	1	(77)
Al Jabal Al Aswad Investment LLC (Budva Beach Properties doo)	3,964	1,223	12	(1,034)
Total				**13,921**

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8. INVESTMENT SECURITIES (continued)

(e) Investments in subsidiaries (continued)

Budva Beach properties doo

The subsidiary is planning to develop a real estate tourism project in Montenegro. During the year, management has 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 the year, management has provided for impairment of project work in progress of RO 1.6 million.

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 is still in progress. The investment in ASC is fully provided for by the Parent Company.

(f) Details of significant investments

As at reporting date, the Group's investments for which either, the Group's holding represents 10% or more of the issuer's share capital, or, the Group's holding exceeds 10% of the market value of the Group's investment securities portfolio, are detailed as follows:

Quoted securities

2016	**Holding %**	**Number of shares**	**Market value (RO'000)**	**Carrying value (RO'000)**
Group				
National Biscuit Industries Ltd SAOG	**29.22**	**292,197**	**1,085**	**1,427**
National Finance Co SAOG	**25.87**	**70,144,996**	**9,189**	**11,857**
National Detergent Co. SAOG	**20.94**	**3,561,700**	**2,507**	**2,814**
Oman Orix Leasing Co. SAOG	**35.00**	**87,863,758**	**10,983**	**15,377**
Oman Chlorine SAOG	**16.26**	**11,074,289**	**5,404**	**7,702**
Takaful Oman SAOG	**17.95**	**17,946,248**	**3,123**	**3,123**
Bank Muscat SAOG	**3.52**	**87,932,393**	**41,504**	**41,504**
Ahli Bank SAOG	**8.50**	**121,062,695**	**23,728**	**23,728**

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8. INVESTMENT SECURITIES (continued)

(f) Details of significant investments (continued)

As at reporting date, the Parent company's investments for which either, the Parent company's holding represents 10% or more of the issuer's share capital, or, the Parent company's holding exceeds 10% of the market value of the Parent company's investment securities portfolio, are detailed as follows:

Quoted securities

2016	*Holding %*	*Number of shares*	*Market value (RO'000)*	*Carrying value (RO'000)*
Parent Company				
National Biscuit Industries Ltd SAOG	**28.92**	**289,197**	**1,084**	**1,426**
National Finance Co. SAOG	**25.56**	**69,310,130**	**9,080**	**11,748**
National Detergent Co. SAOG	**20.94**	**3,561,700**	**2,507**	**2,814**
Oman Orix Leasing Co. SAOG	**35.00**	**87,863,758**	**10,983**	**15,377**
Oman Chlorine SAOG	**15.11**	**10,290,935**	**5,022**	**7,320**
Takaful Oman SAOG	**17.35**	**17,347,934**	**3,019**	**3,019**
2015				
Group				
National Biscuit Industries Ltd SAOG	29.22	292,197	1,096	1,293
National Finance Co SAOG	25.87	68,101,939	9,126	11,074
National Detergent Co. SAOG	20.94	3,561,700	2,265	2,707
Oman Orix Leasing Co. SAOG	35.00	84,484,383	11,659	14,201
Oman Chlorine SAOG	16.26	10,546,943	5,379	7,502
Takaful Oman SAOG	17.11	17,111,959	1,711	1,711
Bank Muscat SAOG	3.05	69,926,454	33,005	33,005
Ahli Bank SAOG	8.13	115,905,731	21,718	21,718
2015				
Parent Company				
National Biscuit Industries Ltd SAOG	28.92%	289,197	1,084	1,283
National Finance Co. SAOG	25.56%	67,291,389	9,017	10,932
National Detergent Co. SAOG	20.94%	3,561,700	2,265	2,707
Oman Orix Leasing Co. SAOG	35.00%	84,484,383	11,659	14,202
Oman Chlorine SAOG	15.11%	9,800,891	4,998	7,121
Takaful Oman SAOG	17.11%	17,111,959	1,711	1,711

Unquoted securities

2016	**Holding %**	**Number of shares**	**Carrying value (RO'000)**
Group			
Subsidiaries			
Oman Real Estate Investment & Services SAOC	**99.98**	**999,800**	**719**
Oman Arab Bank SAOC	**51.00**	**647,700,000**	**129,183**
National Life & General Insurance Co SAOC	**97.93**	**25,952,324**	**61,140**
Oman National Investment Corporation SAOC	**100.00**	**200,000,000**	**25,382**
Salalah Resorts SAOC	**99.98**	**29,994,000**	**-**
Budva Beach Properties doo	**100.00**	**9,500,000**	**1,631**
Al Jabal Al Aswad investment LLC	**99.98**	**99,980**	**100**
NLGIC Support Service Private Limited	**100.00**	**853,220**	**35**
Others			
International General Insurance Holding	**20.00**	**28,675,104**	**30,352**
Al Ahlia Insurance Co. SAOC	**20.03**	**2,003,091**	**9,226**
National Finance House B.S.C	**17.47**	**13,100,000**	**2,819**
Ubhar Capital SAOC	**36.00**	**43,200,000**	**4,320**
Shamal Plastic Industries LLC	**20.00**	**200,000**	**709**
Modern Steel Mills LLC	**19.49**	**136,395**	**3,653**
Gulf Acrylic Industries LLC	**20.00**	**100,000**	**560**

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8. INVESTMENTS IN SECURITIES (continued)

(f) *Details of significant investments (continued)*

Unquoted securities	*Holding %*	*Number of shares*	*Carrying value (RO'000)*
2016			
Parent Company			
Subsidiaries			
Oman Arab Bank SAOC	**50.99**	**647,573,000**	**129,056**
National Life & General Insurance Co. SAOC	**97.93**	**25,951,628**	**57,436**
Oman National Investment Corporation SAOC	**98.00**	**196,000,000**	**25,382**
Salalah Resort SAOC	**99.98**	**29,994,000**	**-**
Oman Real Estate Investment and Services SAOC (formerly Oman Investment Services SAOC)	**99.98**	**999,800**	**719**
Budva Beach Properties SAOC	**100.00**	**9,500,000**	**1,631**
Al Jabal Al Aswad investment LLC	**99.98**	**99,980**	**100**
Others			
International General Ins. Holding	**20.00**	**28,675,104**	**30,352**
Al Ahlia Insurance Co. SAOC	**20.03**	**2,003,091**	**9,226**
National Finance House B.S.C	**17.47**	**13,100,000**	**2,819**
Al Shamal Plastics LLC	**15.00**	**150,000**	**709**
Modern Steel Mills LLC	**19.49**	**136,395**	**3,653**
Gulf Acrylic Industries LLC	**15.00**	**75,000**	**512**
Ubhar Capital SAOC	**36.00**	**43,200,000**	**4,320**
2015			
Group			
Subsidiaries			
Oman Investment Services SAOC	99.98	999,800	729
Oman Arab Bank SAOC	51.00	59,160,000	115,375
National Life and General Insurance Co SAOC	97.93	10,282,715	44,198
Oman National Investment Corporation SAOC	100.00	200,000,000	19,574
Salalah Resorts SAOC	99.98	29,994,000	-
Budva Beach Properties doo	100.00	9,500,000	2,639
Al Jabal Al Aswad investment LLC	99.98	99,980	100
Others			
International General Ins. Holding	20.00	28,675,104	28,326
Al Ahlia Insurance Co. SAOC	20.03	2,003,091	8,973
National Finance House B.S.C	17.47	13,100,000	2,685
Al Shamal Plastics LLC	20.00	200,000	762
Modern Steel Mills LLC	19.49	136,395	3,787
Gulf Acrylic Industries LLC	20.00	100,000	541
2015			
Parent Company			
Subsidiaries			
Oman Arab Bank SAOC	50.99	591,484,000	115,248
National Life & General Insurance Co. SAOC	97.93	10,282,715	39,569
Oman National Investment Corporation SAOC	98.00	19,600,000	19,174
Salalah Resort SAOC	99.98	29,994,000	-
Oman Investment Services SAOC	99.98	999,800	729
Budva Beach Properties SAOC	100.00	9,500,000	2,639
Al Jabal Al Aswad investment LLC	99.98	99,980	100
Others			
International General Ins. Holding	20.00	28,675,104	28,326
Al Ahlia Insurance Co. SAOC	20.03	2,003,091	8,973
National Finance House B.S.C	17.47	13,100,000	2,685
Al Shamal Plastics LLC	15.00	150,000	690
Modern Steel Mills LLC	19.49	136,395	3,787
Gulf Acrylic Industries LLC	15.00	75,000	493

(g)

9. LOANS AND ADVANCES TO CUSTOMERS

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

Group	**2016 (RO' 000)**	2015 (RO' 000)
Corporate loans		
Term loans	**650,920**	724,293
Overdrafts	**143,753**	137,336
Bills discounted	**87,278**	31,842
Islamic finance	**33,320**	20,625
	915,271	914,096
Personal loans		
Consumer loans	**451,242**	416,716
Mortgage loans	**235,171**	159,010
Overdrafts	**1,807**	24,756
Credit cards	**4,657**	4,716
Islamic finance	**32,714**	30,090
	725,591	635,288
Gross loans and advances	**1,640,862**	1,549,384
Less: allowance for loan impairment and unrecognised contractual interest (note 9(b))	**(50,063)**	(44,813)
Net loans and advances	**1,590,799**	1,504,571

(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 **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**

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9. LOANS AND ADVANCES TO CUSTOMERS (continued)

Group 2015	Allowance for loan impairment (RO'000)	Unrecognised contractual interest (RO' 000)	Total (RO' 000)
At 1 January	30,651	6,339	36,990
Provided during the year	12,883	2,575	15,458
Amounts written off	(93)	(9)	(102)
Amounts released/recovered	(6,453)	(1,524)	(7,977)
At 31 December	37,432	7,381	44,813

At 31 December 2016, loans and advances on which contractual interest was not recognised or has not been accrued amounted to RO 47,938 thousand (31 December 2015 - RO 44,842 thousand).

(c) Islamic financing

Included in the above loans and advances are the following Islamic financing contracts:

Group	**Personal (RO' 000)**	**Corporate (RO' 000)**	**Total (RO' 000)**
2016			
Musharaka	**24,758**	**15,160**	**39,918**
Murabaha	**4,227**	**12,428**	**16,655**
Ijarah Muntahia Bittamleek	**3,729**	**5,732**	**9,461**
At 31 December	**32,714**	**33,320**	**66,034**
2015			
Musharaka	23,418	13,427	36,845
Murabaha	2,672	6,265	8,937
Ijarah Muntahia Bittamleek	4,000	933	4,933
At 31 December	30,090	20,625	50,715

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9. LOANS AND ADVANCES TO CUSTOMERS (continued)

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

Group	2016 RO' 000	2015 RO' 000
Personal loans	**725,591**	635,288
Construction	**299,485**	244,916
Manufacturing	**112,047**	111,138
Mining and quarrying	**110,621**	70,700
Services	**77,860**	67,928
Import trade	**54,744**	58,462
Transportation	**52,528**	128,063
Electricity, water and gas	**49,112**	47,434
Wholesale and retail trade	**46,089**	59,196
Financial institutions	**31,173**	48,326
Agriculture and allied activities	**4,998**	7,067
Export trade	**663**	-
Government	**-**	1,958
Others	**75,951**	68,908
	1,640,862	1,549,384

10. OTHER ASSETS

	Group		*Parent Company*	
	2016 (RO'000)	*2015 (RO'000)*	***2016 (RO'000)***	*2015 (RO'000)*
Customers' indebtedness against acceptances	**24,133**	21,133	**-**	-
Interest receivable	**6,899**	5,743	**-**	-
Prepayments	**3,992**	2,312	**1,874**	153
Receivable from investment customers (Note a)	**-**	2,126	**-**	-
Positive fair value of derivatives (Note 38)	**166**	148	**-**	-
Others	**16,109**	13,393	**956**	633
	51,299	44,855	**2,830**	786

Note a:
The banking subsidiary sold its IMG business (note 32) during the year and as a result, balances receivable from investment customers were settled.

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11 (a) INVESTMENT PROPERTIES

Group

	Land (RO'000)	*Buildings (RO'000)*	*Capital work-in-progress (RO'000)*	*Total (RO'000)*
Cost				
At 1 January 2015	2,531	973	-	3,504
Additions including merger with ONICH	-	7,800	70	7,870
Disposal	-	(973)	-	(973)
At 1 January 2016	**2,531**	**7,800**	**70**	**10,401**
Additions	**126**	**-**	**283**	**409**
At 31 December 2016	**2,657**	**7,800**	**353**	**10,810**
Depreciation				
At 1 January 2015	-	524	-	524
Charge for the year	-	90	-	90
Disposal	-	(524)	-	(524)
At 1 January 2016	**-**	**90**	**-**	**90**
Charge for the year	**-**	**245**	**-**	**245**
At 31 December 2016	**-**	**335**	**-**	**335**
Carrying value				
At 31 December 2016	**2,657**	**7,465**	**353**	**10,475**
At 31 December 2015	2,531	7,710	70	10,311

Parent Company

	Land (RO'000)	*Buildings (RO'000)*	*Capital work-in-progress (RO'000)*	*Total (RO'000)*
Cost				
At 1 January 2015	2,531	973	-	3,504
Additions including merger with ONICH	-	6,500	70	6,570
Disposal	-	(973)	-	(973)
At 1 January 2016	**2,531**	**6,500**	**70**	**9,101**
Additions	**-**	**-**	**283**	**283**
At 31 December 2016	**2,531**	**6,500**	**353**	**9,384**
Depreciation				
At 1 January 2015	-	524	-	524
Charge for the year	-	65	-	65
Disposal	-	(524)	-	(524)
At 1 January 2016	-	**65**	-	**65**
Charge for the year	-	**176**	-	**176**
At 31 December 2016	**-**	**241**	**-**	**241**
Carrying value				
At 31 December 2016	**2,531**	**6,259**	**353**	**9,143**
At 31 December 2015	2,531	6,435	70	9,036

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11 (a). INVESTMENT PROPERTIES (continued)

At the reporting date, fair value of the land is RO 3.4 million (2015 - RO 3.9 million) and buildings is RO 6.4 million (RO 6.6 million) in the Parent Company. The fair value measurements of the Group's investment properties as at 31 December 2016 were performed by M/s Brokers International LLC, independent valuers not related to the Group. M/s Brokers International LLC have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. Fair value was determined by the Parent Company using market comparable approach based on recent market prices (level 2 hierarchy). There has been no change to the valuation technique during the year.

11(b).PROJECTS WORK IN PROGRESS

At 31 December 2016, projects work in progress includes:

Group	**2016 (RO' 000)**	2015 (RO' 000)
Salalah Resorts SAOC		
Initial stage	**168**	168
Consultancy charges	**2,581**	2,579
Provision for impairment (Note a)	**(2,749)**	(1,197)
Total	**-**	1,550
Budva Beach Properties doo, Montenegro:		
Cost of land	**5,231**	5,231
Consultancy and other costs	**935**	945
Foreign currency translation reserve (Note b)	**(1,334)**	(1,239)
Provision for impairment of land (Note b)	**(1,862)**	(1,003)
	2,970	3,934
	2,970	5,484

Note a:
During the year, management had reassessed certain components of project costs for impairment analysis and had recorded an impairment loss of RO 1,553 thousands (2015: RO 1,197 thousands).

Note b:
During the year, management had reassessed certain components of project costs for impairment analysis and had recorded an impairment loss of RO 859 thousands (2015: RO 1,003 thousands).

At 31 December 2016, the Group has recognised RO 0.1 million (2015: RO 1.239 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:

	2016 (RO'000)	*2015 (RO'000)*
At 1 January	**2,200**	-
Charged during the year	**2,411**	2,200
At 31 December	**4,611**	2,200

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11(c). PROPERTY AND EQUIPMENT

	Land and buildings (RO'000)	*Furniture, fixtures and equipment (RO'000)*	*Motor vehicles (RO'000)*	*Capital work in progress (RO'000)*	*Total (RO'000)*
Group					
Cost:					
At 1 January 2015	24,140	26,258	609	1,246	52,253
Additions	-	1,831	208	875	2,914
Transfers	-	3,361	231	(1,693)	1,899
Disposals	(2,569)	(686)	(145)	-	(3,400)
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 31 December 2016	**21,571**	**33,986**	**1,033**	**1,243**	**57,833**
Depreciation:					
At 1 January 2015	3,553	18,637	394	-	22,584
Charge for the year	590	2,961	122	-	3,673
Transfers	-	1,052	118	-	1,170
Disposals	(2,569)	(687)	(114)	-	(3,370)
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 31 December 2016	**2,164**	**24,917**	**563**	**-**	**27,644**
Carrying value					
At 31 December 2016	**19,407**	**9,069**	**470**	**1,243**	**30,189**
At 31 December 2015	19,997	8,801	383	428	29,609

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11(c). PROPERTY AND EQUIPMENT (continued)

	Land and buildings (RO'000)	*Furniture, fixtures and equipment (RO'000)*	*Motor vehicles (RO'000)*	*Capital work in progress (RO'000)*	*Total (RO'000)*
Parent Company					
Cost:					
At 1 January 2015	-	805	44	-	849
Additions	-	80	35	-	115
Disposals	-	(24)	(39)	-	(63)
At 1 January 2016	-	861	40	-	901
Additions	-	7	-	-	7
Disposals	-	(7)	-	-	(7)
At 31 December 2016	**-**	**861**	**40**	**-**	**901**
Depreciation:					
At 1 January 2015	-	486	17	-	503
Charge for the year	-	136	14		150
Disposals	-	(24)	(22)		(46)
At 1 January 2016	-	598	9	-	607
Charge for the year	-	141	12	-	153
Disposals	-	(2)	-	-	(2)
At 31 December 2016	**-**	**737**	**21**	**-**	**758**
Carrying value					
At 31 December 2016	**-**	**124**	**19**	**-**	**143**
At 31 December 2015	-	263	31	-	294

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12. INTANGIBLE ASSETS

Intangible assets acquired as a result of business combination are set out below (refer note 5):

	Trade name (RO'000)	*Hospital network (RO'000)*	*License (RO'000)*	*Total (RO'000)*
Group				
Cost				
At 1 January 2015	-	-	-	-
Additions	9,117	7,597	2,631	19,345
At 1 January 2016	**9,117**	**7,597**	**2,631**	**19,345**
Additions	-	-	-	-
At 31 December 2016	**9,117**	**7,597**	**2,631**	**19,345**
Amortisation:				
At 1 January 2015	-	-	-	-
Charge for the year	-	186	161	347
At 1 January 2016	-	186	161	347
Charge for the year	-	506	438	944
At 31 December 2016	**-**	**692**	**599**	**1,291**
Carrying value				
At 31 December 2016	**9,117**	**6,905**	**2,032**	**18,054**
At 31 December 2015	9,117	7,411	2,470	18,998

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 impairment analysis was performed using P/B ratio and resultant multiple used was 2.0x. The results showed no impairment loss.

13. (a) SHARE CAPITAL

The Parent Company's authorised share capital is 900,000,000 (2015 –900,000,000) shares of 100 baisa each (2015–100 baisa).

At 31 December 2016, 635,790,892 (2015 –552,861,642) shares of 100 baisa (2015- 100 baisa) each have been issued and are fully paid.

During the year 82,929,250 (2015: 33,674,300) shares were issued as stock dividend as approved in the Annual General Meeting, held on 30 March 2016.

On 19 August 2015, the Parent Company issued 182,444,342 new shares of RO 0.100 each for obtaining control over ONICH (the acquired entity). The fair value of the consideration paid was determined using the Parent Company's share price of RO 0.480 as on acquisition date resulting in the share premium of RO 0.380 per share totalling to RO 69,328,850.

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13. (a) SHARE CAPITAL (continued)

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

	2016		*2015*	
	Holding %	***Shares***	*Holding %*	*Shares*
Al Hilal Investment Co. LLC	**20.06%**	**127,518,925**	17.73	98,018,253
Oman Investment Fund	**20.00%**	**127,158,179**	13.79	76,262,558
Civil Service Employees' Pension Fund	**11.10%**	**70,590,196**	10.11	55,918,284

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.

14. RESERVES

(a) Share Premium

On 19 August 2015, the Parent Company issued 182,444,342 new shares with a nominal value of RO 0.100 each and share premium of RO 0.380 for obtaining control over ONICH (the acquired entity). The total share premium as at 31 December 2015 was RO 69,328,850.

This reserve is available for distribution to the shareholders. During the year, 82,929,250 shares at 100 baisa per share were issued as stock dividend by transferring 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.

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15. OTHER NON-DISTRIBUTABLE RESERVES

CONSOLIDATED	***Capital reserve***	***Contingency reserve***	***Special reserve***	***Sub. debt reserve***	***Foreign currency revaluation reserve***	***Revaluation reserve***	***Total***
At 1 January 2015	17,846	-	-	15,297	-	1,677	34,820
Transfer to retained earnings	-	293	-	5,099	-	-	5,392
Other comprehensive income/ (expense)	-	-	-	-	(1,239)	71	(1,168)
At 1 January 2016	17,846	293	-	20,396	(1,239)	1,748	39,044
Transfer to special reserve	-	-	1,224	-	-	-	1,224
Transfer to contingency reserve	-	1,116	-	-	-	-	1,116
Transfer to subordinate debt reserve	-	-	-	7,139	-	-	7,139
Other comprehensive expense	-	-	-	-	(104)	-	(104)
At 31 December 2016	**17,846**	**1,409**	**1,224**	**27,535**	**(1,343)**	**1,748**	**48,419**

PARENT	***Contingency reserve***	***Special reserve***	***Sub. debt reserve***	***Foreign currency revaluation reserve***	***Revaluation reserve***	***Total***
At 1 January 2015- (restated)	-	-	15,297	-	1,677	16,974
Other comprehensive income / (expense)	-	-	-	(1,239)	71	(1,168)
Transfer from retained earnings	293	-	5,099	-	-	5,392
At 1 January 2016	293	-	20,396	(1,239)	1,748	21,198
Transfer to special reserve	-	1,224	-	-	-	1,224
Transfer to contingency reserve	1,116	-	-	-	-	1,116
Transfer to subordinate debt reserve	-	-	7,139	-	-	7,139
Other comprehensive expense	-	-	-	(104)	-	(104)
At 31 December, 2016	**1,409**	**1,224**	**27,535**	**(1,343)**	**1,748**	**30,573**

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.

	2016 (RO'000)	2015 (RO'000)
Capital reserve	**17,846**	17,846

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 220,637 and 1% of the life assurance premiums for the year in case of life insurance business amounting to 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.

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15. OTHER NON-DISTRIBUTABLE RESERVES (continued)

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

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.

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. Associate companies share of translation reserve is also accounted.

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

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.

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 29 March 2017, a cash dividend of RO 0.015 per share (2015 - RO 0.010 per share) amounting to RO 9,536,863 (2015 - RO 5,528,216) and a stock dividend of RO 0.010 per share (2015 – RO 0.015) amounting to RO 6,357,909 (2015 –RO 8,292,925) in respect of year ended 31 December 2016 is to be proposed by the Board of Directors.

The financial statements for the year ended 31 December 2016 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 2017.

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17. DUE TO BANKS

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

	Group		*Parent Company*	
	2016 (RO'000)	*2015 (RO'000)*	***2016 (RO'000)***	*2015 (RO'000)*
Due to banks – current accounts	**12,056**	9,404	**-**	-
Terms loans	**138,800**	88,000	**138,900**	102,500
	150,856	97,404	**138,900**	102,500

Term loans are unsecured and carry interest ranging from 2.64% to 4.75% (2015: 2% to 3.25%).

The maturity profile of terms loans is as follows:

	Group		*Parent Company*	
	2016 (RO'000)	*2015 (RO'000)*	***2016 (RO'000)***	*2015 (RO'000)*
Due within one year	**61,000**	38,000	**61,100**	52,500
Due in more than one year	**77,800**	50,000	**77,800**	50,000
	138,800	88,000	**138,900**	102,500

18. DEPOSITS FROM CUSTOMERS

	2016 (RO'000)	2015 (RO'000)
Group		
Term deposits	**758,755**	689,265
Demand and call accounts	**625,551**	664,986
Saving accounts	**241,075**	238,974
	1,625,381	1,593,225

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

	2016 (RO'000)	2015 (RO'000)
Private	**1,236,618**	1,172,522
Government	**388,763**	420,703
	1,625,381	1,593,225

Islamic customer's deposits

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

	2016 (RO'000)	2015 (RO'000)
Wakalah acceptances	**58,162**	41,416
Current accounts – Qard	**6,814**	6,042
Mudarabah accounts	**2,486**	1,927
	67,462	49,385

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19. INSURANCE FUNDS

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**

31 December 2015	*Gross* *RO '000*	*Reinsurers' share* *RO '000*	*Net* *RO'000*
Actuarial / mathematical and unexpired risk reserve – life assurance	39,005	(14,187)	24,818
Unexpired risk reserve – general insurance	3,237	(602)	2,635
Closing claims outstanding (including IBNR)	17,372	(7,899)	9,473
	59,614	(22,689)	36,926

Movement during the year:

	2016 **RO '000**	2015 RO '000
Actuarial / mathematical and unexpired reserve (Life assurance):		
At 1 January / Acquisition date	**24,818**	27,790
Adjustment in opening numbers by subsidiary	**831**	-
Movement in the statement of comprehensive income	**(128)**	(2,972)
At 31 December	**25,521**	24,818
Unexpired risk reserves (General Insurance)		
At 1 January / Acquisition date	**2,634**	2,450
Adjustment in opening numbers by subsidiary	**(116)**	-
Movement in the statement of comprehensive income	**1,294**	185
At 31 December	**3,812**	2,635

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19. INSURANCE FUNDS (continued)

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

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
Adjusment 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**

Group *31 December 2015*	*Gross outstanding claims RO '000*	*Reinsurers' share of outstanding claims RO '000*	*Net outstanding claims RO '000*
At acquisition date claims outstanding (including IBNR)	22,714	(10,878)	11,836
Claims provided during the period	23,498	(10,216)	13,282
Claims paid during the period	(28,840)	13,195	(15,645)
Closing claims outstanding (including IBNR)	**17,372**	**(7,899)**	**9,473**

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 has raised capital in the form of subordinated bonds and loans.

	2016 RO'000	*2015 RO'000*
Subordinated bonds (i)	**50,000**	50,000
Subordinated loans (ii)	**20,000**	20,000
	70,000	70,000

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20. SUBORDINATED DEBT (continued)

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 are listed in the Muscat Securities Market and are transferable through trading. The bonds carry a fixed coupon rate of 5.5% per annum (2015: 5.5% per annum), payable semi-annually with the principal payable on maturity.

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***	
	2016 (RO'000)	*2015 (RO'000)*	***2016 (RO'000)***	*2015 (RO'000)*
Liabilities against acceptances	**24,133**	21,133	-	-
Payable to investment customers	**-**	19,403	-	-
Accrued expenses and other payables	**28,513**	33,429	**2,292**	2,182
Interest payable	**18,344**	9,620	**145**	53
Cheques and trade settlement payable	**5,605**	3,956	**-**	134
Staff terminal benefits (note 31)	**2,990**	2,953	**251**	202
Interest and commission received in advance	**1,309**	1,508	**-**	-
Negative fair value of derivatives (Note 38)	**143**	141	**-**	-
	81,037	92,143	**2,688**	2,571

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22. TAXATION

(a) Recognised in the statements of comprehensive income

	Group		Parent Company	
	2016 (RO'000)	*2015 (RO'000)*	***2016 (RO'000)***	*2015 (RO'000)*
Statement of comprehensive income				
Current year	**4,881**	4,327	-	-
Prior year	**224**	(167)	**-**	19
Current tax expense for the year	**5,105**	4,160		
Deferred tax	**(289)**	(34)	-	-
Tax expense	**4,816**	4,126	**-**	19
Tax expenses for continued operations	3,469	4,067	-	19
Tax expenses for discontinued operations (note 32)	1,347	59	-	-
	4,816	4,126	-	19
Statement of financial position				
Current year	**5,084**	4,652	-	-
Deferred tax	**(118)**	167	-	-
	4,966	4,819	-	-
Deferred tax asset (liability)				
At 1 January	**(167)**	(319)	-	-
Acquired through ONIC	**-**	115	-	-
Movement for the year	**285**	37	-	-
At 31 December	**118**	(167)	-	-

The Parent Company and each of its Omani subsidiaries are subject to income tax at the rate of 12% of taxable income in excess of RO 30,000. There is no concept of Group taxation in Oman. The Corporate tax rate in Oman has been increased to 15% with effect from 1 January 2017.

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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	
	2016 (RO'000)	2015 (RO'000)	**2016 (RO'000)**	2015 (RO'000)
Profit before tax from continuing operations	**31,162**	40,831	**24,796**	13,627
Profit before tax from discontinuing operations	**11,229**	488	**-**	-
	42,391	41,319	**24,796**	13,627
Income tax at the rates mentioned above	**5,072**	4,955	**2,972**	1,635
Tax-exempt revenues	**(2,195)**	(1,738)	**(3,712)**	(2,657)
Bargain gain on acquisition	**-**	(546)	**-**	-
Non-deductible expenses	**1,619**	1,453	**793**	1,212
Deferred tax expense / (income) not recognised	**177**	89	**-**	(194)
Effect of tax losses lapsed	**80**	-	**61**	-
Current tax-prior year	**249**	(53)	**-**	19
Deferred tax – prior year	**(190)**	(41)	**(118)**	-
Others	**4**	7	**4**	4
Income tax expense	**4,816**	4,126	**-**	19

The Company and its subsidiaries are subject to income tax at the rate of 12% of taxable income in excess of RO 30,000.

(c) Movement

	Group		*Parent Company*	
	2016 (RO'000)	*2015 (RO'000)*	***2016 (RO'000)***	*2015 (RO'000)*
At 1 January	**4,819**	4,236	**-**	-
NLIGC balance at acquisition date (current)	**-**	332	**-**	-
NLIGC balance at acquisition date (deferred)	**-**	(115)	**-**	-
Charged during the year - current	**5,105**	4,160	**-**	19
Charged during the year - deferred	**(289)**	(34)		-
Paid in current year	**(4,669)**	(3,760)	**-**	(19)
At 31 December	**4,966**	4,819	**-**	-

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22. TAXATION (continued)

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

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**

Group	As at 1 January 2015 (RO'000)	NLIGC balance at acquisition date (RO'000)	Recognised in other comprehensive income (RO'000)	Recognised in income statement (RO'000)	As at 31 December 2015 (RO'000)
Property, plant and equipment	(319)	(10)	-	31	(298)
Amortisation of goodwill	-	(17)	-	-	(17)
Revaluation reserve	-	(54)			(54)
Unrealised gain on local unquoted investments	-	-	-	(130)	(130)
Tax losses	-	-	-	133	133
Provisions for debts	-	100	-	-	100
Fair value reserve	-	96	3	-	99
Total	(319)	115	3	34	(167)

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22. TAXATION (continued)

The Group has tax losses available for carry forward as at 31 December 2016 of approximately RO 9.3 million. The Company has recognised a deferred tax asset on losses of approximately RO 1.2 million. On the balance of tax losses (approximately RO 8.1 million) and on the provision for impairment of investment in subsidiary of RO 1.7 million (2015: RO 1 million), the Group has not recognised 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 utilise the tax losses. Each of the Group companies can only utilise 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 2017 to 2020.

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	**-**	**-**	

Parent company 2015	As at 1 January 2015 (RO'000)	Recognised in income statement (RO'000)	At 31 December 2015 (RO'000)
Property, plant and equipment	-	(3)	(3)
Unrealised gain on local unquoted investments	-	(130)	(130)
Tax losses	-	133	133
Total	-	-	-

The Parent Company has tax losses available for carry forward as at 31 December 2016 of RO 7.7 million (2015: RO 8.1 million). It has recognised a deferred tax asset on tax losses of approximately RO 1.2 million.

On the balance tax losses (approximately RO 6.5 million) and on the provision for impairment of investment in subsidiary of RO 1.7 million (2015: RO 1 million), the Parent Company is not recognising a deferred tax asset on the basis that its income is predominantly exempt from income tax and it will not have sufficient future taxable profits against which to utilise the tax losses. The tax losses are subject to expiry under Oman Tax Law and will expire between 2017 to 2020.

The assessments of the Parent Company have been completed by the Tax Department up to and including the tax year 2009. The Parent Company has filed an Appeal with the Tax Committee for the year 2008. The Appeal decision is awaited.

Assessments of the tax returns filed for the years 2010 to 2015 have not yet been finalised by the Secretariat General for Taxation at the Ministry of Finance. The Board of Directors 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 Ominvest's financial position at 31 December 2016.

(e) 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

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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**

2015		*(RO '000)*	
	Life	*General*	*Total*
Group			
Gross written premiums	23,943	2,085	26,028
Movement in unearned premiums	4,102	(95)	4,007
Gross premium, earned	28,045	1,990	30,035
Reinsurance premiums ceded	(11,819)	(422)	(12,241)
Movement in unearned premiums	(1,131)	(89)	(1,220)
Premium ceded to reinsurers	(12,950)	(511)	(13,461)
Net insurance premium revenue	15,095	1,479	16,574

24. INTEREST INCOME

	Group		***Parent Company***	
	2016	*2015*	***2016***	*2015*
	(RO'000)	*(RO'000)*	***(RO'000)***	*(RO'000)*
Loans and advances to customers	**74,841**	62,270	**-**	-
Oman Government Development Bonds	**1,408**	1,198	**-**	-
Placements with banks and other money market placements	**1,836**	584	**-**	-
Certificates of deposit	**427**	246	**-**	
Other interest income	**92**	53	**2,538**	-
	78,604	64,351	**2,538**	-

25. INTEREST EXPENSE

	Group		***Parent Company***	
	2016	*2015*	***2016***	*2015*
	(RO'000)	*(RO'000)*	***(RO'000)***	*(RO'000)*
Time deposits	**18,194**	10,414	**-**	-
Subordinated bonds	**3,861**	2,839	**-**	-
Call accounts	**1,373**	1,001	**-**	-
Savings accounts	**302**	295	**-**	-
Bank borrowings	**6,514**	2,255	**4,045**	1,978
	30,244	16,804	**4,045**	1,978

26. INVESTMENT INCOME

	Group		Parent Company	
	2016	*2015*	***2016***	*2015*
	(RO'000)	*(RO'000)*	***(RO'000)***	*(RO'000)*
Dividend from investments	**5,662**	1,860	**251**	948
Quoted local investments				
Profit / (loss) on sale	**386**	1,907	**30**	(4,780)
Changes in fair value	**1,148**	(354)	**1,277**	109
Unquoted local investments				
Changes in fair value	**12**	-		
Gain on transfer to associate	**-**	4,845	**-**	4,845
Quoted foreign investments				
Profit on sale	**3,021**	169	**51**	169
Changes in fair value	**(205)**	-		-
Unquoted foreign investments			**63**	
Gain/(loss) on sale	**-**	652	**-**	(21)
Provision on investments	**-**	154	**-**	(309)
Investment properties				
Profit on sale of an investment property	**-**	(21)	**-**	652
Rental income	**349**	(715)	**417**	115
	10,373	8,497	**2,089**	1,728

27. FEE AND COMMISSION INCOME – NET

	Group		Parent Company	
	2016	*2015*	***2016***	*2015*
	(RO'000)	*(RO'000)*	***(RO'000)***	*(RO'000)*
Fee and commission income	**28,097**	24,969	**-**	-
Fee and commission expense	**(10,042)**	(4,985)	**-**	-
	18,055	19,984	**-**	-

28. OTHER OPERATING INCOME

	Group		Parent Company	
	2016	*2015*	***2016***	*2015*
	(RO'000)	*(RO'000)*	***(RO'000)***	*(RO'000)*
Foreign exchange (net)	**5,374**	5,239	**-**	-
Bargain gain on business combination (note 5)	**-**	4,823	**-**	-
Other income	**1,154**	1,736	**961**	97
Gain on sale of property and equipment	**33**	2,400	**-**	-
	6,561	14,198	**961**	97

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29. OPERATING EXPENSES

	Group		*Parent Company*	
	2016 (RO'000)	*2015 (RO'000)*	***2016 (RO'000)***	*2015 (RO'000)*
Staff costs (refer below)	**35,964**	28,706	**3,286**	2,742
Other operating expenses	**17,071**	15,748	**813**	741
Depreciation and amortisation	**5,504**	4,063	**328**	215
Directors' sitting fees and remuneration:				
Parent Company	**200**	200	**200**	200
Subsidiaries (net of intra-group adjustments)	**264**	194	**-**	-
	59,003	48,911	**4,627**	3,898
Staff costs:				
Salaries	**30,178**	23,170	**2,917**	2,351
End of service benefits	**1,241**	467	**74**	55
Social security costs	**2,171**	1,870	**86**	71
Other costs	**2,374**	3,199	**209**	265
	35,964	28,706	**3,286**	2,742

30. CASH AND CASH EQUIVALENTS

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

	Group		*Parent Company*	
	2016 (RO'000)	*2015 (RO'000)*	***2016 (RO'000)***	*2015 (RO'000)*
Balances with banks and money at call	**269,406**	193,267	**1,564**	1,112
Deposits with banks (note 6)	**71,492**	116,484	**-**	-
Due to banks – current accounts (note 17)	**(12,056)**	(9,404)	**-**	-
Capital deposits (note 6)	**(500)**	(500)	**-**	-
	328,342	299,847	**1,564**	1,112

31. 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**	
	2016 (RO'000)	2015 (RO'000)	**2016 (RO'000)**	2015 (RO'000)
At 1 January	**2,953**	2,610	**202**	281
Charge for the year	**1,241**	467	**74**	55
Additions due to acquisition of ONICH	**-**	430	**-**	60
Paid during the year	**(1,204)**	(554)	**(25)**	(194)
At 31 December	**2,990**	2,953	**251**	202

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

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32. 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 the year, 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.

The results of IMG for the year are presented below:

	2016	2015
	RO'000	RO'000
Brokerage and other investment income -net	**1,822**	2,049
Expenses		
Salaries and related costs	**(1,241)**	(1,060)
General and administrative expenses	**(400)**	(453)
Depreciation on equipment	**(58)**	(48)
Total expenses	**(1,699)**	(1,561)
Profit before tax for the year from discontinuing operations	**123**	488
Gain on disposal	**11,106**	-
Income tax expense (including tax on gain on disposal)	**(1,347)**	(59)
Profit after tax for the year from discontinuing operations	**9,882**	429
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:

	2016	2015
	RO'000	RO'000
Operating	**514**	(5,103)
Investing	**380**	-
	894	(5,103)

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33. 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.

2016	**Investments**	**Banking**	**Insurance**	**Real Estate**	**Adjustments**	**Total**
	(RO '000)	**(RO '000)**	**(RO '000)**	**(RO '000)**	**(RO '000)**	**(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
2015						
	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Segment revenues	22,103	95,426	31,013	780	(8,483)	140,839
Segment assets	259,564	1,982,699	103,361	5,911	(102,687)	2,248,848
Segment results	17,471	28,582	1,583	(3,531)	(7,341)	36,764
Capital expenditure	-	363	-	837	-	1,200

34. RELATED PARTY TRANSACTIONS

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

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

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34. RELATED PARTY TRANSACTIONS (continued)

Group – 2016	*Total (RO'000)*	*Directors (RO'000)*	*Associates (RO'000)*	*Key management (RO'000)*	*Other related parties (RO'000)*	*Non-controlling interests (RO'000)*
Statement of comprehensive income						
Interest and commission income	**2,066**	**230**	**1,046**	**13**	**512**	**265**
Interest expense	**703**	**-**	**118**	**7**	**-**	**578**
Directors' sitting fees and remuneration (Note 29)	**464**	**464**	**-**	**-**	**-**	**-**
Premium and claims	**1,209**	**1**	**396**	**3**	**809**	**-**
Staff costs	**3,001**	**-**	**-**	**3,001**	**-**	**-**
Terminal benefits	**156**	**-**	**-**	**156**	**-**	**-**
Operating expenses	**381**	**-**	**-**	**-**	**381**	**-**
Statement of financial position						
Loans and advances	**75,244**	**5,905**	**26,631**	**370**	**27,599**	**14,739**
Current and deposits from customers	**17,567**	**738**	**6,682**	**820**	**5,712**	**3,615**
Insurance balance receivable	**240**	**2**	**160**	**-**	**78**	**-**
Payables	**476**	**142**	**40**	**-**	**294**	**-**
Off balance sheet						
Letters of credit and guarantees	**216,478**	**-**	**-**	**-**	**6,759**	**209,719**

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34. RELATED PARTY TRANSACTIONS (continued)

	Total (RO'000)	*Major shareholders (RO'000)*	*Directors (RO'000)*	*Associates (RO'000)*	*Key management (RO'000)*	*Non-controlling interests (RO'000)*
Group – 2015						
Statement of comprehensive income						
Interest and commission income	851	8	9	472	-	362
Interest expense	463	-	-	-	-	463
Directors' sitting fees and remuneration	394	-	394	-	-	-
Premium and claims	461	15	-	446	-	-
Staff costs	2,615	-	-	-	2,615	-
Terminal benefits	183	-	-	-	183	-
Operating expenses	57	-	57	-	-	-
Statement of financial position						
Loans and advances	53,387	2,000	290	29,333	-	21,764
Deposits from customers	6,206	32	193	116	-	5,865
Property and equipment	68	-	68	-	-	-
Other assets	683	6	12	665	-	-
Off balance sheet						
Letters of credit and guarantees	205,675	-	-	-	-	205,675

(c) The Banking subsidiary has a management agreement with Arab Bank plc, Jordan, which owns 49% of the Banking subsidiary's share capital. In accordance with the terms of the management agreement, Arab Bank plc provides banking related technical assistance and other management services, including secondment of managerial staff. The annual management fee is RO 74 thousands (2015- RO 87 thousands).

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34. RELATED PARTY TRANSACTIONS (continued)

	2016			
Parent	***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**	**-**	**-**	**-**

	2015			
Parent	*Subsidiary (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 costs	-	-	1,011	-
Terminal benefits	-	-	28	-
Operating expenses	-	-	-	57
Interest expenses	143	-	-	-
Premiums	2	-	-	-
Claims	13	-	-	-
Dividend from subsidiary companies	7,098			
Dividend from associate companies	-	-	-	872
Statements of financial position				
Property and equipment	-	-	-	68
Bank borrowings	15,000	-	-	-
Bank balances	715	-	-	-
Sale of Investments	52,368	-	-	-
Due from subsidiaries	39,596	-	-	-
Due to a subsidiary	100	-	-	-
Prepayments	-	-	-	27

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35. FIDUCIARY ACTIVITIES

As at 31 December 2016, balances stated at cost arising from fiduciary activities are as follows:

	Group		*Parent Company*	
	2016 (RO'000)	*2015 (RO'000)*	***2016 (RO'000)***	*2015 (RO'000)*
Investments syndicated by the Group and registered in its name:				
Parent Company	**926**	926	**926**	926
Funds under management:				
Banking subsidiary	**-**	288,283	**-**	-
	926	289,209	**926**	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.

The banking subsidiary's fiduciary activities consist of investment management activities conducted as trustee and manager for investment funds and individuals. During the year, the banking subsidiary disposed off its IMG business. Details are set out in note 32.

36. 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)**
2016		
Construction	**10,990**	**9,045**
Undrawn loan commitments	**97,975**	**-**
2015		
Construction	1,200	837
Undrawn loan commitments	58,448	-

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)***
2016				
Capital commitments	**9,081**	**1,909**	**-**	**10,990**
Undrawn loan commitments	**-**	**97,975**	**-**	**97,975**
2015				
Capital commitments	1,200	-	-	1,200
Undrawn loan commitments	-	58,448	-	58,448

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37. CONTINGENT LIABILITIES

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

	2016	2015
	(RO' 000)	(RO' 000)
Letters of credit	**197,931**	233,862
Guarantees	**482,070**	484,750
Financial guarantees	**141,638**	141,250
	821,639	859,862

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

	Group		**Parent Company**	
	2016	2015	**2016**	2015
	(RO'000)	(RO'000)	**(RO'000)**	(RO'000)
Export trade	**152,983**	183,361	**-**	-
Construction	**287,085**	278,561	**-**	-
Government	**70,014**	73,018	**-**	-
Transportation	**17,801**	20,326		
Import trade	**40,319**	50,100	**-**	-
Utilities	**235,761**	235,108	**-**	-
Services	**4,462**	3,589	**-**	-
Wholesale and retail trade	**10,670**	12,841	**-**	-
Manufacturing	**2,544**	2,958	**-**	-
	821,639	859,862	**-**	-

Letters of credit and guarantees amounting to RO 510,560 thousand (2015 - RO 644,109 thousand) were counter guaranteed by other banks.

Letters of credit and guarantees include RO 468 thousand (2015: RO 159 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.

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 2016, there were contingent liabilities in respect of guarantees issued by commercial banks on behalf of the Group amounting to RO 475,457 (2015 – RO 272,018) given in the normal course of business from which it is anticipated that no material liabilities will arise.

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38. 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 2016	***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	**166**	**-**	**13,199**	**7,193**	**6,006**
Sale contracts	**-**	**(143)**	**(13,176)**	**(7,176)**	**(6,000)**
	166	**(143)**	**23**	**17**	**6**
31 December 2015					
Purchase contracts	148	-	12,377	8,326	4,051
Sale contracts	-	(141)	(12,370)	(8,321)	(4,049)
	148	(141)	7	5	2

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39. GEOGRAPHICAL CONCENTRATION OF ASSETS AND LIABILITIES

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
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

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39. GEOGRAPHICAL CONCENTRATION OF ASSETS AND LIABILITIES (continued)

Group – 2015	*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	193,140	-	38	89	193,267
Deposits with banks	54,754	17,291	13,733	30,706	116,484
Premium and insurance balance receivables	8,746	-	306	19,334	28,386
Re-insurance share in Insurance Funds	682	-	2,127	19,879	22,688
Investment securities	178,067	5,989	368	8,496	192,920
Investments in associates	50,263	-	-	31,012	81,275
Investment properties	10,311	-	-	-	10,311
Loans and advances to customers	1,504,571	-	-	-	1,504,571
Other assets	44,593	-	17	245	44,855
Projects work in progress	1,547	-	3,937	-	5,484
Property and equipment	29,609	-	-	-	29,609
Intangible assets	18,998	-	-	-	18,998
Total assets	2,095,281	23,280	20,526	109,761	2,248,848
Liabilities					
Due to banks	88,712	-	424	8,268	97,404
Deposits from customers	1,593,225	-	-	-	1,593,225
Insurance funds	32,396	-	-	27,218	59,614
Subordinated debts	70,000	-	-	-	70,000
Other liabilities	83,569	-	354	8,220	92,143
Taxation	4,819	-	-	-	4,819
Total liabilities	1,872,721	-	778	43,706	1,917,205

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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**
Parent Company – 2015					
Assets					
Balances with banks and money at call	995	-	28	89	1,112
Investment securities	4,478	5,989	200	424	11,091
Investments in associates	50,187	-	-	31,012	81,199
Investment in subsidiaries	174,720	-	-	2,739	177,459
Investments in property	9,036	-	-	-	9,036
Other assets	786	-	-	-	786
Due from subsidiaries	38,371	-	1,207	-	39,578
Property and equipment	294	-	-	-	294
Total assets	278,867	5,989	1,435	34,264	320,555
Liabilities					
Due to banks	102,500	-	-	-	102,500
Other liabilities	2,571	-	-	-	2,571
Total liabilities	105,071	-	-	-	105,071

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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 – 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**	**4,200**	**81,800**	**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**	**456,087**	**336,699**	**771,670**	**2,000,073**

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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 - 2015						
Assets						
Balances with banks and money at call	1%	-	-	500	192,767	193,267
Deposits with banks	0.31% - 1%	20,400	-	500	95,584	116,484
Premium and insurance balance receivables	NIL	-	-	-	28,386	28,386
Re-insurance share in Insurance funds	NIL	-	-	-	22,688	22,688
Investment securities:						
- Held to maturity	1.31%	36,000	8,510	52,345	-	96,855
- Investments	NIL	-	-	-	96,065	96,065
Investments in associates	NIL	-	-	-	81,275	81,275
Investment properties	NIL	-	-	-	10,311	10,311
Loans and advances to customers	4.63%	316,619	220,211	958,926	8,815	1,504,571
Other assets	NIL	5,072	-	-	39,783	44,855
Projects work in progress	NIL	-	-	-	5,484	5,484
Property and equipment	NIL	-	-	-	29,609	29,609
Intangible assets	NIL	-	-	-	18,998	18,998
Total assets		378,091	228,721	1,011,771	630,265	2,248,848
Liabilities						
Due to banks	2.65%	88,000	-	-	9,404	97,404
Deposits from customers	0.79%	393,298	278,597	219,082	702,248	1,593,225
Insurance Funds	NIL	-	-	-	59,614	59,614
Other liabilities	NIL	9,567	-	-	82,576	92,143
Subordinated bonds	5.50%	-	-	50,000	20,000	70,000
Taxation	NIL	-	-	-	4,819	4,819
Total liabilities		490,865	278,597	269,082	878,661	1,917,205

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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 – 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**	**8,200**	**81,800**	-	**138,900**
Other liabilities	NIL	-	-	-	**2,688**	**2,688**
Total liabilities		**48,900**	**8,200**	**81,800**	**2,688**	**141,588**
Parent – 2015						
Assets						
Balances with banks and money at call	NIL	-	-	-	1,112	1,112
Investment securities	NIL	-	-	-	11,091	11,091
Investments in associates	NIL	-	-	-	81,199	81,199
Investments in subsidiaries	NIL	-	-	-	177,459	177,459
Investment properties	NIL	-	-	-	9,036	9,036
Due from subsidiaries	NIL	-	-	-	39,578	39,578
Other assets	NIL	-	-	-	786	786
Property and equipment	NIL	-	-	-	294	294
Total assets		-	-	-	320,555	320,555
Liabilities						
Bank borrowings	2.65%	52,500	-	50,000	-	102,500
Other liabilities	NIL	-	-	-	2,571	2,571
Total liabilities		52,500	-	50,000	2,571	105,071

Parent – 2015

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

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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 - 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**

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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 - 2015					
Assets					
Balances with banks and money at call	138,434	22,916	17,058	14,859	193,267
Certificates of deposit					
Deposits with banks	83,226	4,549	27,849	860	116,484
Premium and insurance balance receivables	-	28,386	-	-	28,386
Re-insurance share in insurance funds	-	22,688	-	-	22,688
Investment securities	66,168	8,662	95,290	22,800	192,920
Investments in associates	-	-	-	81,275	81,275
Investment properties	-	-	-	10,311	10,311
Loans and advances to customers	295,654	164,139	402,083	642,695	1,504,571
Other assets	33,484	9,496	1,365	510	44,855
Projects work in progress	-	-	-	5,484	5,484
Property and equipment	-	-	-	29,609	29,609
Intangible assets	-	-	-	18,998	18,998
Total assets	616,966	260,836	543,645	827,401	2,248,848
Liabilities					
Due to banks	27,404	20,000	50,000	-	97,404
Deposits from customers	445,141	483,106	355,919	309,059	1,593,225
Insurance funds	-	50,610	-	9,004	59,614
Other liabilities	60,873	23,113	6,693	1,464	92,143
Subordinated bonds	-	-	50,000	20,000	70,000
Taxation	4,611	208	-	-	4,819
Total liabilities	538,029	577,037	462,612	339,527	1,917,205

OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES

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AT 31 DECEMBER 2016

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 – 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**
Parent Company – 2015					
Assets					
Balances with banks and money at call	1,112	-	-	-	1,112
Investment securities	1,264	-	9,827	-	11,091
Investments in associates	-	-	-	81,199	81,199
Investments in subsidiaries				177,459	177,459
Investment properties	-	-	-	9,036	9,036
Due from subsidiaries	-	-	39,578	-	39,578
Other assets	786	-	-	-	786
Property and equipment	-	-	-	294	294
Total assets	3,162	-	49,405	267,988	320,555
Liabilities					
Due to banks	17,500	35,000	50,000	-	102,500
Other liabilities	2,370	-	201	-	2,571
Total liabilities	19,870	35,000	50,201	-	105,071

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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.

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	25,412	550,956
Loans and advances with guarantees available	8,137	34,665
Balance as at 31 December 2016	33,549	585,621
Loans and advances with collateral available	21,661	423,505
Loans and advances with guarantees available	8,006	33,293
Balance as at 31 December 2015	29,667	456,798

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42. FINANCIAL RISK MANAGEMENT POLICIES

42.2 Credit risk (continued)

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

Items on the statement of financial position	*2016* RO' 000	*2015* RO' 000
Cash and balances with Central Bank of Oman	**253,106**	192,124
Due from banks – Money market placements	**30,080**	83,226
Loans and advances		
Corporate loans	**919,499**	929,096
Personal loans	**725,363**	635,288
Other assets	**45,401**	40,856
Investments held to maturity		
Government development bonds	**55,633**	53,855
Treasury bills	**40,290**	43,000
	2,069,372	1,977,445
Off - balance sheet items		
Financial guarantees	**141,638**	141,250
Undrawn loan commitments	**97,975**	58,448
	239,613	199,698

The above table represents the worst case scenario of credit risk exposure to the Bank at 31 December 2016 and 31 December 2015 without taking into account the collateral held or other credit enhancements. Management is confident that the Bank 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) 60% (2015 – 63%) 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 increased from 2.87% at 31 December 2015 to 2.9% at 31 December 2016. The stage 3 personal loans constitute 0.85% of the total loans at 31 December 2016 compared to 0.6% at 31 December 2015.

42.2.3 Credit risk management (from 1 January 2016)

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.

42. FINANCIAL RISK MANAGEMENT POLICIES

42.2 Credit risk (continued)

42.2.3 Credit risk management (from 1 January 2016) (continued)

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.

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 derives probability of default (PD) using hazard Cox model. The Group uses separate PD models for retail and corporate segments. PD is assigned to each account using Cox survival model for estimating marginal PD for each month-on-book. 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, negative case and positive case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario. At 1 January 2016 and 31 December 2016, the probabilities assigned to the base case, negative case and positive case scenarios.

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

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42. FINANCIAL RISK MANAGEMENT POLICIES

42.2 Credit risk (continued)

42.2.3 Credit risk management (from 1 January 2016) (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 2016 amounted to RO 7,122 thousands (2015: RO 16,586 thousands).

Credit risk profile
The credit risk profile based on internal credit ratings and cox model 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 under IFRS 9 are set out below:

	At 1 January 2016 (RO'000)	At 31 December 2016 (RO'000)
Stage 1		
Corporate	**8,360**	**8,052**
Retail	**2,310**	**2,780**
Stage 2		
Corporate	**4,480**	**3,378**
Retail	**570**	**590**
Stage 3	**24,065**	**28,049**
	39,785	**42,849**

Expected loss model of IFRS 9 resulted in a lower provision requirement of RO 5 million as of 1 January 2016 as compared to loan loss provision maintained by the Group. The Group has not incorporated this adjustment in the financial statements on materiality basis as well as considering the fact that the related regulatory requirements addressing the implementation of IFRS 9 are yet to be issued in Oman. The impact on the current year provision amounted to RO 2 million.

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42. FINANCIAL RISK MANAGEMENT POLICIES

42.2 Credit risk (continued)

42.2.4 Impairment and provisioning policy (prior to 1 January 2016)

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the banking subsidiary about the loss events as well as considering the guidelines issued by the Central Bank of Oman.

The banking subsidiary's credit policy requires the review of individual financial assets on a quarterly basis or earlier when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for:

(i) portfolios of homogenous assets that are individually not significant; and
(ii) losses that have been incurred but have not yet been identified, by using the available historical experience and experienced judgment.

42.2.5 Loans and advances to customers and due from banks

a) Loans and advances and due from banks are summarised as follows:

31 December 2015

Neither past due nor impaired	1,356,444	83,226	1,439,670
Special Mention loans	124,012	-	124,012
Past due but not impaired	24,086	-	24,086
Impaired	44,842	-	44,842
Gross loans and advances	1,549,384	83,226	1,632,610
Less: allowance for loan impairment and contractual interest not recognized	(44,813)	-	(44,813)
Net loans and advances	1,504,571	83,226	1,587,797

b) The break-up of the loans and advances to customers in respect of the risk ratings adopted by the banking subsidiary are:

31 December 2015

Standard loans	624,433	756,097	1,380,530
Special mention loans	1,430	122,582	124,012
Substandard loans	2,541	1,117	3,658
Doubtful loans	2,196	6,881	9,077
Loss	4,688	27,419	32,107
	635,288	914,096	1,549,384

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42. FINANCIAL RISK MANAGEMENT POLICIES

42.2 Credit risk (continued)

42.2.5 Loans and advances to customers and due from banks (continued)

c) Age analysis of loans and advances past due but not impaired:

	2015 (RO'000)
Past due up to 30 days	4,226
Past due 30-60 days	14,323
Past due 60-90 days	5,537
Total	24,086
Fair value of collateral	105,314

d) Loans and advances individually impaired

Individually impaired loans	44,842
Fair value of collateral	21,875

42.2.6Loans 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.

42.2.7 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.

42.2.8 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 2016 and 2015.

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

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 2016 is 0.84% of the Group's total revenues (2015 – 0.61%).

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 2016 is 2.60% of the Parent company's total revenues (2015 – 1.37%).

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 2016 is 0.83% (2015 – 0.60%).

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

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42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.3 Market risk (continued)

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).

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 2.28% (2015 - 2.62%) 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**	
	2016	2015	**2016**	2015
Assets denominated in US Dollars *(included assets denominated in GCC currency pegged with US Dollars)*	**97,257**	80,599	**35,636**	34,587
Percentage of total assets	**4.06%**	3.58%	**9.4%**	10.79%
Assets denominated in other foreign currencies	**9,255**	8,632	**8,657**	8,384
Percentage of total assets	**0.38%**	0.38%	**2.28%**	2.62%

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 2016, the quoted investments for the Group were 50% of the total investment securities and 83 % for the Parent Company (2015: 41% and 86% respectively).

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.

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AT 31 DECEMBER 2016

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

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.

42.5.4 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.

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42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.6 Capital management

The Group's objectives of capital management are:

- to comply with the capital requirements set by the regulator for the banking subsidiary i.e. the Central Bank of Oman;
- to safeguard the Group'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.
- to comply with the solvency requirements for the insurance subsidiary

The principal objective of the Central Bank of Oman's (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 balance sheet, 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).

The CBO required the banks registered in the Sultanate of Oman to maintain a minimum capital adequacy ratio of 10% based on guidelines of the Basel II Accord from January 2007. The minimum capital adequacy ratio has been increased to 12% from 31 December 2010 onwards.

The ratio for the banking subsidiary calculated in accordance with the CBO and BIS capital adequacy guidelines as per the Basel II Accord is as follows:

	2016	2015
	RO'000	RO'000
Capital		
Common Equity Tier 1	**245,315**	214,212
Additional Tier 1	**30,000**	-
Total Tier 1	**275,315**	214,212
Tier 2	**38,735**	50,741
Total capital base	**314,050**	264,953
Risk weighted assets		
Credit risk	**1,849,546**	1,725,013
Market risk	**2,750**	3,613
Operational risk	**141,500**	134,863
Total risk weighted assets	**1,993,796**	1,863,489
Capital adequacy ratio %	**15.75%**	14.22%

The Tier 1 capital consists of paid-up capital and reserves. The Tier 2 capital consists of the subordinated bond and collective provisions 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.

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42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.6 Capital management (continued)

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 2016, the Parent company's strategy, which was unchanged from 2015, was to maintain the gearing ratio at an acceptable level. The gearing ratio at 31 December 2016 and 2015 for the Parent Company was 36.63% and 32.00% respectively.

	2016	2015
	RO' 000	RO' 000
Total borrowings	**138,900**	102,500
Less: bank balances and cash	**(1,564)**	(1,112)
Net debt	**137,336**	101,388
Total equity	**237,603**	215,484
Total capital	**374,939**	316,872
Gearing ratio	**36.63%**	32.00%

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.

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43. INSURANCE RISK MANAGEMENT POLICIES (continued)

Short-duration life insurance contracts (continued)

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.

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 2016.

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.

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43. INSURANCE RISK MANAGEMENT POLICIES (continued)

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.

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))			
2016	**90,276**	**80,268**	**10,008**
2015	81,199	73,978	7,221

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.

Transfers between levels
During the reporting period ended 31 December 2016, 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.

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44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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**
As at 31 December 2015				
Group				
Financial assets at fair value through profit or loss	8,613	-	323	8,936
Available-for-sale investments	83,749	376	2,358	86,483
Derivative financial instruments				
Purchase contracts	-	148	-	148
Sale contracts	-	(141)	-	(141)
Parent Company				
Financial assets at fair value through profit or loss	1,264	-	-	1,264
Available-for-sale investments	8,307	-	1,520	9,827

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**	
	2016 (RO'000)	2015 (RO'000)	**2016 (RO'000)**	2015 (RO'000)
Profit for the year attributable to shareholders of the parent (RO'000)	**23,875**	22,949	**24,796**	13,608
Weighted average number of shares outstanding during the year	**635,790,892**	503,006,397	**635,790,892**	503,006,397
Basic earnings per share (RO)	**0.038**	0.046	**0.039**	0.027

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NOTES TO THE FINANCIAL STATEMENTS
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45. BASIC EARNINGS PER SHARE (Continued)

During the year, the Parent Company issued stock dividend of shares 82,929,250 (2015 – 33,674,300) 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 2015 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**	
	2016 (RO'000)	2015 (RO'000)	**2016 (RO'000)**	2015 (RO'000) (Restated)
Equity attributable to shareholders of the parent (RO'000)	**241,135**	219,937	**237,603**	215,484
Number of shares outstanding at the end of the year	**635,790,892**	552,861,642	**635,790,892**	552,861,642
Net assets per share (RO)	**0.379**	0.398	0.374	0.390

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