NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in the statement of comprehensive income. 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.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statement of comprehensive income where appropriate.

The Group’s share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to ‘share of profit/(loss) of an associate’ in the statement of comprehensive income. Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group’s financial statements only to the extent of unrelated investor’s interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the standalone financial statements, investment in associates is carried at cost less accumulated impairment losses, if any.

The consolidated financial statements comprise those of the Parent Company drawn up to 31 March and its subsidiaries and associates drawn up to 31 December of preceding year using consistent accounting policies. Adjustments are made for the effects of significant transactions or other events, if any that occur in the associates and the subsidiaries during the intervening period.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

2 Summary of significant accounting policies (continued)

2.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured and presented in Rial Omani being the currency of the primary economic environment in which the Group operates, which is the Group's functional and presentation currency. All financial information presented in Rial Omani has been rounded to the nearest thousand unless otherwise stated.

(b) Transactions and balances

Transactions in foreign currencies are translated into Rial Omani and recorded at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Rial Omani at the foreign exchange rates ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies are translated into Rial Omani at the foreign exchange rates ruling at the date of the transaction. Translation differences on non-monetary financial assets and liabilities are recognised in the statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

2.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property and equipment is their purchase price together with expenditures those are directly attributable to acquisition. 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 statement of comprehensive income during the financial year in which these are incurred.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each class of property and equipment except land. The estimated useful lives are as follows:

	Years
Furniture and fixtures	4
Motor vehicles	4

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting year.

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals of property and equipment are determined by reference to their carrying amounts, are recognised within 'other income' and are included in the statement of comprehensive income.

2.5 Intangible assets

Intangible assets comprise the value of customer portfolio, license, computer software acquired and goodwill. Acquired intangible assets which have an indefinite useful life are stated at cost less accumulated impairment losses, if any. Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the assets to its working condition for its intended use.

In accordance with IAS 38 'Intangible assets', the Parent Company's board of directors review the amortisation periods for intangible assets, and estimated useful life of 10 years is assessed for customer portfolio. The useful economic life of the license is 7 years and for computer software the useful economic life is 3 years.

Intangible assets that have an indefinite useful life are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment wherever events or change in circumstances indicates that the carrying value may not be recoverable.

2 Summary of significant accounting policies (continued)

2.6 Investment property

Investment property is property held either to earn rental or for capital appreciation or for project development and is not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs. Subsequent expenditure is capitalised to the asset’s carrying amount only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices and adjusted, if necessary, for differences in the nature, location or condition of the property. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the reporting date by independent professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment properties are derecognised when they have been disposed off.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions. Changes in fair values are recognised in the statement of comprehensive income.

2.7 Financial assets

2.7.1 Classification

The Group classifies its financial assets in the following categories: available for sale financial assets, financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at the time of initial recognition.

(a) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale financial assets are initially recognised at fair value including transaction costs. These are subsequently measured at fair value and changes in the fair value of available for sale financial assets are recognised in the statement of other comprehensive income.

When securities classified as available for sale are sold, the accumulated fair value changes recognised in equity are included in the statement of comprehensive income.

The fair value of available for sale financial assets is based on their quoted market prices as at the reporting date. The fair value of financial instruments that are not traded in an active market (for example, unquoted investments) is determined by using certain valuation techniques.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are investments held for trading. Investments held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the short-term. These investments are initially recognised at fair value. Transaction costs for all investments carried at fair value through profit or loss are expensed as incurred.

Financial assets at fair value through profit or loss are subsequently carried at fair value. The fair value of financial assets through profit or loss is based on their quoted market prices as at the reporting date. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss category are included in the statement of comprehensive income in the year in which these arise.

2 Summary of significant accounting policies (continued)

2.7 Financial assets (continued)

2.7.1 Classification (continued)

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise during the ordinary course of the business. Loans and receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or origination. These are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment, if any. The Group's loans and receivables comprise 'other receivables', 'term deposits' and 'cash and bank balances' in the statement of financial position.

2.7.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest rate method less provision for impairment, if any.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss category are presented in the statement of comprehensive income within 'unrealised (loss) / gain on financial assets at fair value through profit or loss - net' in the year in which these arise.

Gain or losses arising from change in fair value of available for sale investments are taken to other comprehensive income in the year in which these arise except for the impairment losses which are recognised directly in the statement of comprehensive income. When available for sale investments are derecognised or impaired, the accumulated fair value adjustment is recognised in the statement of comprehensive income.

2.7.3 Derecognition

(a) Financial assets

Financial assets are derecognised when the right to receive cash flows from the assets has expired or when the Company has transferred its contractual right to receive cash flows from the financial assets and either:

- substantially all the risks and rewards of the ownership have been transferred, or
- substantially all the risks and rewards have not been transferred but control has been transferred.

(b) Financial liabilities

Financial liabilities are derecognised when these are extinguished, that is when the obligation is discharged, cancelled or expired.

2.7.4 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred 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.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

2 Summary of significant accounting policies (continued)

2.7 Financial assets (continued)

2.7.4 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting to the borrower a concession that the lender would not otherwise consider;
- it becomes 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 portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, 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 effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(b) Financial assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of these securities below its cost is also evidence that the assets are impaired.

If any such evidence exists for available for sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

2.8 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Any impairment loss on goodwill is recognised immediately as an expense and is not subsequently reversed.

2 Summary of significant accounting policies (continued)

2.9 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position 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.

2.10 Premiums receivables

Premiums receivables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest rate method less accumulated impairment losses, if any. A provision for impairment of premiums receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

2.11 Cash and cash equivalents

For the purpose of the cash flow statement, bank balances, including term deposits with a maturity of three months or less from the date of placement, are considered to be cash equivalents.

2.12 Reinsurance contracts held

In order to minimise financial exposure from large claims, the Group enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as "reinsurer's share in insurance funds" contracts held in the statement of financial position until the claim is paid by the Group. Once the claim is paid, the amount due from the reinsurer in connection with the paid claim is transferred from "reinsurer's share in insurance funds" to "due to / due from reinsurance companies".

At each reporting date, the Group assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.13 Liability adequacy test

At each reporting date, the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of comprehensive income and an unexpired risk provision is created.

2.14 Insurance funds

Insurance funds comprises unearned premium reserve, unexpired risk reserve, claims reported but not settled and claims incurred but not reported (IBNR) in respect of general insurance and short-term life insurance contracts and mathematical reserves and unearned premium reserve in respect of long term life insurance contracts.

(a) General insurance contracts, short-term life insurance contracts and long-term group credit life insurance contracts

For general insurance a proportion of net retained premium is provided as 'unearned premium reserve' (UPR) to cover portions of risks which have not expired at the reporting date. An additional provision for unexpired risks is created to cover shortfall, if any, for each class of business between the total amount in the unearned premium reserve and the amount required by the Oman Insurance Company Law of 1979 calculated at 45% of the net retained premiums (being the provision for unexpired risks as per statutory requirements) for the year for all classes of business.

2 Summary of significant accounting policies (continued)

2.14 Insurance funds (continued)

(a) General insurance contracts, short-term life insurance contracts and long-term group credit life insurance contracts (continued)

Unearned premium reserve for short-term life and long-term group credit life insurance contracts is determined with reference to remaining risk period as on valuation date and is calculated using straight line method.

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of comprehensive income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the reporting date. Initially the liability for outstanding claims is estimated and recognised in insurance funds. Upon confirmation of claims amounts, these are subsequently transferred to claims payables.

Provisions for reported claims not paid at the reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported (IBNR) at the reporting date. Subsequently, the claims estimates are reviewed and adjusted for any change in initially estimated amounts and revised amounts if any prospectively. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account in the year of settlement or in the year of change of the provision as a change in estimate.

The reported claims for short-term life and general insurance contracts are recognised based on management best estimate for settling the future liability. Claims reported for motor business represent the management initial estimate for the cash outflows based on amounts claimed by the insured at the time of intimation. Claims reported for general business (other than motor business) are determined with reference to initial assessment by the valuer and the management. For medical claims reported, these are recorded by the management upon intimation from the third party administrators (TPA) after due verification of the claims reported from the hospitalisation of insured. For other life claims reported, these are determined based on notification of contingency event (such as death or permanent disability etc.) and are recorded as per management assessment of final settlement as per the contractual terms.

For IBNR of general business, the Group uses triangulation technique to arrive at the provision for IBNR for general insurance business, thereby taking into account the historical claim analysis and claims reporting gap. IBNR for long term and short term life business is determined by an independent actuary appointed by the management.

(b) Long-term individual life insurance contracts

For long-term individual life insurance contracts, the Company appoints an independent actuary who determines the workings for life mathematical reserves.

Mathematical reserve for long-term individual life are calculated using net premium valuation with reserves being present value of associated future benefits and present value of future premiums as on valuation date. Valuation net premium is restricted to 90% of gross premium for expense margin. Discount rate of 4% p.a. is used with Mortality Table A67-70 and a Zillmer adjustment of 40 per thousand of sum assured. The calculations for long-term individual life insurance mathematical reserves also takes into account the present value of the linked benefits. The reinsurers' share of the mathematical reserve is calculated without the Zillmer adjustment and is presented in reinsurer's share in insurance funds in the statement of financial position.

One year before the end of the coverage term the amount outstanding as mathematical reserve is reclassified to the unearned premium reserve. The unearned premium reserve for long-term life insurance contract with remaining coverage period less than a year is calculated in the same way as mathematical reserve and is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established as on valuation date. A margin for adverse deviations is included in the assumptions.

2 Summary of significant accounting policies (continued)

2.15 Salvage and subrogation reimbursements

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

Estimates of 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 other receivables when the liability is settled. The allowance 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 when the liability is settled. The allowance is the assessment of the amount that can reasonably be recovered from the action against the liable third party.

2.16 Policy acquisition costs and commission income

All commissions and other acquisition costs related to securing new contracts and renewing existing contracts are recognised as expense when incurred. Similarly commissions income is recognised at the time reinsurance policies are written.

2.17 End of service benefits and leave entitlements

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, and in accordance with IAS-19, "Employee benefits". 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. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the statement of comprehensive income as incurred.

2.18 Other payables

Other payables are initially measured at fair value and subsequently carried at amortised cost using the effective interest rate method. Initially the liability for outstanding claims is estimated and recognised in insurance funds. Upon confirmation of claims amounts, these are subsequently transferred to "claims and other payable".

Liabilities for other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, these are presented as non-current liabilities. These are recognised for amount to be paid for goods or services received, whether or not billed to the Group.

2.19 Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of past events; it is probable that an outflow of economic resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using effective interest rate.

2 Summary of significant accounting policies (continued)

2.20 Borrowings (continued)

Term loans are carried on the statement of financial position at their principal amount. Installments due within one year are shown as a current liability. Interest is charged as an expense as it accrues, with unpaid amounts included in trade and other payables.

Short-term loans are carried on the statement of financial position at their principal amount. Interest is charged as an expense as it accrues, with unpaid amounts included in trade and other payables.

2.21 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Increment costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.22 Revenue

(a) General insurance contracts, short-term life insurance contracts and long-term group life insurance contracts

Gross premiums for general business and short-term life insurance contracts are initially recognised as revenue when they become payable by the contract holder. Gross premiums for long-term group life insurance contracts are initially recognised as revenue on cash basis. Premiums are shown before deduction of commission. Please see section ‘insurance funds’ for the description of calculation of unearned premium reserve and provision for unexpired risk for general insurance contracts, short-term life insurance contracts and long-term group life insurance contracts.

(b) Long-term individual life insurance contracts

These contracts insure events associated with human life (for example, death or survival) over a long duration. Gross written premiums for long-term individual life insurance contracts are recognised as revenue on cash basis. Premiums are shown before deduction of commission. Please see section ‘insurance funds’ for the description of calculation of mathematical reserve and unearned premium reserve for long-term individual life insurance contracts.

(c) Other revenue

- Commissions earned and paid are recognised at the time policies are written.

- Interest income is recognised on a time proportion basis using the effective interest rate method.

- Dividend income from financial assets at fair value through profit or loss and available for sale financial assets is recognised in the statement of comprehensive income when the company’s right to receive payment is established.

- Unrealised gain / (loss) in the value of financial assets at fair value through profit or loss represents the difference between the present market value and the carrying amount of the assets determined on individual scrip basis using weighted average cost of securities and is taken to the statement of comprehensive income.

- Realised gains / (losses) on financial assets at fair value through profit or loss and available for sale financial assets are recognised and taken to the statement of comprehensive income in the year of disposal of related securities.

- Fair value adjustments on investment property are taken to the statement of comprehensive income in the year to which these relate.

- All other incomes are taken to the statement of comprehensive income in the year in which these relate on accrual basis.

2 Summary of significant accounting policies (continued)

2.23 Income tax

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

Current tax charge recognised in the statement of comprehensive income 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 provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are enacted currently and are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset in respect of tax losses carried forward is recognised where it is probable that future taxable profits will be available against which these tax losses can be reversed. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.24 Directors' remuneration

The directors' remuneration is governed as set out by the Commercial Companies Law and the rules prescribed by the Capital Market Authority.

The annual general meeting shall approve the remuneration and the sitting fees for the board of directors provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders. Such fees shall not exceed RO 200,000 in one year. The sitting fees for each director shall not exceed RO 10,000 in one year.

2.25 Earnings per share

The Parent Company presents basic and diluted 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 Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.26 Dividend distribution

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

2.27 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the general manager to make decisions about resources to be allocated to the segment and assess its performance.

2 Summary of significant accounting policies (continued)

2.28 Fair value estimation

A number of accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market.

- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in the active market for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments that are valued based on quoted prices of similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The face values less any estimated credit adjustments for financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values. Fair value of investment property is determined by an external independent valuer using market prices of the investment property.

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the reporting date, adjusted for transaction costs necessary to realise the asset.

The fair value of investments that are not traded in an active market is determined by using estimated discounted cash flows or other valuation techniques.

The fair values of other financial and non-financial assets and liabilities at year end approximate their carrying amounts as stated in the statement of financial position.

3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the resultant provisions and change in fair value for the year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the year in which the estimates are revised and in any future period affected. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

(i) Insurance fund

(a) Outstanding claims including claims incurred but not reported arising from long-term insurance contracts

In particular, estimates have to be made both for the expected ultimate cost 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. The management uses the initial value of the claim provided by the surveyor for the expected ultimate cost of claims reported at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

3 Critical accounting estimates and judgements

(i) Insurance fund (continued)

(b) Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of the liabilities under long-term insurance contracts (mathematical reserve) is dependent on estimates made by the management through appointing an independent actuary. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, SARS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

Under certain contracts, the Group has offered guaranteed benefits options upon surrender or maturity of the long term contract. In determining the value of these options, estimates have been made as to the percentage of contract holders that will exercise them. Changes in investment conditions could result in significantly more contract holders exercising their options than has been assumed.

(ii) Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 to determine when an available for sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. As there is no decline in fair values which could lead to impairment loss, hence, no sensitivity analysis of the estimate carried.

(iii) Impairment of receivables

An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired entails the Group evaluating, the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during the year and feedback received from their legal department. The difference between the estimated collectible amount and the carrying value is recognised as an expense in the statement of comprehensive income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the statement of comprehensive income at the time of collection. Premium receivables with less than 90 days overdue are considered as not past due.

(v) Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

4 Net underwriting results

Group	General	2017 Life	Total	General	2016 Life	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Premium revenue						
- Gross premiums written	8,337	3,067	11,404	10,345	7,041	17,386
- Reinsurers' share	(5,923)	(747)	(6,670)	(6,991)	(3,949)	(10,940)
	2,414	2,320	4,734	3,354	3,092	6,446
Movement in unexpired premiums reserves						
- Gross	903	(2,591)	(1,688)	575	(1,692)	(1,117)
- Reinsurer share	(480)	1,266	786	(270)	905	635
	423	(1,325)	(902)	305	(787)	(482)
Net premium earned	2,837	995	3,832	3,659	2,305	5,964
Claims paid						
- Gross claims paid	(4,236)	(1,998)	(6,234)	(7,275)	(5,704)	(12,979)
- Reinsurance and other recoveries	2,119	1,317	3,436	4,162	4,321	8,483
	(2,117)	(681)	(2,798)	(3,113)	(1,383)	(4,496)
Movement in outstanding claims						
- Gross claims outstanding	(208)	1,742	1,534	2,406	432	2,838
- Reinsurance and other recoveries	611	(1,384)	(773)	(1,937)	(569)	(2,506)
	403	358	761	469	(137)	332
Net claims incurred	(1,714)	(323)	(2,037)	(2,644)	(1,520)	(4,164)
Net commission						
Commission expense	(509)	(214)	(723)	(822)	(186)	(1,008)
Commission income	891	-	891	1,170	-	1,170
	382	(214)	168	348	(186)	162
Other underwriting income	-	102	102	-	60	60
	382	(112)	270	348	(126)	222
Net underwriting results	1,505	560	2,065	1,363	659	2,022

5 Net investment income

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
	RO'000	RO'000	RO'000	RO'000
Unrealised gain on financial assets at fair value through profit or loss – net	3,004	2,482	2,542	2,433
Recovery of investment in Addax Bank B.S.C. (c) [note (a)]	1,284	-	1,284	-
Dividend income	1,130	732	1,590	1,672
Profit on sale of subsidiary	198	-	897	-
Fair value gain on revaluation of remaining shareholding in Falcon Insurance Company SAOC	313	-	1,383	-
Realised gain / (loss) on sale of investments - net	216	(66)	342	54
Interest income	365	278	-	13
	6,510	3,426	8,038	4,172

(a) The Parent Company had invested in Addax Bank B.S.C. (c) (the Bank) and its fair value gradually started to decline subsequent to its purchase. The Parent Company believed that the Bank omitted material disclosures before the investment was made and accordingly a commercial claim was submitted at GCC Arbitration Centre, Bahrain. The judgement (net of related costs) was delivered in the favour of the Parent Company amounting to RO 1,840k. The Parent Company recognised RO 1,284k as income, net of certain adjustments, and after adjusting the carrying value of investment of RO 256k. The Parent Company has received RO 1,169k during the current year. In addition, RO 120k has been received subsequent to the year end.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

6 Other income

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO'000	RO'000	**RO'000**	RO'000
Liabilities no longer payable written back [note (a)]	**269**	1,544	**-**	-
Management and sitting fees	**7**	10	**7**	10
Other income	**114**	63	**-**	-
	390	1,617	**7**	10

(a) This represents long outstanding unpresented cheques which have been written back by the Group as the related liabilities are no longer considered as payable.

7 Operating expenses

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO'000	RO'000	**RO'000**	RO'000
Staff costs (note 7.1)	**1,700**	1,424	**382**	345
Directors' remuneration and sitting fees [note 25(b)]	**245**	243	**195**	193
Legal and professional charges	**206**	47	**164**	21
Rent	**127**	123	**13**	13
Share issue costs	**62**	30	**-**	-
Depreciation (note 10)	**50**	49	**13**	15
Due diligence related expense	**46**	-	**-**	-
Business promotion	**42**	46	**12**	9
Computer expenses	**31**	25	**-**	-
Repairs and maintenance	**30**	22	**6**	-
Printing and stationery	**19**	27	**5**	10
Amortisation of intangible assets	**2**	77	**-**	-
Miscellaneous	**274**	243	**143**	115
	2,834	2,356	**933**	721

7.1 Staff costs

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO'000	RO'000	**RO'000**	RO'000
Salaries and wages	**1,188**	1,102	**207**	221
Other benefits	**417**	229	**160**	109
Social security costs	**54**	46	**2**	1
Employees' end of service benefit charge (note 20)	**41**	47	**13**	14
	1,700	1,424	**382**	345

8 Taxation

The Parent Company and its subsidiaries are assessed separately for taxation. The tax rate applicable is 15% (2016 - 12%). The Group is not taxed as a taxable entity.

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO'000	RO'000	**RO'000**	RO'000
Statement of comprehensive income:				
Current tax				
- for current year	**189**	268		-
- for prior year	**-**	(180)	**-**	(180)
	189	88	**-**	(180)
Deferred tax	**(82)**	(7)	**-**	-
	107	81	**-**	(180)

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

8 Taxation (continued)

	Group		Parent Company	
Statement of financial position	**2017 RO'000**	2016 RO'000	**2017 RO'000**	2016 RO'000
Current liability				
Provision for income tax	**48**	316	**48**	48
Non-current liability				
Deferred tax	**-**	25	**-**	-

Status of tax assessments

The status of tax assessments of the Parent Company and its subsidiaries is as follows:

i. Parent Company

The tax returns of the Parent Company for the tax years 2012 to 2016 have not yet been agreed with the Secretariat General for Taxation at the Ministry of Finance. The management is of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Parent Company's financial position as at 31 March 2017.

ii. Subsidiaries

The tax returns of Al Anwar International Investment LLC for the years from 2000 to 2016 and Al Anwar Development LLC for the years from 2009 to 2016 have not yet been agreed with the Secretariat General for Taxation at the Ministry of Finance. The management of the subsidiaries believes that additional taxes, if any, related to the open tax years would not be significant to the financial position of the group as at 31 March 2017.

(a) Reconciliation is as follows:

	Group		Parent Company	
	2017 RO'000	2016 RO'000	**2017 RO'000**	2016 RO'000
Profit before taxation	**6,807**	5,898	**6,421**	3,313
Tax charge at applicable rates	**1,021**	708	**963**	398
Expenses not deductible	**152**	138	**152**	101
Exempt incomes	**(1,062)**	(705)	**(1,076)**	(494)
Deferred tax not recognised	**-**	120	**(39)**	(5)
Reversal of prior year tax provision	**-**	(180)	**-**	(180)
Others	**(4)**	-	**-**	-
	107	81	**-**	(180)

(b) Movement in current tax liability is as under:

	Group		Parent Company	
	2017 RO'000	2016 RO'000	**2017 RO'000**	2016 RO'000
At the beginning of the year	**316**	325	**48**	236
Charge for the year	**189**	88	**-**	(180)
Paid during the year	**(269)**	(97)	**-**	(8)
Effect of disposal of a subsidiary	**(188)**	-	**-**	-
At the end of the year	**48**	316	**48**	48

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

9 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Parent Company by the weighted average number of shares outstanding during the year, as follows:

	Group		Parent Company	
	2017 RO'000	2016 RO'000	**2015 RO'000**	2016 RO'000
Profit for the year attributable to equity shareholders of Parent Company (RO'000)	**6,224**	4,935	**6,421**	3,493
Weighted average number of shares outstanding ('000)	**175,002**	175,002	**175,002**	175,002
Basic earnings per share (in Baisas)	**36**	28	**37**	20

The weighted average number of shares outstanding before the event is adjusted for the change in the number of shares due to bonus issue as if the event had occurred at the beginning of the earliest year presented.

10 Property and equipment

Group	**Motor vehicles RO'000**	**Furniture and fixtures RO'000**	**Land RO'000**	**Total RO'000**
Cost				
At 1 April 2016	**95**	**305**	**-**	**400**
Additions during the year	**6**	**41**	**1,948**	**1,995**
Disposal during the year	**(11)**	**(8)**	**-**	**(19)**
Effect of disposal of a subsidiary	**(60)**	**(282)**	**-**	**(342)**
At 31 March 2017	**30**	**56**	**1,948**	**2,034**
Accumulated depreciation				
At 1 April 2016	**73**	**238**	**-**	**311**
Charge for the year	**15**	**35**	**-**	**50**
Disposal during the year	**(11)**	**(8)**	**-**	**(19)**
Effect of disposal of a subsidiary	**(50)**	**(214)**	**-**	**(264)**
At 31 March 2017	**27**	**51**	**-**	**78**
Net book value				
At 31 March 2017	**3**	**5**	**1,948**	**1,956**

Group	Motor vehicles RO'000	Furniture and fixtures RO'000	Total RO'000
Cost			
As at 1 April 2015	95	249	344
Additions during the year	-	56	56
As at 31 March 2016	95	305	400
Accumulated depreciation			
As at 1 April 2015	54	208	262
Charge for the year	19	30	49
As at 31 March 2016	73	238	311
Net book value			
31 March 2016	22	67	89

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

10 Property and equipment (continued)

Parent Company

	Motor vehicles RO'000	Furniture and fixtures RO'000	Land RO'000	Total RO'000
Cost				
As at 1 April 2016	**30**	**61**	**-**	**91**
Additions during the year	**-**	**1**	**1,948**	**1,949**
Disposal during the year	**-**	**(8)**	**-**	**(8)**
As at 31 March 2017	**30**	**54**	**1,948**	**2,032**
Accumulated depreciation				
As at 1 April 2016	**20**	**52**	**-**	**72**
Charge for the year	**7**	**6**	**-**	**13**
Disposal during the year	**-**	**(8)**	**-**	**(8)**
As at 31 March 2017	**27**	**50**	**-**	**77**
Net book value				
31 March 2017	**3**	**4**	**1,948**	**1,955**

Parent Company	Motor vehicles RO'000	Furniture and fixtures RO'000	Total RO'000
Cost			
As at 1 April 2015	30	56	86
Additions during the year	-	5	5
As at 31 March 2016	30	61	91
Accumulated depreciation			
As at 1 April 2015	13	44	57
Charge for the year	7	8	15
As at 31 March 2016	20	52	72
Net book value			
31 March 2016	10	9	19

The Parent Company has purchased a land from a related party for a purchase consideration of RO 1,900,000 during May 2016 for the purpose of constructing building. In addition, the Parent Company has incurred RO 48k for registration of the land in its name. As the land will be owneroccupied, it is classified under property and equipment.

11 Goodwill

	Group	
Group	**2017 RO'000**	2016 RO'000
Goodwill	**513**	513
Accumulated impairment	**(120)**	(120)
Disposal of subsidiary	**(393)**	-
At 31 March	**-**	393

Goodwill amounting to RO 393k was related to acquisition of Falcon Insurance Company SAOC (FIC). During the current year, the Parent Company partially disposed its shareholding in FIC and accordingly the goodwill amount is de-recognised as subsidiary relationship has ceased to exist.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

12 Investments in subsidiaries

(a) The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries listed in the following table. All of the subsidiaries are incorporated in the Sultanate of Oman.

Parent Company	Principal activity	Proportion held	Carrying value	Proportion held	Carrying value
		2017		2016	
		%	**RO'000**	%	RO'000
Falcon Insurance Company SAOC [see note (c)]	Insurance business	**-**	**-**	51	3,834
Al Anwar Development LLC	Investment activities	**100**	**500**	100	500
Al Anwar International Investment LLC	Investment activities	**100**	**150**	100	150
			650		4,484

(b) Movements in investments in subsidiaries are set out below:

	Parent Company	
	2017	2016
	RO'000	RO'000
At 1 April	**4,484**	4,484
Disposal / transfer of investment to associate [see note (c)]	**(3,834)**	-
At 31 March	**650**	4,484

(c) During the year, the Parent Company has partially sold its investment in Falcon Insurance Company SAOC (FIC) for a purchase consideration of RO 2,441,293 and has lost its control over FIC. The Parent Company's shareholding in FIC has reduced to 19% and it now has significant influence over FIC through its 19% ownership and representation on the Board of directors of FIC. As per the agreement with the buyer, an amount of RO 244,129 was deposited in an escrow account and the remaining amount was paid to the Parent Company. The amount in the escrow account shall be released after one year from the date of transaction and completion of certain conditions as per the agreement.

13 Investment in associates

(a) The financial statements include the results of the Group's associates listed below:

2017 **Company name**	**Country of incorporation**	**Principal activity**	**% holding**	**Group carrying value RO'000**	**Parent Company carrying value RO'000**
Voltamp Energy SAOG and its subsidiaries	Sultanate of Oman	Manufacture and trade of electrical equipment	**25**	**4,843**	**413**
Al Maha Ceramics Company SAOG	Sultanate of Oman	Manufacture of ceramic products	**23.74**	**2,551**	**1,664**
Falcon Insurance Company SAOC	Sultanate of Oman	Insurance business	**19**	**3,682**	**3,682**
				11,076	**5,759**

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

13 Investment in associates (continued)

2016	Country of incorporation	Principal activities	% holding	Group carrying value RO'000	Parent Company carrying value RO'000
Company name					
Voltamp Energy SAOG and its subsidiaries	Sultanate of Oman	Manufacture and trade of electrical equipment	25	4,253	413
Al Maha Ceramics Company SAOG	Sultanate of Oman	Manufacture of ceramic products	21.26	1,856	1,052
				6,109	1,465

(b) Movements in investments in associates are set out below:

	Group		Parent Company	
	2017 RO'000	2016 RO'000	**2017 RO'000**	2016 RO'000
At 1 April	**6,109**	5,535	**1,465**	1,465
Additions	**612**	-	**612**	-
Transfer from investment in subsidiaries	**3,682**	-	**3,682**	-
Dividends received during the year	**(649)**	(845)	**-**	-
Share of profit during the year	**1,367**	1,337	**-**	-
Share of other comprehensive (loss) / income	**(45)**	82	**-**	-
At 31 March	**11,076**	6,109	**5,759**	1,465

(c) The Group's share of the results of its material associates, and their aggregated assets and liabilities, are as follows:

	Voltamp Energy SAOG		Al Maha Ceramics SAOG		Falcon Insurance Company SAOC	
Summarised statement of financial position	**2017 RO'000**	2016 RO'000	**2017 RO'000**	2016 RO'000	**2017 RO'000**	2016 RO'000
Assets						
Current assets						
Cash and bank balances	**665**	893	**773**	392	**451**	-
Other assets	**24,316**	21,833	**3,554**	4,070	**16,201**	-
	24,981	22,726	**4,327**	4,462	**16,652**	-
Non-current assets						
Property and equipment	**10,459**	10,194	**7,796**	8,265	**77**	-
Other assets	**3,456**	3,767	**225**	225	**13,486**	-
	13,915	13,961	**8,021**	8,490	**13,563**	-
Total assets	**38,896**	36,687	**12,348**	12,952	**30,215**	-
Liabilities						
Current liabilities	**14,234**	12,855	**1,900**	2,639	**15,351**	-
Non-current liabilities	**3,141**	4,411	**529**	648	**4,497**	-
Total liabilities	**17,375**	17,266	**2,429**	3,287	**19,848**	-
Net assets	**21,521**	19,421	**9,919**	9,665	**10,367**	-

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

13 Investment in associates (continued)

(c) The Group's share of the results of its material associates, and their aggregated assets and liabilities, are as follows: (continued)

Summarised statement of comprehensive income	Voltamp Energy SAOG 2017 RO'000	Voltamp Energy SAOG 2016 RO'000	Al Maha Ceramics SAOG 2017 RO'000	Al Maha Ceramics SAOG 2016 RO'000	Falcon Insurance Company SAOC 2017 RO'000	Falcon Insurance Company SAOC 2016 RO'000
Revenue	**41,155**	35,833	**8,874**	9,785	**3,833**	-
Cost of sales	**(32,312)**	(27,915)	**(5,203)**	(5,618)	**(2,038)**	-
Expenses	**(5,171)**	(4,609)	**(1,357)**	(1,453)	**(1,899)**	-
Other income	**371**	412	**73**	29	**1,183**	-
Profit before tax	**4,043**	3,721	**2,387**	2,743	**1,079**	-
Income tax	**(413)**	(416)	**(296)**	(342)	**(107)**	-
Profit after tax	**3,630**	3,305	**2,091**	2,401	**972**	-
Other comprehensive (loss) / income	**(181)**	329	**-**	-	**19**	-
Total comprehensive income	**3,449**	3,634	**2,091**	2,401	**991**	-

Reconciliation of summarised financial information	Voltamp Energy SAOG 2017 RO'000	Voltamp Energy SAOG 2016 RO'000	Al Maha Ceramics SAOG 2017 RO'000	Al Maha Ceramics SAOG 2016 RO'000	Falcon Insurance Company SAOC 2017 RO'000	Falcon Insurance Company SAOC 2016 RO'000
Opening net assets at 1 January 2016/2015	**19,420**	16,992	**9,665**	9,014	**-**	-
Less: dividend for preceding year	**(1,815)**	(1,513)	**(1,838)**	(1,750)	**-**	-
Net assets after dividend	**17,605**	15,479	**7,827**	7,264	**-**	-
Profit/(loss) for the year ended 31 December 2016/2015	**3,630**	3,305	**2,091**	2,401	**-**	-
Net assets acquired	**-**	-	**-**	-	**18,200**	-
Other comprehensive loss for the period	**(181)**	329	**-**	-	**-**	-
Others	**467**	308	**-**	-	**-**	-
Net assets at 31 December 2016/2015	**21,521**	19,420	**9,918**	9,665	**18,200**	-
Dividend for current year	**(1,089)**	(1,815)	**(1,588)**	(1,838)	**-**	-
Net assets adjusted for dividend	**20,432**	17,605	**8,330**	7,827	**18,200**	-
Interest in associates						
Holding - %	**25**	25	**23.74**	21.26	**19**	-
- RO	**5,108**	4,401	**1,978**	1,664	**3,458**	-
Adjustment	**(278)**	(161)	**-**	-	**-**	-
Goodwill	**13**	13	**573**	192	**224**	-
Carrying value	**4,843**	4,253	**2,551**	1,856	**3,682**	-

(d) Disposal / transfer of investment in Falcon Insurance Company SAOC

During the year, the Parent Company's investment in FIC has reduced from 51% to 19% and consequently the Parent Company lost control over it. However, the Parent Company retained significant influence over FIC through its 19% ownership and representation in the Board of directors including the vice chairman of FIC being the Parent Company's representative. At the date of reclassification of FIC from subsidiary to associate, the management has performed preliminary assessment of fair value of assets and liabilities (both tangible and intangible) which will be finalised in next accounting period. The details relating to the aforementioned preliminary assessment are given in the table below:

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

13 Investment in associates (continued)

(d) Disposal / transfer of investment in Falcon Insurance Company SAOC (continued)

	Group	
	2017 RO'000	2016 RO'000
Purchase consideration	**3,682**	-
Fair value of net assets acquired:		
- tangible net assets	**3,240**	-
- intangible net assets	**218**	-
	3,458	-
Goodwill at acquisition	**224**	-

14 Available-for-sale financial assets

	2017 Cost RO'000	**2017 Fair value RO'000**	2016 Cost RO'000	2016 Fair value RO'000
Group				
Quoted investments	**16,481**	**20,197**	14,233	15,113
Unquoted investments	**-**	**-**	73	225
	16,481	**20,197**	14,306	15,338
Parent Company				
Quoted investments	**16,481**	**20,197**	12,813	13,670

(a) Movement in available-for-sale financial assets is as under:

	Group		Parent Company	
	2017 RO'000	2016 RO'000	**2017 RO'000**	2016 RO'000
At the beginning of the year	**15,338**	1,077	**13,670**	-
Purchases during the year	**5,979**	13,397	**3,668**	12,813
Disposals during the year	**(243)**	(9)	**-**	-
Realised loss on sale of investments	**(14)**	-	**-**	-
Unrealised gain – net	**2,878**	873	**2,859**	857
Effect of disposal of a subsidiary	**(3,741)**	-	**-**	-
At the end of the year	**20,197**	15,338	**20,197**	13,670

(b) Quoted available-for-sale financial assets relate to investments in the financial sector and are listed at the Muscat Securities Market.

(c) At reporting date, the available-for-sale financial assets in which the market value exceeds 10% of the market value of the overall investment portfolio of the Group and Parent Company are as follows:

MSM quoted marketable securities	**Percentage of the portfolio**	**Number of securities**	**Fair value RO'000**	**Cost RO'000**
Group				
2017				
Oman International Development and Investment Company SAOG	**100%**	**40,885,554**	**20,197**	**16,481**
2016				
Oman International Development and Investment Company SAOG	89%	30,513,779	13,670	12,813

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

14 Available-for-sale financial assets (continued)

(c) At reporting date, the available-for-sale financial assets in which the market value exceeds 10% of the market value of the overall investment portfolio of the Group and Parent Company are as follows: (continued)

MSM quoted marketable securities	Percentage of the portfolio	Number of securities	Fair value RO'000	Cost RO'000
Parent Company				
2017				
Oman International Development and Investment Company SAOG	**100%**	**40,885,554**	**20,197**	**16,481**
2016				
Oman International Development and Investment Company SAOG	100%	30,513,779	13,670	12,813

15 Financial assets at fair value through profit or loss

	Group		Parent Company	
	2017 RO'000	2016 RO'000	**2017 RO'000**	2016 RO'000
Non-current				
Designated at fair value through profit or loss	**15,630**	13,129	**13,857**	11,667
Current				
Held for trading	**787**	3,476	**787**	849
	16,417	16,605	**14,644**	12,516

(a) Investments are analysed as follows:

Group 2017	**Local Quoted RO'000**	**Local Unquoted RO'000**	**Foreign Quoted RO'000**	**Foreign Unquoted RO'000**	**Total RO'000**
Financial sector	**15,668**	**-**	**320**	**53**	**16,041**
Industrial sector	**-**	**376**	**-**	**-**	**376**
	15,668	**376**	**320**	**53**	**16,417**

Group 2016	Local Quoted RO'000	Local Unquoted RO'000	Foreign Quoted RO'000	Foreign Unquoted RO'000	Total RO'000
Financial sector	14,113	-	126	299	14,538
Industrial sector	325	376	90	-	791
Services sector	792	-	291	-	1,083
Cash with portfolio managers	88	-	105	-	193
	15,318	376	612	299	16,605

Parent Company 2017	**Local Quoted RO'000**	**Local Unquoted RO'000**	**Foreign Quoted RO'000**	**Foreign Unquoted RO'000**	**Total RO'000**
Financial sector	**13,861**	**-**	**320**	**53**	**14,234**
Industrial sector	**3**	**376**	**-**	**-**	**379**
Services sector	**31**	**-**	**-**	**-**	**31**
	13,895	**376**	**320**	**53**	**14,644**

Parent Company 2016	Local Quoted RO'000	Local Unquoted RO'000	Foreign Quoted RO'000	Foreign Unquoted RO'000	Total RO'000
Financial sector	11,620	-	-	299	11,919
Industrial sector	3	376	-	-	379
Services sector	34	-	184	-	218
	11,657	376	184	299	12,516

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

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

(b) Financial assets at fair value through profit or loss having the market value of 10% or more of the Group's and Parent Company's total investments at fair value through profit or loss and held for trading in quoted securities is as follows:

	Percentage of the portfolio	Number of securities	Market value	Carrying cost
Group			**RO'000**	**RO'000**
2017				
Oman International Development and Investment Company SAOG	**93%**	**30,113,824**	**14,876**	**12,057**
	Percentage of the portfolio	Number of securities	Market value	Carrying cost
2016			RO'000	RO'000
Oman International Development and Investment Company SAOG	65%	24,118,052	10,805	8,389
Parent Company				
2017				
Oman International Development and Investment Company SAOG	**92%**	**26,529,856**	**13,106**	**10,805**
2016				
Oman International Development and Investment Company SAOG	86%	24,118,052	10,805	8,389

16 Trade and other receivables

	Group		Parent Company	
	2017 RO'000	2016 RO'000	**2017 RO'000**	2016 RO'000
Premiums receivable	**-**	2,384	**-**	-
Less: provision for impairment of receivables	**-**	(371)	**-**	-
	-	2,013	**-**	-
Due from insurance and reinsurance companies	**-**	770	**-**	-
Accrued interest	**-**	178	**-**	-
Due from related parties [note 25(b)]	**650**	522	**1,056**	1,214
Receivable from Addax Bank B.S.C. (c) [note 5 (a)]	**371**	-	**371**	-
Prepayments and other receivables	**1,270**	731	**1,221**	522
	2,291	4,214	**2,648**	1,736

17 Share capital

The authorised share capital of the Parent Company comprises 200,000,000 (2016 - 200,000,000) shares of 100 baisas (2016 - 100 baisas) each. The issued and fully paid up share capital consists of 175,002,457 shares (2016 - 150,075,000 shares) of 100 baisas (2016 - 100 baisas) each.

At the reporting date, details of shareholders, who own 5% or more of the Parent Company's share capital, are as follows:

	Number of shares held	**2017 (%)**	Number of shares held	2016 (%)
Fincorp Investment Company LLC	**40,310,564**	**23**	34,568,703	23
Mohamed and Ahmed Al Khonji LLC	**8,809,349**	**5**	7,554,540	5
Al Khonji Holdings LLC	**8,747,121**	**5**	7,196,836	5

18 Legal reserve

The statutory reserve which is not available for distribution is calculated in accordance with article 106 of the Commercial Companies Law. The annual appropriation shall be 10% of the profit for the year after tax, until such time the legal reserve amounts to at least one third of the issued and paid up share capital of the Company.

19 Fair value reserve

The Group has recognised its share of fair value reserve on revaluation of available-for-sale financial assets from associates. The Parent Company has also recognised the change in fair value of available-for-sale financial assets in equity.

20 Employees' end of service benefits

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO'000	RO'000	**RO'000**	RO'000
At 1 April	**162**	115	**50**	36
Charge for the year (note 7.1)	**41**	47	**13**	14
Paid during the year	**(27)**	-	**(24)**	-
Effect of disposal of a subsidiary	**(137)**	-	-	-
At 31 March	**39**	162	**39**	50

21 Bank borrowings

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO'000	RO'000	**RO'000**	RO'000
Non-current portion				
Term loans	**7,544**	1,050	**7,544**	1,050
Current portion				
Current maturity of term loans	**6,772**	9,050	**6,772**	9,050
Bank overdraft	**-**	34	**-**	34
	6,772	9,084	**6,772**	9,084
	14,316	10,134	**14,316**	10,134

The term loans carry annual interest rates ranging from 5% to 6% (2016 - 2.75% to 4%). These term loans are secured through pledge over marketable securities of the Parent Company.

The Parent Company has overdraft facilities of RO 950,000 (2016 - RO 350,000) from three (2016 – three) commercial banks. The interest on bank borrowings is charged at commercial rates.

22 Trade and other payables

	Group		Parent Company	
	2017	2016	**2017**	2016
	RO'000	RO'000	**RO'000**	RO'000
Claims related payable	**-**	903	-	-
Reinsurance contracts payable	**-**	4,490	**-**	-
Government tax and emergency fund payable	**-**	205	**-**	-
Payable to garages	**-**	439	**-**	-
Accrued expenses	**251**	331	**251**	210
Due to related parties [note 25 (b)]	**-**	49	**466**	468
Other payables	**-**	140	**-**	-
	251	6,557	**717**	678

23 Net assets per share

Net assets per share is calculated by dividing the net assets attributable to the shareholders of the Parent Company by the weighted number of shares outstanding at the year-end as follows:

	Group		Parent Company	
	2017 RO'000	2016 RO'000	**2017 RO'000**	2016 RO'000
Net assets attributable to the shareholders of the Parent Company (RO'000)	**37,652**	30,186	**31,100**	23,321
Number of shares outstanding at 31 March ('000)	**175,002**	150,075	**175,002**	150,075
Net assets per share (in Baisas)	**215**	201	**178**	155

24 Proposed dividend

The Board of Directors have proposed stock dividend of 14.28411% of the share capital amounting to RO 2,499,754 (14.28411 shares per 100 shares of the face value of RO 0.100) (2016 – 16.61% of the share capital amounting to RO 2,492,746 (16.61 shares per 100 shares of the face value of RO 0.100)) and cash dividend of 10% of the share capital amounting to RO 1,750,025 for the current year (2016 - cash dividend of 10% amounting to RO 1,500,750).

25 Related party transactions and balances

The Group enters into transactions with entities in which certain members of the Board of Directors have interest and are able to exercise significant influence. In the ordinary course of business, such related parties provide goods, services and funding to the Group. The Group also provides management services and funding to the related parties. These transactions are entered into on terms and conditions, approved by the Board of Directors.

(a) During the year, related party transactions were as follows:

	2017 RO'000	2016 RO'000
Group		
Premiums written	**260**	170
Claims paid	**74**	55
Dividend received	**27**	20
Directors' sitting fees	**52**	56
Directors' remuneration	**193**	187
Parent Company	**2017 RO'000**	2016 RO'000
Insurance expense	**10**	11
Purchase of property and equipment	**1,900**	-
Remuneration and meeting attendance fees income	**7**	10
Directors' sitting fees	**35**	42
Directors' remuneration	**160**	151

(b) The compensation to key management personnel for the year comprises:

	Group		Parent Company	
	2017 RO'000	2016 RO'000	**2017 RO'000**	2016 RO'000
Short term employment benefits	**677**	543	**341**	287
End of service benefits	**27**	29	**12**	14
Directors' sitting fees paid (note 7)	**52**	56	**35**	42
Directors' remuneration (note 7)	**193**	187	**160**	151
	949	815	**548**	494

25 Related party transactions and balances

(b) The compensation to key management personnel for the year comprises: (continued)

The Directors' sitting fees of RO 34,600 (2016 - RO 41,900) and Directors' remuneration of RO 160,000 (2016 - RO 150,500) paid by the Parent Company is subject to the approval of the shareholders at the Annual General Meeting.

The amounts due to and due from related parties are interest free, unsecured and are repayable on demand as under:

	Group		**Parent Company**	
	2017 RO'000	2016 RO'000	**2017 RO'000**	2016 RO'000
Due from related parties (note 16)				
Falcon Insurance SAOC	**-**	-	**-**	326
Al Anwar International investment LLC	**-**	-	**406**	434
Voltamp Energy SAOG	**273**	454	**273**	454
Al Maha Ceramic Co SAOG	**377**	-	**377**	-
Insurance and other receivables	**-**	68	**-**	-
	650	522	**1,056**	1,214
Due to related parties (note 22)				
Al Anwar Development LLC	**-**	-	**466**	468
Claims payable	**-**	49	**-**	-
	-	49	**466**	468

26 Financial and insurance risk management

(a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

(b) Regulatory framework

Regulators are primarily interested in protecting the rights of the policy holders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

(c) Financial risks

The Group's principal financial instruments are receivables arising from insurance and reinsurance contracts, listed and unlisted investments, cash and cash equivalents and interest bearing deposits. The main risks arising from the Group's financial instruments are:

(i) Credit risk;
(ii) Liquidity risk; and
(iii) Market risk
- Exchange rate risk;
- Interest rate risk; and
- Price risk.

26 Financial and insurance risk management (continued)

(c) Financial risks (continued)

The Group reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, 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.

For all classes of financial assets held by the Group, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in these financial statements at the reporting date. The Group monitors receivables on regular basis and ensures bank balances and deposits are placed with reputable financial institutions with credit ratings of P-2 as per Moody's Investors Service or other unrated financial institutions with sound financial conditions. These unrated financial institutions are highly regulated in Sultanate of Oman and have sound financial credentials with no past history of defaults.

The table below shows the short-term rating of the banks with which the Group and the Parent Company places funds as published by Moody's Investors Services:

		Group		Parent Company	
	Rating	**2017 RO'000**	2016 RO'000	**2017 RO'000**	2016 RO'000
Bank balances and term deposits	P-1	**357**	746	**357**	327
Bank balances and term deposits	P-2	**9**	2,138	**7**	2
Bank balances and term deposits	P-3	**1**	-	**1**	-
Bank balances and term deposits	Unrated	**2**	10,128	**2**	12
		369	13,012	**367**	341

The maximum exposure to credit risk at the reporting date by type is shown as below:

	2017 RO'000	2016 RO'000
Group		
Reinsurer's share in insurance funds	**-**	7,909
Trade and other receivables (excluding prepayments)	**2,270**	3,483
Cash with portfolio managers	**-**	193
Term deposits	**-**	12,178
Bank balances	**369**	834
	2,639	24,597

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on a weekly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarises the maturity profile of the financial liabilities of the Group based on remaining undiscounted contractual obligations. Repayments for which are subject to notice, are treated as if notice were to be given immediately.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

26 Financial and insurance risk management (continued)

(c) Financial risks (continued)

(ii) Liquidity risk (continued)

Maturity profiles (continued)

Group 2017	**Over 1 year RO'000**	**Up to 1 year RO'000**	**Total RO'000**
Bank borrowings	**7,544**	**6,772**	**14,316**
Trade and other payables	**-**	**251**	**251**
	7,544	**7,023**	**14,567**

Group 2016	Over 1 year RO'000	Up to 1 year RO'000	Total RO'000
Insurance funds	1,785	11,505	13,290
Bank borrowings	1,050	9,084	10,134
Trade and other payables (excluding government tax and emergency fund payable)	-	6,352	6,352
	2,835	26,941	29,776

Parent Company 2017	**Over 1 year RO'000**	**Up to 1 year RO'000**	**Total RO'000**
Bank borrowings	**7,544**	**6,772**	**14,316**
Trade and other payables	**-**	**717**	**717**
	7,544	**7,489**	**15,033**

Parent Company 2016	Over 1 year RO'000	Up to 1 year RO'000	Total RO'000
Insurance funds	1,050	9,084	10,134
Trade and other payables	-	678	678
	1,050	9,762	10,812

The maturity profiles of Group's and Parent Company's financial assets are given below:

Group 2017	**Within 1 year RO'000**	**1-5 years RO'000**	**Non fixed maturity RO'000**	**Total RO'000**
Available-for-sale financial assets	**-**	**-**	**20,197**	**20,197**
Financial assets at fair value through profit or loss	**787**	**-**	**15,630**	**16,417**
Trade and other receivables (excluding prepayments)	**2,270**	**-**	**-**	**2,270**
Cash and bank balances	**369**	**-**	**-**	**369**
	3,426	**-**	**35,827**	**39,253**

Group 2016	Within 1 year RO'000	1-5 years RO'000	Non fixed maturity RO'000	Total RO'000
Available-for-sale financial assets	-	-	15,338	15,338
Term deposits	7,537	4,641	-	12,178
Financial assets at fair value through profit or loss	3,476	-	13,129	16,605
Trade and other receivables (excluding prepayments)	3,483	-	-	3,483
Reinsurer's share in insurance funds	7,762	147	-	7,909
Cash and bank balances	834	-	-	834
	23,092	4,788	28,469	56,349

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

26 Financial and insurance risk management (continued)

(c) Financial risks (continued)

(ii) Liquidity risk (continued)

Parent Company 2017	**Within 1 year RO'000**	**1-5 years RO'000**	**Non fixed maturity RO'000**	**Total RO'000**
Available-for-sale financial assets	**-**	**-**	**20,197**	**20,197**
Financial assets at fair value through profit or loss	**787**	**-**	**13,857**	**14,644**
Trade and other receivables (excluding prepayments)	**2,627**	**-**	**-**	**2,627**
Cash and bank balances	**367**	**-**	**-**	**367**
	3,781	**-**	**34,054**	**37,835**

Parent Company 2016	Within 1 year RO'000	1-5 years RO'000	Non fixed maturity RO'000	Total RO'000
Available-for-sale financial assets	-	-	13,670	13,670
Financial assets at fair value through profit or loss	849	-	11,667	12,516
Trade and other receivables (excluding prepayments)	1,214	-	-	1,214
Cash and bank balances	341	-	-	341
	2,404	-	25,337	27,741

(iii) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international and local equity and bond markets. In addition, the Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

Exchange rate risk

Exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange risk on term deposits with banks, premium receivables and claims payable arising from currency exposures primarily from USD and GCC currencies which are pegged to the Omani Rial. The Group manages exchange rate risk by monitoring the fluctuations in the currency exchange rates. As at reporting date, the Group is not exposed to any significant exchange rate risk, as the exchange rate for USD is pegged to Riyal Omani.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on its interest bearing securities.

The Group's interest risk policy requires managing interest risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

26 Financial risk management (continued)

(c) Financial risks (continued)

(iii) Market risk (continued)

Interest rate risk (continued

As of reporting date, the Group has only fixed rate financial assets where the interest rates are contractually agreed and will remain constant throughout the maturity period.

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments.

As at reporting date, the Group has no significant concentration of price risk.

A 10% change in fair value of the Group's quoted available-for-sale financial assets would have impact on equity of approximately RO 2,020 thousand (2016 - RO 1,511 thousand). A 10% change in fair value of Parent Company's quoted available-for-sale financial assets would have impact on equity of approximately RO 2,020 thousand (2016 – RO 1,367 thousand).

A 10% change in fair value of the Group's quoted financial assets at fair value through profit or loss would have impact on profit before taxation of approximately RO 1,599 thousand (2016 - RO 1,593 thousand). A 10% change in fair value of the Parent Company's quoted financial assets at fair value through profit or loss would have impact on profit before taxation of approximately RO 1,422 thousand (2016 - RO 1,184 thousand).

Fair value estimation

The table below analyses financial instruments that are measured subsequent to initial recognition at fair value, by valuation techniques. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data.

Group	**Level 1 RO'000**	**Level 2 RO'000**	**Level 3 RO'000**	**Total RO'000**
2017				
Available-for-sale financial assets	**20,197**	**-**	**-**	**20,197**
Financial assets at fair value through profit or loss	**15,988**	**-**	**429**	**16,417**
	36,185	**-**	**429**	**36,614**

Group	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
2016				
Investment property	-	1,900	-	1,900
Available for sale financial assets	15,113	-	225	15,338
Financial assets at fair value through profit or loss	15,930	-	675	16,605
	31,043	1,900	900	33,843

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

26 Financial risk management (continued)

(c) Financial risks (continued)

(iii) Market risk (continued)

Fair value estimation (continued)

Parent Company	**Level 1 RO'000**	**Level 2 RO'000**	**Level 3 RO'000**	**Total RO'000**
2017				
Available-for-sale financial assets	**20,197**	**-**	**-**	**20,197**
Financial assets at fair value through profit or loss	**14,215**	**-**	**429**	**14,644**
	34,412	**-**	**429**	**34,841**

Parent Company	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
2016				
Available-for-sale financial assets	13,670	-	-	13,670
Financial assets at fair value through profit or loss	11,841	-	675	12,516
	25,511	-	675	26,186

Level 3 investments are investments in shares of unquoted companies. The management values the investment either using net asset value of the investee based on the investee's financial statements or using a discounted cashflow method. Management considers that the carrying value of the investment approximate to its fair value as significant portfolio of the underlying assets and liabilities of the investee company's are either fair valued or are in cash and cash equivalents where fair value approximate the carrying value. Therefore, unadjusted net assets value is representative of fair value of the investments.

27 Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks.

The Group has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

28 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios.

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2017 and 2016.

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a co-ordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

28 Capital management (continued)

The primary source of capital used by the Group is equity shareholders' funds and borrowings. The capital requirements are routinely forecast on a periodic basis, and assessed against both the forecast available capital and the expected internal rate of return including risk and sensitivity analyses. The process is ultimately subject to approval by the Board of Directors.

The Group has no significant changes in its policies and processes to its capital structure during the year from previous year.

29 Financial assets by category

The accounting policies for financial assets have been applied to the line items below:

Group 2017	**Loans and receivables RO'000**	**Financial assets at fair value through profit or loss RO'000**	**Available-for-sale financial assets RO'000**	**Total RO'000**
Available-for-sale financial assets	**-**	**-**	**20,197**	**20,197**
Financial assets at fair value through	**-**	**16,417**	**-**	**16,417**
Trade and other receivables (excluding prepayments)	**2,270**	**-**	**-**	**2,270**
Cash and bank balances	**369**	**-**	**-**	**369**
	2,639	**16,417**	**20,197**	**39,253**

Group 2016	Loans and receivables RO'000	Financial assets at fair value through profit or loss RO'000	Available-for-sale financial assets RO'000	Total RO'000
Available-for-sale financial assets	-	-	15,338	15,338
Financial assets at fair value through profit or loss	-	16,605	-	16,605
Term deposits	12,178	-	-	12,178
Insurance and other receivables (excluding prepayments)	3,483	-	-	3,483
Cash and bank balances	834	-	-	834
	16,495	16,605	15,338	48,438

Parent Company 2017	**Loans and receivables RO'000**	**Financial assets at fair value through profit or loss RO'000**	**Available-for-sale financial assets RO'000**	**Total RO'000**
Available-for-sale financial assets	**-**	**-**	**20,197**	**20,197**
Financial assets at fair value through	**-**	**14,644**	**-**	**14,644**
Trade and other receivables (excluding prepayments)	**2,627**	**-**	**-**	**2,627**
Cash and bank balances	**367**	**-**	**-**	**367**
	2,994	**14,644**	**20,197**	**37,835**

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

29 Financial assets by category (continued)

Parent Company 2016	Loans and receivables RO'000	Financial assets at fair value through profit or loss RO'000	Available-for-sale financial assets RO'000	Total RO'000
Available-for-sale financial assets	-	-	13,670	13,670
Financial assets at fair value through profit or loss	-	12,516	-	12,516
Trade and other receivables (excluding prepayments)	1,214	-	-	1,214
Cash and bank balances	341	-	-	341
	1,555	12,516	13,670	27,741

30 Operating segments

The Group has two operating segments, namely; general insurance and life insurance. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the general manager reviews internal management reports on at least monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment net insurance income, as included in the internal management reports that are reviewed by the general manager. Inter-segment pricing is determined on an arm's length basis.

Group **2017**	**General insurance** **RO'000**	**Life insurance** **RO'000**	**Total** **RO'000**
Insurance revenue (net of reinsurance)	**2,837**	**995**	**3,832**
Insurance cost (net of reinsurance)	**(1,714)**	**(323)**	**(2,037)**
Segment underwriting results	**1,123**	**672**	**1,795**
Allocated investment and other income	**382**	**(112)**	**270**
Segment expenses	**(1,588)**	**(272)**	**(1,860)**
Segment profit	**(82)**	**287**	**205**
Unallocated expenses (primarily investments)			**(1,665)**
Unallocated investment and other income (primarily investments)			**8,567**
Profit before taxation			**7,107**
Less: taxation			**(107)**
Net profit for the year			**7,000**
Unallocated assets			**52,306**
Unallocated liabilities			**14,654**

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

36 Operating segments (continued)

Group 2016	General insurance RO'000	Life insurance RO'000	Total RO'000
Insurance revenue (net of reinsurance)	3,659	2,305	5,964
Insurance cost (net of reinsurance)	(2,644)	(1,520)	(4,164)
Segment underwriting results	1,014	785	1,799
Allocated investment and other income	348	(126)	222
Segment expenses	(1,302)	(221)	(1,523)
Segment profit	60	438	498
Unallocated expenses (primarily investments)			(2,504)
Unallocated investment and other income (primarily investments)			7,904
Profit before taxation			5,898
Less: taxation			(81)
Net profit for the year			5,817
Segment assets	25,637	4,346	29,983
Unallocated assets (primarily investments)			35,590
Total assets			65,573
Segment liabilities	16,161	3,588	19,749
Unallocated liabilities (primarily investments)			10,735
Total liabilities			30,484

(b) Geographical segment

The Group operates solely in the Sultanate of Oman.