1 Legal status and principal activities

Muscat National Holding Company SAOG ("the Parent company") is registered as a public joint stock company in the Sultanate of Oman. The conversion of Muscat Insurance Company SAOG (established on 16 January 1995) to Muscat National Holding Company SAOG was confirmed by the Administrative Order No. 1/99, dated 10 January 1999, of the Ministry of Commerce & Industry, Sultanate of Oman. The principal activity of the Parent company is dealing with investment including to hold 100% of the group's subsidiaries. The principal activities of the subsidiaries are described in note 19.

The Parent Company is planning to restructure its fully owned subsidiaries in order to comply with provisions of amendments to Oman's Insurance Companies Law. Accordingly, the subsidiaries intend to merge with the Parent Company by transferring their assets and liabilities, as well as the licenses to underwrite general and life insurance businesses. The restructuring plan has been submitted to the Capital Market Authority ("CMA"), along with supporting independent reports and documents, for their review and initial approval. Once the initial approval is obtained from the CMA, the Parent Company and subsidiaries will submit the restructuring plan to their shareholder for their approval at Extra Ordinary General Meetings. The restructuring is expected to complete in the second quarter of 2017. The shareholding pattern will remain unchanged as a result of proposed merger of the Parent Company and its subsidiaries.

Muscat National Holding Company SAOG and its subsidiaries ("the Group") operate in the Sultanate of Oman.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared on a going concern basis and, accordingly, the historical cost basis is used except for the following:

- Unearned premium and outstanding claims provisions for life business are determined based on actuarial techniques;
- financial instruments at fair value through statement of comprehensive income are measured at fair value;
- held for trading investments are measured at fair value; and
- available for sale financial assets are measured at fair value.

The methods used to measure fair values are disclosed in note 3 and note 4.

The statement of financial position has been prepared in the order of liquidity.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in foreign currencies are translated into Rial Omani and recorded at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Rial Omani at the foreign exchange rate ruling at the 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, which are stated at historical cost, are translated into Rial Omani at the foreign exchange rate ruling at the date of the transaction.

(d) Use of estimates and judgments

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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

2 Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in note 4.

(e) New standards, amendments and interpretations effective from 1 January 2016

The following standards, amendments and interpretations became effective as of 1 January 2016:

- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
- Equity Method in Separate Financial Statements (Amendments to IAS 27) – Adopted by the Parent company for carrying investment in subsidiaries in separate financials statements (Refer note 34)
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards
- Investment Entities: Applying the Consolidated Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1)

(f) New standards, amendments and interpretations issued but not yet effective:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these financial statements. Those which are relevant to the Company are set out below. The Company has no plan to early adopt these standards.

- Disclosure Initiative (Amendments to IAS 7) (Effective from1 January 2017)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) (Effective from1 January 2017)
- IFRS 15 Revenue from Contracts with Customers (Effective from 1 January 2018)
- IFRS 9 Financial Instruments (Effective from 1 January 2018)
- IFRS 16 Leases (Effective from 1 January 2019)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (Effective date not yet determined)

The Company is assessing the potential impact of the above stated new standards, amendments and the improvements.

3 Significant accounting policies

The accounting policies applied by the Group and the Parent company are consistent with those applied by the Group and the Parent company for the year ended 31 December 2015.

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Parent company and its subsidiaries.

Subsidiary

Subsidiaries are entities controlled by the Parent Company. The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

3.1 Basis of consolidation (continued)

Transactions eliminated on consolidation
Inter-company balances, transactions, and unrealised gains arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

3.2 Insurance contracts - classification

The Group's subsidiaries issue contracts that transfer insurance risk. Life insurance contracts issued by the subsidiary do not contain any discretionary participation features, which will entitle the contract holder to receive additional benefits or bonuses.

(a) General insurance

The general insurance contracts insure events listed below:

(i) Motor
Motor insurance in the Sultanate is governed by law and it is compulsory for all vehicles to have a minimum third party cover. The subsidiary also issues comprehensive motor policies. Such motor policies issued by the subsidiary cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident. Specific motor policies are also issued to include coverage outside the Sultanate.

(ii) Fire and Accident and Property
For these contracts the main risks are fire and business interruption.

(iii) Marine
For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

(b) Recognition and measurement – General insurance

Premiums are recognised as revenue (earned premium) proportionally over the period of coverage. A proportion of the net written premiums (unearned premiums) are provided as 'unearned premium reserve' to cover portions of risks, which have not expired at the statement of financial position date. Unearned premium reserve is estimated using the 1/24th basis. Provision is made where necessary for any further loss in excess of unearned premiums expected to arise on unexpired risks after taking into account future investment income on related insurance funds.

An additional provision is created to cover any shortfall for each class of business between the total amount in the unearned premium reserve and the amount required by the Oman Insurance Companies Law of 1979, as amended, calculated at 45% of the net retained premiums for the year for all classes of business.

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of profit or loss and other comprehensive income as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date, whether reported or not. Provisions for reported claims not paid as at the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the underwriting result for that year. Liabilities for unpaid claims are not discounted.

3.2 Insurance contracts – classification (continued)

(c) Recognition and measurement - Life insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example death, or disability).

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. Unearned premiums represent the proportion of premiums written relating to periods of insurance subsequent to the statement of financial position date. The portion of premium received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as the unearned premium liability. Premiums are shown before deduction of commissions paid or payable.

Claims and loss adjustment expenses are charged to the statement of profit or loss and other comprehensive income as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported. Liabilities for unpaid claims which are not discounted, are estimated using the input of assessments for individual cases reported and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

Benefits payable to contract holders are recorded as an expense when they are incurred.

(d) Policy acquisition costs

All commissions and other acquisition costs related to securing new contracts and renewing existing contracts are recognised as expenses when incurred.

(e) Liability adequacy test

All outstanding claims including claims incurred but not reported (IBNR) are expected to be settled within twelve months from the statement of financial position date. The amount outstanding for each claim is reviewed on a regular basis and at least quarterly and the amount adjusted in the statement of comprehensive income whenever considered necessary. Liabilities for contractual benefits that are expected to be incurred in the future are recorded when the premiums are recognised based on actuarial valuation for life business. The liabilities are recalculated at each statement of financial position date using the assumptions established at inception based on the actuarial valuation. At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums. Any inadequacy would be immediately charged to the statement of comprehensive income by establishing a premium deficiency provision.

An amount (mathematical reserve) is determined by an independent actuary on an annual basis reflecting the unexpired risk for life business underwritten. A contingency reserve is also established in accordance with the Insurance Companies Law of Oman of 1979, as amended, for life and general business.

(f) Reinsurance contracts held

Contracts entered into with reinsurers under which the group is compensated for losses on one or more contracts issued and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into under which the contract holder is another insurer (inwards reinsurance) are included within insurance contracts.

The benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers (classified within Insurance receivables), as well as the reinsurance portion of gross claims outstanding including IBNR and unexpired risk reserve that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These are shown as assets in the statement of financial position until the claim is paid. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to Insurance receivable. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due, net of commission income which represents income earned from reinsurance companies.

3 Significant accounting policies (continued)

3.2 Insurance contracts – classification (continued)

(f) Reinsurance contracts held (continued)

Reinsurance assets are assessed for impairment on a periodic basis. If there is objective evidence that the reinsurance asset is impaired, the carrying amount of the reinsurance asset is reduced to its recoverable amount and impairment loss recognised in the statement of profit or loss and other comprehensive income. The subsidiaries gather objective evidence regarding whether a reinsurance asset is impaired using the same process adopted for insurance and other receivables. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in note 3.5.

3.3 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments carried at fair value through profit or loss, available for sale investments, held for trading investments, investments held to maturity, other receivables, due to reinsurers, fixed deposits, cash and cash equivalents, and other liabilities. Cash and cash equivalents comprise cash and bank balances, net of bank overdrafts. Fixed deposits comprise deposits with maturity between three and thirty six months from date of placement. Bank overdrafts that are repayable on demand and form an integral part of the Group's and the Parent company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable 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 profit or loss and other comprehensive income. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Available for sale

The Group's investments in certain equity securities are classified as available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of profit or loss and other comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group management has the positive intent and ability to hold to maturity.

Held-to-maturity investments are initially recognised at cost and subsequently re-measured at amortised cost using the effective yield method less any provision for impairment.

Interest receivable from held-to-maturity investments is accounted for on the accruals basis.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group/Parent Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in the statement of profit or loss and other comprehensive income when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the statement of profit or loss and other comprehensive income.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances and deposits with an original maturity of three months from date of placement, net of bank overdrafts. Bank overdrafts that are repayable on demand form an integral part of the Group's/Parent company's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Investments in subsidiaries

Investment in subsidiaries were previously carried at cost, which included transaction costs, less impairment, if any in the separate financial statements.

During the year, the Parent Company adopted amendments to IAS 27 "Equity Method in Separate Financial Statements" and has used the equity method to account for investment in subsidiaries in the separate financial statements. The amendments to IAS 27 apply retrospectively for annual periods beginning on or after 1 January 2016. The equity accounted investees are initially recognised at cost, which includes transaction costs on the date the group obtains control, and subsequent to initial recognition, the separate financial statements include the Parent Company's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which control ceases.

Others

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

3.4 Trade and settlement date accounting

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

3.5 Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Impairment is determined as follows:

a) for assets carried at fair value, impairment is the difference between cost and fair value;
b) for assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
c) for assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in statement of comprehensive income.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available for sale investments, 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 other comprehensive income, is removed from equity and recognised in profit or loss. Impairment losses recognised in the profit or loss on such equity instruments are reversed through other comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

3 Significant accounting policies (continued)

3.5 Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the 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 exceeds its recoverable amount. Recoverable amount 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 specified to the asset.

Impairment losses recognised in prior periods 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.

3.6 Commission earned and paid

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

3.7 Dividend income

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

3.8 Interest income

Interest income is recognised on the accrual basis.

3.9 Dividend distribution

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

3.10 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is recognised in the statement of profit or loss and other comprehensive income and is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustments to tax payable in respect of previous years.

Deferred tax is calculated using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and is subsequently reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3 Significant accounting policies (continued)

3.11 Premium and insurance receivables

Insurance and other receivables are stated at their cost less impairment losses. A provision for impairment of receivables is established when there is objective evidence that the Group/Parent company 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 receivable is impaired. The amount of the provision is recognised in the profit or loss within general and administration expenses.

3.12 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost includes any other cost that directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the Group/Parent company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of the property, plant and equipment. Land and assets under construction are not depreciated. The estimated useful lives for the current and comparative periods are as follows:

Furniture and equipment	6 years
Motor vehicles	5 years
Computer hardware and software	5 years
Building (including investment property)	6-15 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The residual values, useful lives and depreciation methods for items of property, plant and equipment are reassessed at each reporting date.

3.13 Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation at the reporting date. The fair value, which reflects market conditions at the reporting date, is disclosed in the notes to the financial statements.

3.13 Investment property (continued)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

3.14 Provisions

A provision is recognised if, as a result of a past event, there exists a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflows of economic benefit will be required to settle the obligation.

3.15 Contingency reserve

In accordance with the Capital Market Authority Decision No.19/2007, issued on 4 June 2007 as authorised by Royal Decree No. 34/2007, 10% of the net outstanding claims at the statement of financial position date in case of general insurance business and 1% of the life assurance premiums in case of life insurance business for the year are transferred to a contingency reserve which is not distributable. The subsidiaries may discontinue such annual transfers when the reserve equals the respective company's paid up capital. The contingency reserve in the books of the Group's subsidiaries in accordance with the Omani Insurance Companies Law of 1979, as amended, are not distributable without prior approval of the Capital Market Authority.

3.16 Other liabilities and accruals

Liabilities are recognised initially at fair value and subsequently measured at amortised cost. Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed.

3.17 Employee terminal benefits

Obligations for contributions to an unfunded defined benefit retirement plan, for Omani employees, in accordance with the Oman Social Insurance Scheme, are recognized as an expense in profit or loss as incurred. In addition, obligation for contribution against end of service benefit, for Omani employees is recognized as expense in profit or loss.

The Company's obligation in respect of non-Omani terminal benefits, under an unfunded defined benefits retirement plan, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods.

3.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

3.19 Segmental information

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 management to make decisions about resources to be allocated to the segment and assess its performance.

3.20 Earnings per share

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

4 Critical accounting estimates, and judgments in applying accounting policies

The Parent company and Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the following paragraphs.

(i) The liability arising from claims made under insurance contracts

The purpose of insurance contracts entered into by the subsidiaries is to pay claims arising out of fortuitous events i.e. events that are unexpected such as illness or death. The general insurance subsidiary has a concentration in Motor policies issued and claims under such policies may include amounts for third party bodily injury. The Group believes that the liability arising out of such third party bodily injury claims as handed down by the various courts in Oman, does not reflect a consistent approach in legal verdicts. Nevertheless, even though these awards are relatively small, the subsidiary monitors the development of such compensation claims carefully year on year and makes adequate provision for these insurance liabilities. This has resulted in profit or loss being stable. The life subsidiary has a concentration in policies under the Group Credit Life scheme issued. Estimates are made as to the expected number of deaths for each of the years in which the subsidiary is exposed to risk. The subsidiary's actuary bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the subsidiary's own experience. The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty is that epidemics such as AIDS, SARS and wide-ranging lifestyle changes such as eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the subsidiary 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 subsidiary is exposed to longevity risk. This has resulted in profit or loss being stable.

Estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the statement of financial position 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. Adequacy of outstanding claims liability is also independently reviewed by an Actuary and any shortfall identified is recorded in the underwriting account.

(ii) Impairment of available for sale investments

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.

(iii) Impairment of receivables

An estimate of the collectible amount of Premium and insurance receivables and Reinsurance contract receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. This assessment 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 the Group's marketing and legal departments. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied on the basis of length of time past due and/or qualitative factors, based on historical recovery rates.

4 Critical accounting estimates, and judgments in applying accounting policies (continued)

Determination of fair values

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

Financial Instruments

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 are determined using estimated discounted cash flows or other valuation techniques.

The carrying amount of other financial assets and liabilities with a maturity of less than one year approximates to their fair values.

5 Underwriting results

	2016 RO	2015 RO
Gross premiums written arising from insurance contracts issued	**14,869,353**	14,042,377
Movement in unearned premiums	**493,326**	(679,262)
Insurance premium revenue (a)	**15,362,679**	13,363,115
Premium revenue net of commission ceded to reinsurers on insurance contracts issued	**(8,098,789)**	(8,169,949)
Movement in unearned premiums	**(738,801)**	186,924
Insurance premium ceded to reinsurers (b)	**(8,837,590)**	(7,983,025)
Gross insurance claims and loss adjustment expenses *(note 6)*	**(7,765,658)**	(36,372,327)
Insurance claims and loss adjustment expenses recovered from reinsurers *(note 6)*	**3,660,782**	33,626,431
Net claims incurred (c)	**(4,104,876)**	(2,745,896)
Expenses for the acquisition of insurance contracts (d)	**354,932**	(160,388)
Underwriting result (a+b+c+d)	**2,775,145**	2,473,806

Analysis of net underwriting results

The general insurance and life assurance underwriting results before reinsurance recoveries are analysed as follows:

	2016 Net written premium RO	**2016 Underwriting results before reinsurance recoveries RO**	2015 Net written premium RO	2015 Underwriting results before reinsurance recoveries RO
Motor	**4,389,916**	**(1,122,304)**	3,432,908	(614,077)
Non motor	**123,855**	**591,791**	116,220	(30,294,685)
Group life, Group credit and health	**1,139,489**	**(355,124)**	979,489	(243,863)
	5,653,260	**(885,637)**	4,528,617	(31,152,625)

6 Insurance claims and loss adjustment expenses

	2016			2015		
	Gross RO	**Reinsurers' share RO**	**Net RO**	Gross RO	Reinsurers' share RO	Net RO
Claims incurred *(note 23)*	**10,887,062**	**(9,327,244)**	**1,559,818**	10,995,243	(9,938,451)	1,056,792
IBNR *(note 23)*	**1,121,000**	**(610,275)**	**510,725**	771,000	(405,275)	365,725
Outstanding at end of year (a)	**12,008,062**	**(9,937,519)**	**2,070,543**	11,766,243	(10,343,726)	1,422,517
Add:						
Insurance claims paid in the year (b)	**7,523,839**	**(4,066,989)**	**3,456,850**	34,794,772	(32,412,170)	2,382,602
Less:						
Claims incurred *(note 23)*	**10,995,243**	**(9,938,451)**	**1,056,792**	9,702,688	(8,844,190)	858,498
IBNR *(note 23)*	**771,000**	**(405,275)**	**365,725**	486,000	(285,275)	200,725
Outstanding at the beginning of the year (c)	**11,766,243**	**(10,343,726)**	**1,422,517**	10,188,688	(9,129,465)	1,059,223
Claims recorded in statement of comprehensive income (a+b-c) *(note 5)*	**7,765,658**	**(3,660,782)**	**4,104,876**	36,372,327	(33,626,431)	2,745,896

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

The subsidiaries estimate their insurance liabilities and reinsurance assets principally based on previous experience. These estimates, are also reviewed by an independent Actuary. Claims requiring court or arbitration decisions are estimated individually.

7. Investment (loss) / income - net

	Group 2016 RO	**Parent company 2016 RO**	Group 2015 RO	Parent company 2015 RO
Net unrealized gain/(loss) on investments carried at fair value through profit or loss	**483,035**	**410,172**	(960,626)	(728,119)
Unrealised gain/(loss) on held for trading investments	**(98,674)**	**(10,161)**	66,853	(37,685)
Interest income on Government development bonds (net of amotisation cost)	**138,654**	**-**	140,832	-
Interest income on Bank Muscat SAOG subordinated bonds (net of amortisation cost)	**109,446**	**-**	309,000	-
Interest income on fixed deposits	**310,838**	**14,592**	115,444	-
Dividend income	**183,712**	**98,134**	208,521	120,242
Net realized gain/(loss) on disposal of investment securities	**7,667**	**7,667**	(87,232)	-
Sitting fees received from Oman United Bureau for Orange Card	**10,000**	**-**	9,000	-
Brokerage costs	**(744)**	**(661)**	(1,617)	-
Other Income	**8,591**	**-**	-	-
Rental income on investment property	**120,248**	**-**	113,959	-
Profit on sale of fixed asset	**13,765**	**850**	8,588	2,355
	1,286,538	**520,593**	(77,278)	(643,207)

Realised

Realised investment income represents dividends and gains and losses on disposal of investments.

7 Investment income/ (loss) – net (continued)

Unrealised

Movements in the carrying values of investments classified as fair value through profit or loss and held for trading are taken to unrealised investment income.

Interest

Interest from term deposits and bonds is included in investment income

8 Expenses for the year

The profit / (loss) for the year is stated after charging:

General and administration expenses	**Group 2016 RO**	**Parent Company 2016 RO**	Group 2015 RO	Parent company 2015 RO
Staff salaries and allowances	**1,656,905**	**298,546**	1,400,105	280,200
End of service benefits	**50,876**	**17,290**	63,227	42,682
Social security costs	**88,633**	**8,979**	66,497	8,889
Office expenses	**240,785**	**23,873**	215,912	19,282
Communication and traveling expenses	**91,691**	**5,490**	82,351	7,733
Depreciation *(notes 21&22)*	**160,919**	**14,092**	82,834	16,937
	2,289,809	**368,270**	1,910,926	375,723
Finance costs				
Bank interest and charges - investment operations	**-**	**-**	2,301	2,301
Interest on treaty reserves	**33,603**	**-**	26,214	-
	33,603	**-**	28,515	2,301
Other operating expenses				
Professional fees	**113,099**	**44,053**	101,565	13,019
Advertising and recruitment expenses	**32,488**	**7,426**	48,497	3,776
MSM and annual general meeting expenses	**29,205**	**12,201**	27,023	16,803
Investment expenses	**4,281**	**2,517**	12,262	5,272
Donation	**-**	**-**	-	-
Board Sitting fees	**50,152**	**50,152**	19,900	19,900
	229,225	**116,349**	209,247	58,850

9 Taxation

(a) The taxation charges/(credit) for the year comprise:

Statement of comprehensive income:	**Group 2016 RO**	**Parent Company 2016 RO**	Group 2015 RO	Parent company 2015 RO
Current tax	**168,312**	**-**	151,496	-
Prior year	**7,120**	**-**	(1,352)	-
	175,432	**-**	154,144	-
Deferred taxation	**(5,549)**	**-**	1,644	-
	169,883	**-**	155,788	-

9 Taxation (continued)

The current tax liability is as follows:	**Group 2016 RO**	**Parent company 2016 RO**	Group 2015 RO	Parent company 2015 RO
Current liability				
At 1 January	**160,651**	-	157,428	-
Charge for the year	**169,883**	-	154,144	-
Paid during the year	**(157,574)**	-	(150,921)	-
At 31 December	**172,960**	-	160,651	-

(b) The Parent company and each of its subsidiaries are assessed separately for taxation. The Group is not treated as a taxable entity.

(i) The Parent company

The tax rate applicable to the Parent company is 12% (2015: 12%). For the purpose of determining the taxable result for the year, the accounting profit/(loss) has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on a current understanding of the existing tax laws, regulations and practices.

The adjustments to accounting profit/(loss) for the year have resulted in a taxable loss of RO 455,851 (2015:taxable loss RO 424,451). No deferred tax is recognised in respect of these losses, as the Parent company does not have taxable income resulting in uncertainty in their utilisation. Therefore, the applicable tax rate is nil (2015: nil).

The taxable losses available for offset against future taxable profits are as follows:

Year of loss	**Year expires**	**RO**
2015	2020	424,451
2014	2019	414,218
2013	2018	265,185
2012	2017	-
2011	2016	362,658

The Parent company's tax assessments have been completed by the Omani tax authorities up to tax year 2009. The Parent company's income tax assessments for the year 2010 to 2015 have not been finalized by the Secretariat General for Taxation at Ministry of Finance.

(ii) Subsidiaries

Muscat Insurance Company SAOC

The Company is liable to income tax, in accordance with the income tax laws of Sultanate of Oman, at the rate of 12% (2015: 12%) of the taxable income in excess of RO 30,000. For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense.

Assessments from tax year 2003 to 2011 have been finalized by the Secretariat General for Taxation at Ministry of Finance; however, the Company has filed an objection to a computation error in the assessments for 2003 to 2011. The Company has made proper adjustments in the provisions to incorporate the additional tax implications arising from the assessments for 2003 to 2011. The Company's income tax assessments for the years 2012 to 2014 have not been finalized by the Secretariat General for Taxation at Ministry of Finance. The management believes that additional tax if any, that may become payable on finalization of the assessments in respect of these open years would not be material to the Company's financial position as at 31 December 2016.

9 Taxation (continued)

Muscat Life Assurance Company SAOC

(ii) Subsidiaries (continued)

The Company is liable to income tax, in accordance with the income tax laws of Sultanate of Oman, at the rate of 12% (2015: 12%) of the taxable income in excess of RO 30,000. For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense.

Assessments from tax year 2003 to 2011 have been finalized by the Secretariat General for Taxation at Ministry of Finance; however, the Company has filed an objection to a computation error in the assessments for 2003 to 2011. The Company has made proper adjustments in the provisions to incorporate the additional tax implications arising from the assessments for 2003 to 2011. The Company's income tax assessments for the years 2012 to 2014 have not been finalized by the Secretariat General for Taxation at Ministry of Finance. The management believes that additional tax if any, that may become payable on finalization of the assessments in respect of these open years would not be material to the Company's financial position as at 31 December 2016.

(iii) Deferred taxation asset (liability)

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 12% (2015: 12%). Net deferred tax assets/(liabilities) in the statement of financial position and deferred tax (charge)/credit in the statement of comprehensive income are as follows:

(iv) Tax rate changes

Changes in tax laws and rates including an increase in the Omani income tax rate from 12% to 15% have taken place in 2017, which will affect recorded income tax, deferred tax assets and liabilities in the future. Any change in tax law is accounted for in the period of enactment.

Muscat Life Assurance Company SAOC

	01 January 2016 RO	**Charged to statement of comprehensive income RO**	**31 December 2016 RO**
2016			
Deferred tax liability			
Accelerated tax depreciation	**(2,994)**	**3,549**	**555**
Deferred tax asset			
Provisions for doubtful debts	**240**	**-**	**240**
Net deferred tax (liability)/assets	**(2,754)**	**3,549**	**795**

	01 January 2015 RO	Charged to statement of comprehensive income RO	31 December 2015 RO
2015			
Deferred tax liability			
Accelerated tax depreciation	(2,362)	(632)	(2,994)
Deferred tax asset			
Provisions for doubtful debts	240	-	240
Net deferred tax liability	(2,122)	(632)	(2,754)

9 Taxation (continued)

Muscat Insurance Company SAOC (continued)

2016	**01 January 2016 RO**	**Credited to statement of comprehensive income RO**	**31 December 2016 RO**
Deferred tax liability			
Accelerated tax depreciation	**(3,696)**	**2,001**	**(1,695)**
Deferred tax asset			
Provisions for doubtful debts	**10,240**	**-**	**10,240**
Net deferred tax asset	**6,544**	**2,001**	**8,545**

2015	01 January 2015 RO	Credited to statement of comprehensive income RO	31 December 2015 RO
Deferred tax liability			
Accelerated tax depreciation	(2,684)	(1,012)	(3,696)
Deferred tax asset			
Provisions for doubtful debts	10,240	-	10,240
Net deferred tax asset	7,556	(1,012)	6,544

10 Earnings per share and net assets per share

Basic earnings per share is calculated by dividing the net profit or loss for the year by the weighted average number of shares outstanding during the year. Net assets per share is calculated by dividing the net assets at the year by the number of shares at the reporting date.

	2016 Group	**2016 Parent company**	2015 Group	205 Parent company
Net assets at year end (RO)	**16,189,855**	**18,431,519**	15,081,549	17,221,448
Profit/(loss) for the year (RO)	**1,339,163**	**1,127,797**	92,052	(183,705)
Weighted average number of shares	**5,000,000**	**5,000,000**	5,000,000	5,000,000
Earnings/(loss) per share (basic and diluted) - (RO)	**0.268**	**0.226**	0.018	(0.037)
Net asset per share - (RO)	**3.238**	**3.686**	3.016	3.444

For the purpose of calculating diluted earnings per share, the weighted average number of shares outstanding is adjusted to assume conversion of all diluted potential ordinary shares. As there are no diluted potential shares, the diluted earnings per share is identified to the basic earnings per share.

11 Cash and cash equivalents

Included in the Group's cash and cash equivalents are call deposits of RO 3,482,276 (2015: RO 4,666,520) with commercial banks in Oman. These are denominated in Rial Omani, short term in nature and carry an effective interest rate of 0.25 % to 1.25% (2015:0.25 %).

12 Fixed deposits

The fixed deposits held with commercial banks in Oman carry an effective annual interest rate of 1.75% to 4.75% (2015: 0.25% to 2.50%) and with the finance companies carry an effective annual interest rate of 3.60% to 4.70% (2015:2.75% to 3.15%). As at 31 December 2016, all fixed deposits have maturity period of six to thirty six months (2015: three to thirty six months) from the date of placement. Transfer of certain bank deposits in local currency is restricted *(note 17).*

13 Held for trading investments

Group	Market value and fair value 2016 RO	Cost 2016 RO	Market value and fair value 2015 RO	Cost 2015 RO
Marketable securities - foreign by sector				
Technology/Media/Telecom	**224,407**	**394,859**	229,865	394,859
Industrial	**111,664**	**60,499**	98,708	60,499
Healthcare/Pharmaceuticals	**299,635**	**94,882**	389,988	94,882
Oil/Energy	**55,990**	**63,731**	49,615	63,731
Services	**45,841**	**70,746**	73,492	70,746
Agriculture/Food	**35,934**	**16,720**	45,251	16,720
	773,471	**701,437**	886,919	701,437

Parent company	Market value and fair value 2016 RO	Cost 2016 RO	Market value and fair value 2015 RO	Cost 2015 RO
Marketable securities - foreign by sector				
Technology/Media/Telecom	**87,998**	**208,011**	99,635	208,011
Industrial	**72,149**	**22,689**	58,982	22,689
Healthcare/Pharmaceuticals	**13,726**	**38,500**	13,019	38,500
Oil/ Energy	**37,531**	**44,634**	29,698	44,634
Services	**45,574**	**63,818**	73,225	63,818
Agriculture/Food	**31,589**	**12,797**	39,929	12,797
	288,567	**390,449**	314,488	390,449

Held for trading securities of the Parent company amounting to RO 288,567 (2015: RO 314,488) are held by a subsidiary company in trust on behalf of the Parent company.

14 Available for sale investments

Group	Market value and fair value 2016 RO	Cost 2016 RO	Market value and fair value 2015 RO	Cost 2015 RO
Services	**567,141**	**402,805**	547,998	402,805

15 Premium and insurance receivable

	Group 2016 RO	Parent company 2016 RO	Group 2015 RO	Parent company 2015 RO
Premium receivable	**1,555,860**	**-**	987,090	**-**
Reinsurance balances receivable	**334,701**	**-**	561,981	**-**
Premiums receivable from related parties *(note 30)*	**420,177**	**-**	412,896	**-**
	2,310,738	**-**	1,961,967	**-**
Less: provision for doubtful debts	**(93,303)**	**-**	(93,303)	-
	2,217,435	**-**	1,868,664	**-**

15 Premium and insurance receivable (continued)

Ageing of the Group's gross receivables at the reporting date was as below:

	Group 2016 RO	**Parent company 2016 RO**	Group 2015 RO	Parent company 2015 RO
Not past due	**1,252,508**	**-**	1,131,941	**-**
Past due but not impaired:				
121 – 180 days	**255,347**	**-**	391,753	**-**
181 – 365 days	**570,860**	**-**	231,329	**-**
Above 365 days	**138,746**	**-**	114,290	**-**
Past due and impaired:				
Above 365 days	**93,277**	**-**	92,654	-
	2,310,738	**-**	1,961,967	**-**

The normal credit period allowed to insurance debtors and reinsurance companies is 120 days, after which amounts are considered past due. As at 31 December 2016, receivables of RO 1,252,508 (2015: RO 1,131,941) were fully performing.

As at 31 December 2016, insurance receivables and due from reinsurance companies of RO 964,953 (2015: RO 737,372) were past due but not impaired. These relate to number of customers and reinsurers for whom there is no history of default. Most of the credit customers have been dealing with the Group for over 5 years and losses have occurred infrequently.

At 31 December 2016, trade debtors of RO 93,277 (2015: RO 92,654) were impaired and provided for fully.

Movements in the provision for doubtful debts during the year is as follows:

	Group 2016 RO	**Parent company 2016 RO**	Group 2015 RO	Parent company 2015 RO
At 1 January	**93,303**	**-**	93,303	**-**
Provision during the year	**-**	**-**	-	-
At 31 December	**93,303**	**-**	93,303	**-**

16 Investments carried at fair value through profit or loss

Group	**Market value and fair value 2016 RO**	**Cost 2016 RO**	Market value and fair value 2015 RO	Cost 2015 RO
Banking/Finance	**2,767,107**	**3,281,980**	2,175,426	3,281,980
Services	**674,344**	**516,206**	679,478	516,206
Industrial	**213,403**	**157,352**	171,661	157,352
Oil and energy	**298,908**	**161,155**	228,200	161,155
Consumer goods	**323,445**	**48,442**	330,695	48,442
Agriculture/Food	**43,750**	**62,500**	45,000	62,500
Mutual Fund	**20,299**	**25,000**	20,640	25,000
	4,341,256	**4,252,635**	3,651,100	4,252,635

Details of the Group's investments for which the Group's holding exceeds 10% of the market value of its equity investment portfolio are:

	% of overall Portfolio	**Number of securities**	**Market value RO**	**Cost RO**
31 December 2016				
HSBC Bank Oman SAOG	**43.64**	**20,663,885**	**2,479,666**	**2,995,046**
31 December 2015				
HSBC Bank Oman SAOG	40.63	20,663,885	2,066,388	2,995,046

The Group has no investments in which the Group's holding exceeds 10% or more of the issuer's share capital as of 31 December 2016.

Parent company	**Market value 2016 RO**	**Cost 2016 RO**	Market Value 2015 RO	Cost 2015 RO
Banking/Finance	**2,162,624**	**2,671,666**	1,679,419	2,671,666
Services	**106,290**	**29,158**	67,325	29,158
Consumer goods	**269,570**	**40,392**	275,195	40,392
Industrial	**116,200**	**68,681**	103,349	68,681
Oil and energy	**130,615**	**73,096**	66,546	73,096
	2,785,299	**2,882,993**	2,191,834	2,882,993

16 Investments carried at fair value through profit or loss (continued)

Details of the Parent company's investment in which its holdings exceed 10% of the market value of its equity investment portfolio are set out below:

	% of overall Portfolio	Number of securities	Market value RO	Cost RO
31 December 2016				
HSBC Bank Oman SAOG	**65.51**	**16,780,037**	**2,013,604**	**2,669,993**
31 December 2015				
HSBC Bank Oman SAOG	66.95	16,780,037	1,678,004	2,669,993

The Parent company has no investments in which the Parent company's holding exceeds 10% or more of the issuer's share capital at 31 December 2016.

17 Restrictions on transfer of assets

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Group's subsidiaries have identified to the Capital Market Authority certain specific bank deposits, investments carried at fair value through profit or loss and investments held to maturity included in the statement of financial position at their carrying amount of RO 8,529,782 (2015: RO 7,463,270). Under the terms of the legislation, the subsidiaries can transfer these assets only with the prior approval of the Capital Market Authority.

18 Investments held to maturity

	Group 2016 RO	Parent company 2016 RO	Group 2015 RO	Parent company 2015 RO
Bank Muscat SAOG subordinated bonds	-	-	3,934,702	-
Government development bonds	**4,063,015**	-	4,087,183	-
	4,063,015	-	8,021,885	-

The Government Development Bonds (40th Issue) carry an interest rate of 5.50% (2015: 5.50%) per annum and are due to mature in 2022. The Government Development Bonds (43rd Issue) carry an interest rate of 2.75% (2015: 2.75%) per annum and are due to mature in 2017. The Bank Muscat SAOG Subordinated Bonds matured in May 2016. Bonds are carried net of amortisation cost

19 Investment in subsidiary companies

The consolidated financial statements include the financial statements of the Parent Company and its following subsidiaries registered in the Sultanate of Oman:

	Proportion held 2016	Proportion held 2015	Authorised capital	Paid up share capital 2016 RO	Paid up share capital 2015 RO
Muscat Insurance Company SAOC	**99.99%**	99.99%	**10,000,000**	**5,350,000**	5,350,000
Muscat Life Assurance Company SAOC	**99.99%**	99.99%	**10,000,000**	**5,200,000**	5,200,000

19 Investment in subsidiary companies (continued)

The separate finacial statements of the Parent Company carries investment in subsidiaries under equity accounting method. The Parent Company adopted amendments to IAS 27 (Refer note 34) which is applied retrosepectively, following are the details of the subsidiaries for three years.

Muscat Insurance Company SAOC

	2016 RO	2015 RO	2014 RO
Cost	2,000,000	2,000,000	2,000,000
Opening retained earnings	4,059,995	3,732,644	3,511,324
Share of profits	955,644	1,171,361	726,642
Less: dividend received	(642,000)	(300,000)	(350,000)
Less: appropriations	(255,180)	(544,010)	(155,322)
Closing retained earnings	**4,118,459**	**4,059,995**	**3,732,644**
Opening fair value reserve	119,644	98,572	80,000
Share of OCI	19,143	21,072	18,572
Closing fair value reserve	**138,787**	**119,644**	**98,572**
Legal reserve	1,099,153	1,003,589	921,453
Contingency reserve	961,930	802,314	690,440
	2,061,083	1,805,903	1,611,893
	8,318,329	7,985,542	7,443,109
Muscat Life Assurance Company SAOC			
Cost	2,796,656	2,796,656	2,796,656
Opening retained earnings	2,752,726	2,683,701	2,621,419
Share of profits	449,310	517,022	359,128
Less: dividend received	(312,000)	(200,000)	(250,000)
Less: appropriations	(57,951)	(247,997)	(46,846)
Closing retained earnings	**2,832,085**	**2,752,726**	**2,683,701**
Legal reserve	996,434	951,503	919,801
Contingency reserve	514,242	501,222	484,927
	1,510,676	1,452,725	1,404,728
	7,139,417	7,002,107	6,885,085
Total	15,457,746	14,987,649	14,328,194

Summarised financial information of the subsidiaries:

	Muscat Insurance Company SAOC		
	2016 RO	2015 RO	2014 RO
Gross premium written	**13,589,718**	**12,433,440**	**9,449,415**
Profit before tax	**1,094,239**	**929,093**	**834,916**
Total assets	**33,965,802**	**31,273,763**	**27,176,751**
Total equity	**8,318,329**	**7,985,542**	**7,443,109**
Total liabilities	**25,647,473**	**23,288,221**	**19,733,642**

	Muscat Life Assurance Company SAOC		
	2016 RO	2015 RO	2014 RO
Gross premium written	**1,302,005**	**1,629,454**	**1,093,278**
Profit before tax	**480,598**	**365,078**	**411,769**
Total assets	**12,739,808**	**13,159,302**	**13,535,432**
Total equity	**7,139,417**	**7,002,107**	**6,885,085**
Total liabilities	**5,600,391**	**6,157,195**	**6,650,347**

19 Investment in subsidiary companies (continued)

Muscat Insurance Company SAOC

Muscat Insurance Company SAOC is a closely held joint stock company incorporated in the Sultanate of Oman and is engaged in the business of general insurance.

Muscat Life Assurance Company SAOC

Muscat Life Assurance Company SAOC is a closely held joint stock company incorporated in the Sultanate of Oman and is engaged in the business of life and medical insurance.

20 Other receivables and prepayments

	Group	**Parent company**	Group	Parent company
	2016	**2016**	2015	2015
	RO	**RO**	RO	RO
Accrued interest	**256,905**	**-**	181,318	-
Prepayments and others	**345,779**	**146,990**	238,408	28,331
	602,684	**146,990**	419,726	28,331

21 Property and equipment

Group – 2016	**Furniture and equipment**	**Motor vehicles**	**Computer hardware and software**	**Land**	**Buildings**	**Total**
	RO	**RO**	**RO**	**RO**	**RO**	**RO**
Cost						
At 1 January 2016	**390,000**	**201,824**	**228,794**	**1,800,398**	**426,325**	**3,047,341**
Additions during the year	**105,462**	**-**	**89,620**	**-**	**-**	**195,082**
Transfers (note 22)	**-**	**-**	**-**	**78,036**	**46,000**	**124,036**
Disposals during the year	**(210,303)**	**(70,795)**	**-**	**-**	**-**	**(281,098)**
At 31 December 2016	**285,159**	**131,029**	**318,414**	**1,878,434**	**472,325**	**3,085,361**
Depreciation						
At 1 January 2016	**278,934**	**125,793**	**187,142**	**-**	**157,394**	**749,263**
Provided during the year	**45,822**	**27,788**	**25,806**	**-**	**19,388**	**118,804**
Transfers (note 22)	**-**	**-**	**-**	**-**	**46,000**	**46,000**
Disposals during the year	**(203,338)**	**(66,770)**	**-**	**-**	**-**	**(270,108)**
At 31 December 2016	**121,418**	**86,811**	**212,948**	**-**	**222,782**	**643,959**
Net carrying value						
At 31 December 2016	**163,741**	**44,218**	**105,466**	**1,8784,34**	**249,543**	**2,441,402**

Refer to note 22 regarding the life subsidiary shareholders' approval to dispose land and building subsequent to the balance sheet date.

21 Property and equipment (continued)

Group – 2015	Furniture and equipment RO	Motor vehicles RO	Computer hardware and software RO	Land RO	Buildings RO	Total RO
Cost						
At 1 January 2015	348,459	234,668	210,279	1,375,148	156,325	2,324,879
Additions during the year	43,115	14,000	18,515	425,250	270,000	770,880
Disposals during the year	(1,574)	(46,844)	-	-	-	(48,418)
At 31 December 2015	390,000	201,824	228,794	1,800,398	426,325	3,047,341
Depreciation						
At 1 January 2015	249,801	141,630	174,818	-	154,291	720,540
Provided during the year	29,841	31,007	12,324	-	3,103	76,275
Disposals during the year	(708)	(46,844)	-	-	-	(47,552)
At 31 December 2015	278,934	125,793	187,142	-	157,394	749,263
Net carrying value						
At 31 December 2015	111,066	76,031	41,652	1,800,398	268,931	2,298,078

Parent company – 2016	**Furniture and equipment RO**	**Motor vehicles RO**	**Land RO**	**Computer hardware and software RO**	**Total RO**
Cost					
At 1 January 2016	**4,972**	**62,150**	**-**	**11,543**	**78,665**
Additions during the year	**265**	**-**	**3,688,000**	**-**	**3,688,265**
Disposals during the year	**(2,987)**	**(7,450)**	**-**	**-**	**(10,437)**
At 31 December 2016	**2,250**	**54,700**	**3,688,000**	**11,543**	**3,756,493**
Depreciation					
At 1 January 2016	**3,660**	**36,342**	**-**	**9,236**	**49,238**
Provided during the year	**379**	**10,077**	**-**	**936**	**11,392**
Disposals during the year	**(2,679)**	**(7,006)**	**-**	**-**	**(9,685)**
At 31 December 2016	**1,360**	**39,413**	**-**	**10,172**	**50,945**
Net carrying value					
At 31 December 2016	**890**	**15,287**	**3,688,000**	**1,371**	**3,705,548**

Parent company – 2015					
Cost					
At 1 January 2015	4,942	74,534	-	11,543	91,019
Additions during the year	130	-	-	-	130
Disposals during the year	(100)	(12,384)	-	-	(12,484)
At 31 December 2015	4,972	62,150	-	11,543	78,665
Depreciation					
At 1 January 2015	3,222	36,330	-	8,545	48,097
Provided during the year	380	12,396	-	691	13,467
Disposals during the year	(42)	(12,384)	-	-	(12,426)
At 31 December 2015	3,660	36,342	-	9,236	49,238
Net carrying value					
At 31 December 2015	1,312	25,808	-	2,307	29,427

22 Investment property

Group – 2016

	Land RO	Building RO	Total RO
Cost			
1 January 2016	**1,070,286**	**676,000**	**1,746,286**
Additions during the year	-	-	-
Transfer (note 21)	**(78,036)**	**(46,000)**	**(124,036)**
31 December 2016	**992,250**	**630,000**	**1,622,250**
Depreciation			
1 January 2016	-	**52,559**	**52,559**
Charge for the year		**42,115**	**42,115**
Transfer (note 21)	-	**(46,000)**	**(46,000)**
31 December 2016	-	**48,674**	**48,674**
Net carrying value			
31 December 2016	**992,250**	**581,326**	**1,573,576**
31 December 2015	1,070,286	623,441	1,693,727

At 31 December 2016, the management believes that the fair value of investment property approximates to its carrying value, based upon an independent external market valuation as at 31 December 2016.

Group – 2015

	Land RO	Building RO	Total RO
Cost:			
1 January 2015	78,036	46,000	124,036
Additions during the year	992,250	630,000	1,622,250
31 December 2015	1,070,286	676,000	1,746,286
Depreciation			
1 January 2015	-	46,000	46,000
Charge for the year	-	6,559	6,559
31 December 2015	-	52,559	52,559
Net carrying value			
31 December 2015	1,070,286	623,441	1,693,727

During the year, the Parent Company purchased land and building from Muscat Life Assurance Company SAOC pursuant to an agreement dated 24 February 2016. Muscat Life Assurance Company SAOC holds the land in trust, beneficially for and on behalf of the Parent Company, under an agency agreement dated 30 March 2016. The Parent Company has obtained a term loan facility from a local commercial bank in the amount of RO 8.8 million for construction of a new building. Land purchased is mortgaged as security against the term loan. The loan bears interest at 4% per annum and is repayable in 10 years including the moratorium period.

The Parent Company received advance in the amount of RO 4,400,000 from subsidiaries for the proposed building project as per co-ownership agreement of property dated 24 February 2016.

23 Insurance liabilities and reinsurance assets

	Group 2016 RO	**Parent company 2016 RO**	Group 2015 RO	Parent company 2015 RO
Gross				
Insurance contracts:				
- Outstanding claims reported and loss adjustment expenses *(note 6)*	**10,887,063**	-	10,995,243	-
- Claims incurred but not reported (IBNR)* *(note 6)*	**1,121,000**	-	771,000	-
- Unexpired Risk Reserve (URR)**	**10,003,023**	-	10,496,349	-
Total insurance liabilities - Gross	**22,011,086**	-	22,262,592	-
Recoverable from reinsurers				
Insurance contracts				
- Outstanding claims reported and loss adjustment expenses *(note 6)*	**9,327,244**	-	9,938,451	-
- Claims incurred but not reported (IBNR)*(note 6)*	**610,275**	-	405,275	-
- Unexpired Risk Reserve (URR)	**6,245,698**	-	6,984,499	-
Total reinsurers' share of insurance liabilities	**16,183,217**	-	17,328,225	-
Net				
- Outstanding claims reported and loss adjustment expenses *(note 6)*	**1,559,819**	-	1,056,792	-
- Claims incurred but not reported (IBNR) *(note 6)*	**510,725**	-	365,725	-
- Unexpired Risk Reserve (URR)	**3,757,325**	-	3,511,850	-
Total insurance liabilities – net	**5,827,869**	-	4,934,367	-

In accordance with the Insurance Companies Law of Oman, the net actuarial/unexpired risk reserve (mathematical reserve) of the life subsidiary is determined by an independent actuary on an annual basis reflecting the unexpired risk for life business underwritten.

* IBNR represents provisions for losses incurred but not yet reported.

** URR includes unearned premium reserves (UPR) which represents the element of premium income, relating to the periods of cover after the year end.

24 Contingency reserve

	Group 2016 RO	**Parent company 2016 RO**	Group 2015 RO	Parent company 2015 RO
Balance at 1 January	**1,303,536**	-	1,175,367	-
Transfer during the year	**172,636**	-	128,169	-
Balance at 31 December	**1,476,172**	-	1,303,536	-

25 Other liabilities and accruals

	Group 2016 RO	**Parent company 2016 RO**	Group 2015 RO	Parent company 2015 RO
Other creditors	**1,610,258**	-	969,169	-
Due to subsidiaries *(note 30)*	**-**	**193,385**	-	273,902
Accruals	**2,841,520**	**93,937**	2,168,536	47,557
Advance rent received	**3,427**	**-**	20,058	-
Amount due to related parties *(note 30)*	**85,546**	**36**	57,833	36
End of service benefits	**180,235**	**70,652**	140,865	57,688
	4,720,986	**358,010**	3,356,461	379,183

Movements in the liability for employees' end of service benefits recognised in the statement of financial position are as follows:

At 1 January	**140,865**	**57,688**	99,632	20,252
Accrued during the year	**50,876**	**17,295**	63,227	42,682
Employees' end of service benefit paid/transferred	**(11,506)**	**(4,331)**	(21,994)	(5,246)
At 31 December	**180,235**	**70,652**	140,865	57,688

26 Share capital

(a) Share capital

	2016 RO	2015 RO
Authorised –ordinary shares of RO 1 each	**5,000,000**	5,000,000
Issued and fully paid – ordinary shares of RO 1 each	**5,000,000**	5,000,000

Details of shareholders who hold 10% or more of the Parent Company's shares are as follows:

	2016 Number of shares	2015 Number of shares
Dr Omar Abdul Muniem Al Zawawi	**1,517,900**	1,517,900
Suleiman Al Houqani	**767,722**	748,630
Al Awal National ("First National")	**549,494**	547,264

26 Share capital (continued)

(b) Proposed cash & stock dividend

The Board of Directors have proposed a cash dividend of RO 0.100 per share (2015: RO 0.050) amounting to RO 500,000 (2015: RO 250,000) for the year ended 31 December 2016, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

The Board of Directors also have proposed a stock dividend at 100% (2015: NIL) equivalent to 5,000,000 shares (2015: NIL) for the year ended 31 December 2016, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

27 Legal reserve

As required by the Commercial Companies Law of the Sultanate of Oman, 10% of the profit for the year of the individual companies is required to be transferred to legal reserve until the reserve is equal to one third of the paid up share capital of each company. This reserve is not available for distribution.

28 Capital and other reserve

The capital reserve represents the excess over nominal value paid by the initial subscribers towards public issue expenses incurred by the Parent company. This reserve is not available for distribution.

The other reserve represents the group share of subsidiaries' contingency reserve, legal reserve and cumulative bonus shares issues. This reserve is not available for distribution.

29 Contingent liabilities and commitments.

At 31 December 2016, Group's contingent liabilities in respect of guarantees amounted to RO 131,438 (2015: RO 88,092) given in the normal course of business from which it is anticipated that no material liabilities will arise.

30 Related party transactions

The Group, during the course of its normal business, enters into transactions with directors, shareholders, key management personnel and entities in which certain shareholders and directors are interested (other related parties). The transactions are entered into at mutually agreed terms and conditions. The approximate volumes of such transactions involving related parties and holders of 10% or more of the Parent company's shares or their family members, during the year were as follows:

(a) Transactions

(i) Key Management compensation (*)

	Group 2016 RO	**Parent Company 2016 RO**	Group 2015 RO	Parent Company 2015 RO
Short term employment benefits	**232,537**	**161,506**	217,431	162,247
End of service benefits	**20,605**	**16,405**	32,941	26,174
	253,142	**177,911**	250,372	188,421

(*) Paid by the Group / Parent company to their respective key management personnel.

30 Related party transactions (continued)

(ii) Revenue from insurance policies underwritten

	Group 2016 RO	**Parent Company 2015 RO**	Group 2015 RO	Parent company 2015 RO
Other related parties	**2,693,341**	-	3,902,900	-

(iii) Claims incurred in respect of insurance policies underwritten

Other related parties	**568,485**	-	30,299,494	-

(iv) Purchases of goods and services

Purchases of goods and services				
- Other related parties	**16,768**	-	29,389	361
Purchase of property, plant and equipment				
- Other related parties	**1,580**	-	6,722	-

(v) Investment income/(expenses) from /(to) other related parties

Interest income	**22,934**	-	10,274	-
Dividend income	**6,077**	**1,622**	9,003	2,403

(b) Year end balances arising from premiums written/claims payable/purchases of goods/services were:

	Group 2016 RO	**Parent Company 2016 RO**	Group 2015 RO	Parent company 2015 RO
Receivable from related parties *(note 15)*	**420,177**	-	412,896	-
Payable to related parties				
- Subsidiaries *(note 25)*	-	**193,385**	-	273,902
- Other related parties *(note 25)*	**85,546**	**36**	57,833	36

No provision has been required in 2016 and 2015 in respect of amounts due from related entities.

30 Related party transactions (continued)

(c) At 31 December, the Group and Parent company had the following assets and liabilities balances with the other related parties:

	Group 2016 RO	**Parent company 2016 RO**	Group 2015 RO	Parent company 2015 RO
Investments carried at fair value through profit or loss	**176,402**	**41,453**	20,072	41,453
Fixed deposits	**1,250,000**	**-**	250,000	-

(d) Transaction with subsidiaries

The Parent company entered into the following transaction with subsidiaries:

	2016 RO	2015 RO
Dividend received	**954,000**	500,000
Purchases of goods and services	**19,370**	14,569
Services rendered	**5,600**	33,600

(e) Directors' Sitting fees

	Group 2016 RO	**Parent Company 2016 RO**	Group 2015 RO	Parent Company 2015 RO
Directors' Sitting & Remuneration fees	**50,152**	**50,152**	19,900	19,900

31 Segment information

Class of business

The Group makes investments in equities and fixed interest earning securities. The Parent company is involved in the business of investments. The subsidiary companies are involved in the business of insurance. Relevant information relating to the primary segment is disclosed in the statement of financial position, statement of comprehensive income and notes to the financial statements.

Group

31 December 2016	**General insurance RO**	**Life insurance RO**	**General investment RO**	**Group RO**
Gross premiums written	**13,583,212**	**1,286,141**	**-**	**14,869,353**
Segment assets	**33,711,977**	**6,081,634**	**7,731,783**	**47,525,394**
Segment liabilities	**25,647,474**	**5,523,440**	**164,625**	**31,335,539**
Capital expenditure	**189,898**	**2,509**	**2,675**	**195,082**

31 December 2015	General insurance RO	Life insurance RO	General investment RO	Group RO
Gross premiums written	12,426,345	1,616,032	-	14,042,377
Segment assets	31,004,226	11,003,810	2,612,982	44,621,018
Segment liabilities	23,276,993	6,157,195	105,281	29,539,469
Capital expenditure	2,388,928	3,163	1,039	2,393,130

32 Financial and insurance risk management

32.1 Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments may exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

The Group's objectives in managing risks are: to take a conservative approach to underwriting, which means review of all aspects about a risk prior to acceptance; retaining experienced and knowledgeable underwriters; and having underwriting authorities in place which are checked by internal audits. The Group ensures that risks are mitigated with first class reinsurance security, pre-underwriting surveys and claims history reviews. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in note 4.

The Group only accepts insurance risk within the Sultanate of Oman. The Group's net account in terms of aggregate risk retention is well protected with substantial event limits plus catastrophe excess of loss reinsurance per class of business written.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors.

32 Financial and insurance risk management (continued)

32.1 Insurance risk (continued)

General insurance

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Property
For property insurance contracts the main risks are fire and business interruption.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims.

Marine

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

Life insurance

The subsidiary underwrites mainly under the Group Credit Life, Group life and Group medical risks. Claims are normally advised and settled within one year of the insured event-taking place. This helps to mitigate insurance risk.

Group life and Group medical

These contracts are underwritten by reference to the sum assured of the individuals belonging to an affinity Group insured.

Reinsurance risk

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

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The concentration of credit risk exposure in this connection is:

- The five largest reinsurers' account for 82% of the credit exposure at 31 December 2016 in case of the general insurance subsidiary (2015: 53%).

- The life insurance subsidiary is exposed to material concentration of reinsurance risk in respect of the Group Credit Life scheme. The credit risk in this connection is that one reinsurer accounts for 77% of the credit exposure at 31 December 2016 (2015: 89%).

32 Financial and insurance risk management (continued)

32.1 Insurance risk (continued)

Regulatory framework

The operations of the Group are subject to local 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 and to enable them to meet unforeseen liabilities as these arise.

The Group has a surplus over the required solvency margin as per the Insurance Company Law:

- in case of the general insurance subsidiary a surplus of RO 3,816,517 at 31 December 2016 (2015: RO 3,804,555).
- in case of life insurance subsidiary a surplus of RO 4,920,544 at 31 December 2016 (2015: RO 1,385,533).

32.2 Financial risk management

The Group's and Parent company's principal financial instruments are receivables arising from insurance and reinsurance contracts, listed investments, cash and cash equivalents. The Group and Parent company do not enter into derivative transactions. The main risks arising from financial instruments are:

- Credit risk
- Liquidity risk.
- Market price risk
  - Foreign currency risk
  - Interest rate risk
  - Pricing risk

The Group and Parent company review and agree policies for managing each of these risks and they are summarised below.

A Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of the financial assets, other than those relating to reinsurance contracts, represents the maximum credit exposure. The Group monitors receivables on a regular basis and ensures bank balances and deposits are placed with reputable financial institutions.

Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

The maximum exposure to credit risk at the reporting date was:

	2016		2015	
	Group RO	**Parent company RO**	Group RO	Parent Company RO
Premium and insurance receivable	**2,217,435**	**-**	1,868,664	-
Fixed deposits	**11,200,000**	**-**	3,200,000	-
Investments held to maturity	**4,063,015**	**-**	8,021,885	-
Bank balances	**3,549,679**	**197,531**	4,692,321	36,183
Accrued interest	**256,905**	**-**	181,318	-
	21,287,034	**197,531**	17,964,188	36,183

Ageing of the insurance receivables at the reporting date and movement of the provision of doubtful of debts during the year is disclosed in note 15 to the financial statements.

32 Financial and insurance risk management *(*continued)

32.2 Financial risk management (continued)

A Credit risk (continued)

Premium and insurance receivable

Premium and insurance receivable comprise a number of customers within Oman and local and foreign reinsurers. The Group monitors these receivables on a regular basis. Most of the credit customers have been dealing with the Group for over 5 years and losses have occurred infrequently. The Group establishes an allowance for impairment that represents its estimate of likely losses in respect of these receivable accounts. With respect to reinsurers, as per Group's policy of managing insurance risks, such contracts are placed only with internationally reputed well rated reinsurers.

The other classes within receivables do not contain impaired assets. The Group does not hold any collateral as security.

Other receivable and prepayments

These are advance payments to parties for services to be availed over the short term and, accordingly, Management does not consider there to be significant credit risk associated with them.

The maximum credit exposure to credit risk at the reporting date by geographic region was as below:

	2016		2015	
	Group RO	**Parent Company RO**	Group RO	Parent company RO
Oman	**20,906,449**	**161,135**	17,428,788	28,392
Europe	**221,264**	**35,065**	487,573	5,349
Middle East	**150,946**	**-**	41,154	-
America	**8,129**	**1,331**	5,859	2,442
Rest of Asia	**246**	**-**	814	-
	21,287,034	**197,531**	17,964,188	36,183

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

Corporate clients	**20,952,333**	**197,531**	17,431,164	36,183
Individuals	**-**	**-**	1,869	-
Reinsurers	**334,701**	**-**	531,155	-
	21,287,034	**197,531**	17,964,188	36,183

The subsidiary company's (Muscat Insurance Company), most significant reinsurer, accounts for RO 191,615 of the receivable carrying amount at 31 December 2016 (2015: RO 195,096)

32 Financial and insurance risk management (continued)

32.2 Financial risk management (continued)

B Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored regularly and management ensures that sufficient funds are available to meet any commitments as they arise.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting investments:

31 December 2016

	Carrying amount		**6 month or less**		**6 to 12 months**		**No fixed maturity**	
	Group RO	**Parent company RO**	**Group RO**	**Parent Company RO**	**Group RO**	**Parent company RO**	**Group RO**	**Parent company RO**
Reserve withheld from reinsurers	**3,880,117**	**-**	**1,285,506**	**-**	**2,594,611**	**-**	**-**	**-**
Due to reinsurer	**550,390**	**-**	**401,064**	**-**	**149,326**	**-**	**-**	**-**
Other liabilities and accruals	**5,042,414**	**358,010**	**4,321,608**	**287,358**	**540,571**	**-**	**180,235**	**70,652**
	9,472,921	**358,010**	**6,008,178**	**287,358**	**3,284,508**	**-**	**180,235**	**70,652**

31 December 2015

	Carrying amount		6 month or less		6-12 month		No fixed maturity	
	Group RO	Parent company RO	Group RO	Parent company RO	Group RO	Parent company RO	Group RO	Parent Company RO
Reserve withheld from reinsurer	3,112,745	-	1,023,418	-	2,089,327	-	-	-
Due to reinsurer	644,264	-	640,088	-	4,176	-	-	-
Other liabilities and accruals	3,336,485	379,183	3,195,620	321,495	-	-	140,865	57,688
	7,093,494	379,183	4,859,126	321,495	2,093,503	-	140,865	57,688

32 Financial and insurance risk management (continued)

32.2 Financial risk management (continued)

B Liquidity risk (continued)

The maturity profile of the Company's investments are as follows:

31 December 2016

	Less than one year		One to five year		Over five year		Total	
	Group RO	Parent company RO	Group RO	Parent company RO	Group RO	Parent company RO	Group RO	Parent company RO
Fixed deposits	**1,550,000**	**-**	**9,650,000**	**600,000**	-	-	**11,200,000**	**600,000**
Quoted investments	**5,093,619**	**3,052,758**	-	-	-	-	**5,093,619**	**3,052,758**
Investments held to maturity	**2,009,560**	-	-	-	**2,053,455**	-	**4,063,015**	-
Unquoted investment	**588,249**	**21,108**	-	-	-	-	**588,249**	**21,108**
	9,241428	**3,073,866**	**9,650,000**	**600,000**	**2,053,455**	-	**20,944,883**	**3,673,866**

31 December 2015

Fixed deposits	3,200,000	-	-	-	-	-	3,200,000	-
Quoted investments	4,515,021	2,483,324		-	-	-	4,515,021	2,483,324
Investments held to maturity	3,934,702	-	2,023,912	-	2,063,271	-	8,021,885	-
Unquoted investments	570,996	22,998	-	-	-	-	570,996	22,998
	12,220,719	2,506,322	2,023,912	-	2,063,271	-	16,307,902	2,506,322

Given the total value of the assets to total liabilities, together with the high credit rating of the Group's reinsurers, Management does not believe there is significant liquidity risk as at 31 December 2016.

C Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the income or the value of holdings of financial instruments. These changes could be factors specific to the individual security, or its issuer, or factors affecting all securities in the market. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group is exposed to market risk with respect to its investments. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of the market. In addition, the Group monitors actively the key factors that effect stock market movements.

C (i) Currency Risk

Currency Risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Significantly all of the foreign currency transactions of the company are either in US Dollars or in currencies linked to US Dollars. The rate of exchange between the US Dollar and the Omani Rial has remained unchanged since 1986. Management, therefore, does not consider any significant risk arises from transactions in foreign currencies.

32 Financial and insurance risk management (continued)
32.2 Financial risk management (continued)
C Market risk (continued)

Exposure to foreign currency risk was as follows based on notional amounts:

Group

	Amounts shown in RO			
	31 December 2016		31 December 2015	
	USD	**Other currencies**	USD	Other currencies
Held for trading investments	**119,456**	**654,015**	105,475	781,444

Parent company

	Amounts shown in RO			
	USD	**Other Currencies**	USD	Other currencies
Held for trading investment	**94,122**	**194,444**	79,967	234,521

Sensitivity analysis

The rate of exchange between the US Dollar and the RO has remained unchanged since 1986. Management, therefore, does not consider any significant risk arise from transactions in US Dollar.

During 2016, if Rial Omani were to have strengthened or weakened by 10% against currencies other than US Dollar with all other variables held constant, pre-tax profits for the year of the Group would have been higher or lower by approximately RO 65,402 (2015: RO 78,144).

C (ii) Interest rate risk

The Group and Parent company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk is the risk of changes in market interest rates reducing the overall return on its interest bearing securities. The Group and Parent company limits interest rate risk by monitoring changes in interest rates.

At the reporting date, the maturity profile of interest bearing financial instruments was as follows: -

	Less than 6 months		**6 to 12 months**		**Over 12 months**		**Total**	
	Group	**Parent company**	**Group**	**Parent company**	**Group**	**Parent company**	**Group**	**Parent company**
	RO	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**
31 December 2016								
Fixed deposits with Bank Dhofar SAOG	**-**	**-**	**-**	**-**	**2000,000**	**-**	**2,000,000**	**-**
Fixed deposits with Bank Sohar SAOG	**-**	**-**	**400,000**	**400,000**	**1,000,000**	**-**	**1,400,000**	**400,000**
Fixed deposits with Al Yusr Islamic Banking	**-**	**-**	**-**	**-**	**5,500,000**	**200,000**	**5,500,000**	**200,000**
Fixed deposits (Finance Co)	**500,000**	**-**	**900,000**	**-**	**750,000**	**-**	**2,150,000**	**-**
Fixed deposits with Oman Housing Bank	**-**	**-**	**150,000**	**-**	**-**	**-**	**150,000**	**-**
Government development bonds	**-**	**-**	**2,009,560**	**-**	**2,053,455**	**-**	**4,063,015**	**-**
	500,000	**-**	**3,459,560**	**400,000**	**11,303,455**	**200,000**	**15,263,015**	**600,000**
31 December 2015								
Fixed deposits with National Bank of Oman	400,000	-	650,000	-	-	-	1,050,000	-
Fixed deposits with Bank Dhofar SAOG	-	-	2,000,000	-	-	-	2,000,000	-
Fixed deposits with Oman Housing Bank	-	-	150,000	-	-	-	150,000	-
Bank Muscat subordinated bonds	-	-	3,934,702	-	-	-	3,934,702	-
Government development bonds	-	-	-	-	4,087,183	-	4,087,183	-
	400,000	-	6,734,702	-	4,087,183	-	11,221,885	-

The interest rates of the fixed deposits commercial banks are disclosed in note 12 to the financial statements.

32 Financial and insurance risk management (continued)

32.2 Financial risk management (continued)

C Market risk (continued)

C (iii) Equity price risk

The Group and Parent company are exposed to market risk with respect to investments. The Group and Parent company limit exposure to market risk by continuous monitoring of the market and actively monitoring the key factors that affect stock market movements.

86.39% (2015: 82.56%) of the Group's equity investments at the reporting date are within the Sultanate of Oman and, in case of Parent Company, 90.61% (2015: 87.45%) of the equity investments at the reporting date are within the Sultanate of Oman.

C (iv) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1:
Level 1 assets and liabilities are typically exchange -traded positions traded in active markets. These positions are valued using unadjusted quoted prices in active markets.

Level 2:
Fair value is determined using valuation techniques based on valuation models with directly or indirectly market observable inputs. These valuation techniques include discounted cash flow analysis models, option pricing models, simulation models and other standard models commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, such as discount rates, default rates, credit spreads and option volatilities. These inputs need to be directly or indirectly observable in order to be classified as level 2.

Level 3:
Level 3 assets are valued using techniques similar to those outlined for level 2, except that if the instrument has one or more inputs that are unobservable and significant to the fair value measurement of the instrument in its entirety, it will be classified as level 3.

	2016		2015	
	Group RO	**Parent company RO**	Group RO	Parent company RO
Level 1				
Fair value through profit or loss	**4,320,148**	**2,764,191**	3,628,102	2,168,836
Held for trading	**773,471**	**288,567**	886,919	314,488
	5,093,619	**3,052,758**	4,515,021	2,483,324
Level 2				
Fair value through profit or loss	**21,108**	**21,108**	22,998	22,998
	21,108	**21,108**	22,998	22,998
Level 3				
Available for sale investment	**567,141**	**-**	547,998	-

32 Financial and insurance risk management (continued)

32.2 Financial risk management (continued)

D Capital management

What management considers as capital is set-out in the statement of changes in equity. Capital is managed so as to maintain both adequate working capital as well as for the insurance subsidiaries to meet regulatory solvency margin requirements as prescribed by the CMA and the Commercial Companies Law of 1974, as amended.

33 Comparative figures

Certain corresponding figures for the previous year have been reclassified in order to conform with the presentation for the current year (refer note 34).

34 Change in accounting policy – Investment in subsidiaries

The Parent Company has applied the change in accounting policy (refer note 3.3 and 19) retrospectively and has restated the corresponding figures presented for comparative purposes. Further, the Parent Company has presented a third statement of financial position as at the beginning of the preceding period. These changes are due to the adoption of amendments to IAS 27 made in 2016. The opening reserve of the consolidated statement of changes in the equity has been restated, in line with requirement of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The change has had no impact on the Parent Company reported cash flows.

.

The table below summarizes the impact on the Parent Company's financial statements:

i) Statement of financial position

		Impact of change in accounting policy	
1 January 2015	**As previously Reported RO**	**Adjustments RO**	**As restated RO**
ASSETS			
Cash and cash equivalents	134,809	-	134,809
Held for trading investments	350,963	-	350,963
Investments carried at fair value through profit or loss	2,869,465	-	2,869,465
Other receivables and prepayments	24,123	-	24,123
Property, plant and equipment	58,372	-	58,372
Investments in subsidiary companies	4,796,656	9,531,538	14,328,194
Total assets	**8,234,388**	**9,531,538**	**17,765,926**
EQUITY			
Capital and reserves			
Share capital	5,000,000	-	5,000,000
Legal reserve	1,418,649	1,841,254	3,259,903
Capital reserve	25,207	-	25,207
Fair value reserve	-	98,572	98,572
Retained earnings	1,416,680	6,416,345	7,833,025
Contingency reserve	-	1,175,367	1,175,367
Total equity	7,860,536	9,531,538	17,392,074
LIABILITIES			
Other liabilities and accruals	373,852	-	373,852
Total liabilities	373,852	-	373,852
Total liabilities and equity	**8,234,388**	**9,531,538**	**17,765,926**

34 Change in accounting policy – Investment in subsidiaries *(continued)*

31 December 2015	As previously Reported RO	Impact of change in accounting policy Adjustments RO	As restated RO
ASSETS			
Cash and cash equivalents	36,702	-	36,702
Held for trading investments	314,488	-	314,488
Investments carried at fair value through profit or loss	2,191,834	-	2,191,834
Other receivables and prepayments	28,331	-	28,331
Property, plant and equipment	41,627	-	41,627
Investments in subsidiary companies	4,796,656	10,190,993	14,987,649
Total assets	**7,409,638**	**10,190,993**	**17,600,631**
EQUITY			
Capital and reserves			
Share capital	5,000,000	-	5,000,000
Legal reserve	1,418,649	1,955,092	3,373,741
Capital reserve	25,207	-	25,207
Fair value reserve	-	119,644	119,644
Retained earnings	586,599	6,812,721	7,399,320
Contingency reserve	-	1,303,536	1,303,536
Total equity	7,030,455	10,190,993	17,221,448
LIABILITIES			
Other liabilities and accruals	379,183	-	379,183
Total liabilities	379,183	-	379,183
Total liabilities and equity	**7,409,638**	**10,190,993**	**17,600,631**
Net assets per share	**1.406**	**2.038**	**3.444**

34 Change in accounting policy – Investment in subsidiaries *(continued)*

ii) Statement of profit or loss and other comprehensive income

For the year ended 31 December 2015	**Impact of change in accounting policy**		
	As previously Reported RO	**Adjustments RO**	**As restated RO**
Income			
Gross premiums written	**-**	**-**	**-**
Underwriting results	-	-	-
Investment (loss) / income – net	(143,207)	**(500,000)**	**(643,207)**
	(143,207)	**(500,000)**	**(643,207)**
Share of profit of equity accounted investees	-	896,376	896,376
Expenses			
General and administration expenses	(375,723)	-	(375,723)
Finance costs	(2,301)	-	(2,301)
Other operating expenses	(58,850)	-	(58,850)
	(436,874)	-	(436,874)
Profit / (loss) before taxation	(580,081)	-	(183,705)
Taxation	-	-	-
Profit / (loss) for the year	**(580,081)**	**396,376**	**(183,705)**
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Net changes in fair value of available for sale investments	-	21,072	21,072
Total comprehensive income / (loss) for the year	**(580,081)**	**417,448**	**(162,633)**
Earnings/ (loss) per share	**(0.116)**	0.083	(0.033)

For the year ending 31 December 2016

Had the accounting policy not been changed, then the Parent Company's net assets at 31 December 2016 would have been lower by RO 10,661,117; its net profit for the year ended would have been lower by RO 137,823, and earnings per share for 2016 would have been lower by RO 0.028 per share.