NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1 Legal status and principal activities

Al Anwar Holdings SAOG (the 'Parent Company') is an Omani joint stock company incorporated on 20 December 1994 and registered in the Sultanate of Oman. The business activities of Parent Company and its subsidiary companies (together referred to as the 'Group') include promotion of and participation in a variety of ventures in the financial services and industrial sector in the Sultanate of Oman. The Parent Company's shares are listed on Muscat Securities Exchange.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Parent Company and consolidated financial statements are set out below. These policies have been consistently applied to each of the years presented in these Parent Company and consolidated financial statements, unless otherwise stated.

2.1 Basis of preparation

(a) These Parent Company and consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), the requirements of Commercial Companies Law 1974, as amended and the rules for disclosure requirements prescribed by the Capital Market Authority.

(b) These consolidated financial statements for the year ended 31 March 2016 comprise the Parent Company and its subsidiaries (together "the Group") and the Group's interest in associates. The separate financial statements represent the financial statements of the Parent Company on a standalone basis. These consolidated and separate financial statements are collectively referred to as 'the financial statements'.

(c) These financial statements have been prepared under the historical cost convention, as modified by investments classified as available-for-sale, financial assets at fair value through profit or loss and investment property which are measured at fair value.

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

2.1.1 Changes in accounting policy and disclosures

(a) Standards and amendments to existing standards effective in 2015-16 and relevant for the Group's operations:

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2015 which have a material impact on the financial statements of the Group.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

Certain new accounting standards and interpretations have been published that are not mandatory for the Group's accounting year beginning on or after 1 April 2016 and have not been early adopted by the Group. The Company's assessment of the impact of these new standards and interpretations is set out below.

- *IFRS 9, 'Financial instruments' (effective on or after 1 January 2018):*

In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. Following the changes approved by the IASB in July 2014, the Group's management has not yet completed the assessment to evaluate the impact of application of changes in IFRS 9 'Financial instrument'.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group: (continued)

- *IFRS 15, 'Revenue from contracts with customer' (effective on after 1 January 2018):*

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. As the Group's major revenue recognition is governed under IFRS 4 'Insurance Contracts', therefore, the Group does not expect any significant impact from the application of IFRS 15.

- *IFRS 16, 'Leases' (effective on after 1 January 2019):*

This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Following the publishing of IFRS 16, the Group's management has not yet completed the assessment to evaluate the impact of application of this standard.

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

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired entity and the equity interests issued by the Group. Acquisition-related costs are expensed as incurred. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between the Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

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

(d) Associates

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.3 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property and equipment is their purchase price together with expenditures those are directly attributable to acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which these are incurred.

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

	Years
Furniture and fixtures	4
Motor vehicles	4

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

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

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

2.5 Intangible assets

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

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

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

2 Summary of significant accounting policies (continued)

2.6 Investment property

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

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

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

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

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

2.7 Financial assets

2.7.1 Classification

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

(a) Available for sale financial assets

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.7 Financial assets (continued)

2.7.1 Classification (continued)

(c) Loans and receivables

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

2.7.2 Recognition and measurement

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

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

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

2.7.3 Derecognition

(a) Financial assets

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

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

(b) Financial liabilities

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

2.7.4 Impairment of financial assets

(a) Assets carried at amortised cost

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 Summary of significant accounting policies (continued)

2.7 Financial assets (continued)

2.7.4 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

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

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

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

(b) Financial assets classified as available for sale

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

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

2.8 Impairment of non-financial assets

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

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

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

2 Summary of significant accounting policies (continued)

2.9 Offsetting

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

2.10 Premiums receivables

Premiums receivables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest rate method less accumulated impairment losses, if any. A provision for impairment of premiums receivables is established when there is objective evidence that the 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 receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

2.11 Cash and cash equivalents

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

2.12 Reinsurance contracts held

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

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

2.13 Liability adequacy test

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

2.14 Insurance funds

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

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

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

2 Summary of significant accounting policies (continued)

2.14 Insurance funds (continued)

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

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

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

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

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

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

Long-term individual life insurance contracts

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

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

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

2 Summary of significant accounting policies (continued)

2.15 Salvage and subrogation reimbursements

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

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

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

2.16 Policy acquisition costs and commission income

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

2.17 End of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 as amended, and in accordance with IAS-19, “Employee benefits”. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

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

2.18 Other payables

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

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

2.19 Provisions

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

2.20 Borrowings

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

2 Summary of significant accounting policies (continued)

2.20 Borrowings (continued)

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

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

2.21 Share capital

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

2.22 Revenue

General insurance contracts, short-term life insurance contracts and long-term group life insurance contracts

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

Long-term individual life insurance contracts

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

Other revenue

- Commissions earned and paid are recognised at the time policies are written.
- Interest income is recognised on a time proportion basis using the effective interest rate method.
- Dividend income from financial assets at fair value through profit or loss and available for sale financial assets is recognised in the statement of comprehensive income when the company’s right to receive payment is established.
- Unrealised gain / (loss) in the value of financial assets at fair value through profit or loss represents the difference between the present market value and the carrying amount of the assets determined on individual scrip basis using weighted average cost of securities and is taken to the statement of comprehensive income.
- Realised gains / (losses) on financial assets at fair value through profit or loss and available for sale financial assets are recognised and taken to the statement of comprehensive income in the year of disposal of related securities.
- Fair value adjustments on investment property are taken to the statement of comprehensive income in the year to which these relate.
- All other incomes are taken to the statement of comprehensive income in the year in which these relate on accrual basis.

2 Summary of significant accounting policies (continued)

2.23 Income tax

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

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

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

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

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

2.24 Director's remuneration

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

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

2.25 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.26 Dividend distribution

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

2.27 Operating segment

An operating segment is a component of the Company 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 Company's other components. All operating segments' operating results are reviewed regularly by the general manager to make decisions about resources to be allocated to the segment and assess its performance.

2 Summary of significant accounting policies (continued)

2.28 Fair value estimation

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

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

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

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

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

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

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

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

3 Critical accounting estimates and judgements

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

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

(i) *Insurance fund*

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

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

3 Critical accounting estimates and judgements

(i) *Insurance fund (continued)*

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

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

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

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

The Company 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 Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. As there is no decline in fair values which could lead to impairment loss, hence, no sensitivity analysis of the estimate carried.

(iii) Impairment of receivables

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

Had there been any change in overdue premium receivables by 5%, an additional charge / (reversal) in provision for impairment against premium receivables during the year amounting to RO 75,816 would have arisen and the profit before taxation for the year would be increased / (decreased) by RO 75,816.

(iii) Fair value estimation

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

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

4 Net underwriting results

Group	General 2016 RO'000	Life 2016 RO'000	Total 2016 RO'000	General 2015 RO'000	Life 2015 RO'000	Total 2015 RO'000
Premium revenue						
- Gross premiums written	**10,345**	**7,041**	**17,386**	11,620	5,292	16,912
- Reinsurers' share	**(6,991)**	**(3,949)**	**(10,940)**	(7,590)	(3,352)	(10,942)
	3,354	**3,092**	**6,446**	4,030	1,940	5,970
Movement in unexpired premiums reserves						
- Gross	**575**	**(1,692)**	**(1,117)**	(369)	(448)	(817)
- Reinsurer share	**(270)**	**905**	**635**	161	79	240
	305	**(787)**	**(482)**	(208)	(369)	(577)
Net premium earned	**3,659**	**2,305**	**5,964**	3,822	1,571	5,393
Claims paid						
- Gross claims paid	**(7,275)**	**(5,704)**	**(12,979)**	(19,741)	(3,390)	(23,131)
- Reinsurance and other recoveries	**4,162**	**4,321**	**8,483**	17,530	2,499	20,029
	(3,113)	**(1,383)**	**(4,496)**	(2,211)	(891)	(3,102)
Movement in outstanding claims						
- Gross claims outstanding	**2,406**	**432**	**2,838**	13,190	(1,158)	12,032
- Reinsurance and other recoveries	**(1,937)**	**(569)**	**(2,506)**	(13,653)	934	(12,719)
	469	**(137)**	**332**	(463)	(224)	(687)
Net claims incurred	**(2,644)**	**(1,520)**	**(4,164)**	(2,674)	(1,115)	(3,789)
Net commission						
Commission expense	**(822)**	**(186)**	**(1,008)**	(909)	(128)	(1,037)
Commission income	**1,170**	**-**	**1,170**	1,191	-	1,191
	348	**(186)**	**162**	282	(128)	154
Other underwriting income	**-**	**60**	**60**	-	61	61
	348	**(126)**	**222**	282	(67)	215
Net underwriting results	**1,363**	**659**	**2,022**	1,430	389	1,819

5 Net investment income

	Group 2016 RO'000	Group 2015 RO'000	Parent Company 2016 RO'000	Parent Company 2015 RO'000
Unrealised gain on financial assets at fair value through profit or loss – net	**2,482**	355	**2,433**	662
Realised (loss)/gain on sale of investments - net	**(66)**	1,798	**54**	4,963
Dividend income	**732**	648	**1,672**	1,309
Interest income	**278**	268	**13**	23
	3,426	3,069	**4,172**	6,957

6 Other income

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

	Group 2016 RO'000	Group 2015 RO'000	Parent Company 2016 RO'000	Parent Company 2015 RO'000
Liabilities no longer payable written back	**1,544**	636	**-**	-
Management and sitting fees	**10**	28	**10**	28
Other income	**63**	66	**-**	2
	1,617	730	**10**	30

7 Operating expenses

	Group		Parent Company	
	2016	2015	**2016**	2015
	RO'000	RO'000	**RO'000**	RO'000
Staff costs (note 7.1)	**1,424**	1,211	**345**	291
Rent	**123**	110	**13**	13
Director's remuneration and sitting fees [note 30(b)]	**243**	234	**193**	184
Amortisation of intangible (note 12)	**77**	101	**-**	-
Depreciation (note 10)	**49**	48	**15**	19
Legal and professional charges	**47**	135	**21**	100
Business promotion	**46**	42	**9**	8
Share issue costs	**30**	-	**-**	-
Printing and stationery	**27**	29	**10**	10
Computer expenses	**25**	23	**-**	-
Repairs and maintenance	**22**	18	**-**	-
Impairment of receivables [note 20(a)]	**-**	71	**-**	-
Miscellaneous	**243**	250	**115**	130
	2,356	2,272	**721**	755

7.1 Staff costs

	Group		Parent Company	
	2016	2015	**2016**	2015
	RO'000	RO'000	**RO'000**	RO'000
Salaries and wages	**1,102**	928	**221**	196
Other benefits	**229**	220	**109**	80
Social security costs	**46**	26	**1**	2
Employees' end of service benefit charge (note 25)	**47**	37	**14**	13
	1,424	1,211	**345**	291

8 Taxation

The Parent Company and its subsidiaries are assessed separately for taxation. The tax rate applicable is 12% (2015 - 12%). The Group is not taxed as a taxable entity.

	Group		Parent Company	
	2016	2015	**2016**	2015
	RO'000	RO'000	**RO'000**	RO'000
Statement of comprehensive income:				
Current tax				
- for current year	**268**	89	**-**	-
- for prior year	**(180)**	-	**(180)**	-
	88	89	**(180)**	-
Deferred tax [note 8(b)]	**(7)**	59	**-**	-
	81	148	**(180)**	-
Current liability				
Provision for income tax [note 8(c)]	**316**	325	**48**	236
Non-current liability				
Deferred tax [note 8(b)]	**25**	32	**-**	-

8 Taxation (continued)

Status of tax assessments

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

i. Parent Company

The tax returns of the Parent Company for the years 2010 to 2014 have not yet been agreed with the Secretariat General for Taxation at the Ministry of Finance. The management is of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Parent Company's financial position as at 31 March 2016.

ii. Subsidiaries

The tax returns of Falcon Insurance Company SAOC for the years 2011 to 2014, Al Anwar International Investment LLC for the years from 2000 to 2014 and Al Anwar Development LLC for the years from 2009 to 2014 have not yet been agreed with the Secretariat General for Taxation at the Ministry of Finance. The management of the subsidiaries believes that additional taxes, if any, related to the open tax years would not be significant to the financial position of these companies as at 31 March 2016.

(a) Reconciliation is as follows:

	Group		Parent Company	
	2016 RO'000	2015 RO'000	**2016 RO'000**	2015 RO'000
Profit before taxation	**5,898**	5,165	**3,313**	6,066
Tax charge at applicable rates	**708**	620	**398**	728
Expenses not deductible	**138**	83	**101**	83
Exempt incomes	**(705)**	(857)	**(494)**	(834)
Deferred tax not recognised	**120**	302	**(5)**	23
Reversal of prior year tax provision	**(180)**	-	**(180)**	-
Taxation charge	**81**	148	**(180)**	-

(b) Deferred tax asset / (liability)

Deferred tax arises on account of temporary differences between the tax base of assets and liabilities and their carrying values in the statement of financial position. Deferred tax asset and liabilities are attributable to the following items:

Group	**1 April 2015 RO'000**	**Movement during the year RO'000**	**31 March 2016 RO'000**
Property and equipment	**4**	**1**	**5**
Fair value adjustment on investment property	**(84)**	**-**	**(84)**
Provision for impairment against receivables	**45**	**-**	**45**
Unrealised gain on foreign investment	**3**	**6**	**9**
	(32)	**7**	**(25)**

Group	1 April 2014 RO'000	Movement during the year RO'000	31 March 2015 RO'000
Property and equipment	3	1	4
Fair value adjustment on investment property	(84)	-	(84)
Provision for impairment against receivables	37	8	45
Unrealised gain on foreign investment	(2)	5	3
Carry forward taxable losses	73	(73)	-
	27	(59)	(32)

8 Taxation (continued)

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

	Group		Parent Company	
	2016	2015	**2016**	2015
	RO'000	RO'000	**RO'000**	RO'000
At the beginning of the year	**325**	236	**236**	236
Charge for the year	**88**	89	**(180)**	-
Paid during the year	**(97)**	-	**(8)**	-
At the end of the year	**316**	325	**48**	236

9 Earnings per share

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

	Group		Parent Company	
	2016	2015	**2016**	2015
	RO'000	RO'000	**RO'000**	RO'000
Profit for the year attributable to equity shareholders of Parent Company (RO'000)	**4,935**	4,668	**3,493**	6,066
Weighted average number of shares outstanding ('000)	**150,075**	150,075	**150,075**	150,075
Basic earnings per share (in Baisas)	**33**	31	**23**	40

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

10 Property and equipment

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

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

10 Property and equipment (continued)

Group	Motor vehicles RO'000	Furniture and fixtures RO'000	Total RO'000
Cost			
As at 1 April 2014	92	301	393
Additions during the year	19	15	34
Disposals during the year	(16)	(67)	(83)
As at 31 March 2015	95	249	344
Accumulated depreciation			
As at 1 April 2014	53	244	297
Charge for the year	17	31	48
Disposals during the year	(16)	(67)	(83)
As at 31 March 2015	54	208	262
Net book value			
31 March 2015	41	41	82

Parent Company

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

Parent Company	Motor vehicles RO'000	Furniture and fixtures RO'000	Total RO'000
Cost			
As at 1 April 2014	39	122	161
Additions during the year	-	1	1
Disposals during the year	(9)	(67)	(76)
As at 31 March 2015	30	56	86
Accumulated depreciation			
As at 1 April 2014	15	99	114
Charge for the year	7	12	19
Disposals during the year	(9)	(67)	(76)
As at 31 March 2015	13	44	57
Net book value			
31 March 2015	17	12	29

11 Investment property

Group	2016 RO'000	2015 RO'000
At the beginning and end of the year	**1,900**	1,900

Investment property comprises land acquired during 2007 by the Group, which is registered in the name of certain directors of a subsidiary company, who are holding the property beneficially for and on behalf of the subsidiary company. During 2009, the Group got an extended land from the Government of Sultanate of Oman with an additional area of 623 square meters at the same location that form part of the existing location. The original cost of investment property is RO 1.204 million (2015 - RO 1.204 million) and accumulated fair value changes are RO 696 thousand (2015 - RO 696 thousand).

The fair value is based on market valuation carried out on 4 February 2016 by recognised independent valuer (level - 2 fair values). The valuation is conducted on an open market basis and there were no material adjustments to the transaction prices in the market. The impact of a change in fair value of investment property by 5% will be RO 95 thousand (2015 - RO 95 thousand) on profit before tax of the Group.

12 Intangible assets

Group	**Customer portfolio RO'000**	**License RO'000**	**Computer software RO'000**	**Total RO'000**
Cost				
At 1 April 2015	**560**	**290**	**108**	**958**
Additions during the year	**-**	**-**	**4**	**4**
At 31 March 2016	**560**	**290**	**112**	**962**
Accumulated amortisation				
At 1 April 2015	**528**	**250**	**103**	**881**
Charge during the year	**32**	**40**	**5**	**77**
At 31 March 2016	**560**	**290**	**108**	**958**
Net book value				
At 31 March 2016	**-**	**-**	**4**	**4**

Group	Customer portfolio RO'000	License RO'000	Computer software RO'000	Total RO'000
Cost				
At 1 April 2014	560	290	108	958
Additions during the year	-	-	-	-
At 31 March 2015	560	290	108	958
Accumulated amortisation				
At 1 April 2014	472	210	98	780
Charge during the year	56	40	5	101
At 31 March 2015	528	250	103	881
Net book value				
At 31 March 2015	32	40	5	77

The customer portfolio was acquired by the subsidiary in 2005, and at that time was valued by the management by reference to the assessed net present value of future positive cash flows arising there from. The license was valued by the management on the basis of the estimated cost it would have incurred in obtaining a new license.

13 Goodwill

Group	Group 2016 RO'000	Group 2015 RO'000
Goodwill	**513**	513
Accumulated impairment	**(120)**	(120)
At 31 March	**393**	393

Goodwill amounting to RO 393,283 relates to acquisition of Falcon Insurance Company SAOC. Goodwill recognised on acquisition is allocated to cash generating units of Falcon Insurance Company SAOC, for impairment testing. The recoverable amount of the cash generating units has been determined based on a value in use calculation using cash flow projections.

The Group performs an assessment of goodwill impairment at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Parent Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. On the above basis, management carried out impairment testing and concluded that no impairment is required.

14 Investments in subsidiaries

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

Parent Company	**Principal activity**	**Proportion held**	**Carrying value**	Proportion held	Carrying value
		2016		2015	
		%	**RO'000**	%	RO'000
Falcon Insurance Company SAOC	Insurance business	**51**	**3,834**	51	3,834
Al Anwar Development LLC	Investment activities	**100**	**500**	100	500
Al Anwar International Investment LLC	Investment activities	**100**	**150**	100	150
			4,484		4,484

15 Investment in associates

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

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

15 Investment in associates (continued)

2015	Country of incorporation	Principal activities	% holding	Group carrying value RO'000	Parent Company carrying value RO'000
Company name					
Voltamp Energy SAOG and its subsidiaries	Sultanate of Oman	Manufacture and trade of electrical equipment	25	3,799	413
Al Maha Ceramics Company SAOG	Sultanate of Oman	Manufacture of ceramic products	21.26	1,736	1,052
				5,535	1,465

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

	Group		Parent Company	
	2016 RO'000	2015 RO'000	**2016 RO'000**	2015 RO'000
At 1 April	**5,535**	19,076	**1,465**	12,805
Disposal of investment	**-**	(14,724)	**-**	(11,340)
Dividends received during the year	**(845)**	(750)	**-**	-
Share of profit during the year	**1,337**	1,985	**-**	-
Share of other comprehensive income	**82**	(52)	**-**	-
At 31 March	**6,109**	5,535	**1,465**	1,465

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

	Voltamp Energy SAOG		Al Maha Ceramics SAOG	
Summarised statement of financial position	**2016 RO'000**	2015 RO'000	**2016 RO'000**	2015 RO'000
Assets				
Current assets				
Cash and bank balances	**893**	717	**392**	147
Other assets	**21,833**	18,143	**4,070**	4,327
	22,726	18,860	**4,462**	4,474
Non-current assets				
Property and equipment	**10,194**	10,117	**8,265**	8,194
Other assets	**3,767**	3,417	**225**	225
	13,961	13,534	**8,490**	8,419
Total assets	**36,687**	32,394	**12,952**	12,893
Liabilities				
Current liabilities	**12,855**	12,342	**2,639**	3,148
Non-current liabilities	**4,411**	3,060	**648**	731
Total liabilities	**17,266**	15,402	**3,287**	3,879
Net assets	**19,421**	16,992	**9,665**	9,014
Summarised statement of comprehensive income				
Revenue	**35,833**	26,118	**9,785**	10,800
Cost of sales	**(27,915)**	(20,231)	**(5,618)**	(6,201)
Expenses	**(4,609)**	(3,593)	**(1,453)**	(1,566)
Other income	**412**	106	**29**	41
Profit/(loss) before tax	**3,721**	2,400	**2,743**	3,074
Income tax	**(416)**	(397)	**(342)**	(371)
Profit/(loss) after tax	**3,305**	2,003	**2,401**	2,703
Other comprehensive income	**329**	58	**-**	-
Total comprehensive income	**3,634**	2,061	**2,401**	2,703

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

15 Investment in associates (continued)

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

Reconciliation of summarised financial information

	Voltamp Energy SAOG		Al Maha Ceramics SAOG	
	RO'000	RO'000	**RO'000**	RO'000
Opening net assets at 1 January 2015/2014	**16,992**	16,123	**9,014**	6,811
Less: dividend for preceding year	**(1,513)**	(1,361)	**(1,750)**	(500)
Net assets after dividend	**15,479**	14,762	**7,264**	6,311
Profit/(loss) for the year ended 31 December 2015/2014	**3,305**	2,003	**2,401**	2,703
Other comprehensive loss for the period	**329**	58	**-**	-
Others	**307**	169	**-**	-
Net assets at 31 December 2015/2014	**19,420**	16,992	**9,665**	9,014
Dividend for current year	**(1,815)**	(1,513)	**(1,838)**	(1,750)
Net assets adjusted for dividend	**17,605**	15,479	**7,827**	7,264
Interest in associates				
Holding - %	**25**	25	**21.26**	21.26
- RO	**4,401**	3,870	**1,664**	1,544
Adjustment	**(161)**	(84)	**-**	-
Goodwill	**13**	13	**192**	192
Carrying value	**4,253**	3,799	**1,856**	1,736

16 Available-for-sale financial assets

	2016 Cost RO'000	**2016 Fair value RO'000**	2015 Cost RO'000	2015 Fair value RO'000
Group				
Quoted investments	**14,233**	**15,113**	846	875
Unquoted investments	**73**	**225**	73	202
	14,306	**15,338**	919	1,077
Parent Company				
Quoted investments	**12,813**	**13,670**	-	-

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

	Group		Parent Company	
	2016 RO'000	2015 RO'000	**2016 RO'000**	2015 RO'000
At the beginning of the year	**1,077**	851	**-**	-
Purchases during the year	**13,397**	266	**12,813**	-
Disposals during the year	**(9)**	(52)	**-**	-
Unrealised gain – net	**873**	12	**857**	-
At the end of the year	**15,338**	1,077	**13,670**	-

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

(c) During the year 2007, the Group acquired 14.28% stake in Omani Unified Bureau for Orange Card SAOC, a closely held joint stock company. The group has recognised a gain of RO 23 thousand (2015 - RO 22 thousand) based on the financial statements of the investee company for the year ended 31 December 2015 in other comprehensive income.

16 Available-for-sale financial assets (continued)

(d) The management believes that the carrying values of unquoted investments as at 31 March 2016 and 31 March 2015 approximate to their fair values.

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

MSM quoted marketable securities	**Percentage of the portfolio**	**Number of securities**	**Fair value**	**Cost**
Group			**RO'000**	**RO'000**
2016				
Oman International Development and Investment Co. SAOG	**89%**	**30,513,779**	**13,670**	**12,813**
2015				
Government Development Bonds	57%	5,500	610	578

MSM quoted marketable securities	**Percentage of the portfolio**	**Number of securities**	**Fair value**	**Cost**
Parent Company			**RO'000**	**RO'000**
2016				
Oman International Development and Investment Co. SAOG	**100%**	**30,513,779**	**13,670**	**12,813**

17 Financial assets at fair value through profit or loss

	Group		**Parent Company**	
	2016	2015	**2016**	2015
	RO'000	RO'000	**RO'000**	RO'000
Non-current				
Designated at fair value through profit or loss	**13,129**	10,361	**11,667**	9,224
Current				
Held for trading	**3,476**	4,652	**849**	170
	16,605	15,013	**12,516**	9,394

(a) Investments are analysed as follows:

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

Group	Local		Foreign		
2015	Quoted	Unquoted	Quoted	Unquoted	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Banking and investment sector	11,235	-	355	258	11,848
Industrial sector	1,085	376	-	-	1,461
Services sector	637	-	456	-	1,093
Cash with portfolio managers	520	-	91	-	611
	13,477	376	902	258	15,013

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

(a) Investments are analysed as follows: (continued)

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

Parent Company	Local		Foreign		
2015	Quoted RO'000	Unquoted RO'000	Quoted RO'000	Unquoted RO'000	Total RO'000
Banking and investment sector	8,522	-	-	258	8,780
Industrial sector	3	376	-	-	379
Services sector	37	-	198	-	235
	8,562	376	198	258	9,394

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

	Percentage of the portfolio	**Number of securities**	**Market value**	**Carrying cost**
Group			**RO'000**	**RO'000**
2016				
Oman International Development and Investment Company SAOG	**65.07%**	**24,118,052**	**10,805**	**8,389**
2015				
Oman International Development and Investment Company SAOG	55.88%	20,972,219	8,389	8,389
Parent Company				
2016				
Oman International Development and Investment Company SAOG	**86.33%**	**24,118,052**	**10,805**	**8,389**
2015				
Oman International Development and Investment Company SAOG	89.30%	20,972,219	8,389	8,389

The group holds an investment in Addax Bank Bahrain (the Bank). The group had filed a court case against the Bank and the GCC Arbitration Centre has given a judgment in favour of Al Anwar International Investments LLC (AAII), a fully owned subsidiary of the company. Based on the judgement, the Bank has been directed to deposit the full amount of original investment in the Bank amounting to USD 4,666,667 (RO 1,801,333), in monthly installments, and group has been directed to transfer its 3,111,111 shares to the Bank. Subsequent to the reporting date, the shares have been transferred by the Ministry of Industry and Commerce in Bahrain as treasury shares to the Bank and the Court has agreed to release BD 564,662 (RO 577,429) being the part of claim amount deposited by the Bank.

18 Term deposits

The term deposits are placed with commercial banks and approved non-banking financial institutions in the Sultanate of Oman and carry effective interest rates ranging between 1.20% to 4.25% per annum (2015 - 1.25% to 4% per annum). These deposits have an original maturity periods ranging from within 1 year to 5 years from the date of placement (2015 - within 1 year to 3 years).

Restriction on transfer of assets

In accordance with the law governing the operations of insurance companies within the Sultanate of Oman, the Group has identified to the Capital Market Authority certain deposits, investments and investment property included at 31 March 2016 at a total carrying value of RO 11.865 million (2015 - RO 10.756 million). These assets can only be transferred with the prior approval of the Capital Market Authority.

19 Insurance funds and reinsurer's share in insurance funds

Group

	2016 RO'000	2015 RO'000
Gross insurance liabilities		
Non-current		
Actuarial reserve (for long term insurance contracts)	**1,785**	935
Current		
Short term insurance contracts		
- Claims reported but unsettled	**5,152**	7,990
- Claims incurred but not reported (IBNR)	**1,423**	520
- Unearned premiums	**4,930**	5,565
	11,505	14,075
Total insurance liabilities - gross	**13,290**	15,010
Reinsurers' share of insurance liabilities		
Non-current		
Actuarial reserve (for long term insurance contracts)	**147**	78
Current		
Short term insurance contracts		
- Claims reported but unsettled	**3,455**	5,818
- Claims incurred but not reported (IBNR)	**1,035**	275
- Unearned premiums	**3,272**	3,608
	7,762	9,701
Total reinsurers share of insurance liabilities	**7,909**	9,779
Net insurance liabilities		
Non-current		
Actuarial reserve (for long term insurance contracts)	**1,638**	857
Current		
Short term insurance contracts		
- Claims reported but unsettled	**1,697**	2,172
- Claims incurred but not reported (IBNR)	**388**	245
- Unearned premiums	**1,658**	1,957
	3,743	4,374
Total insurance liabilities - net	**5,381**	5,231

The Group has been following local regulations for provision for unearned premium reserve / unexpired risk reserve (UPR) in respect of general insurance business at 45% of the net written premium. The amount calculated using this method at 31 March 2016 for general business was RO 1,511 thousand (2015 - RO 1,815 thousand).

The global industry considers 1/24th method as a statistically acceptable method for calculation of UPR. The provision for UPR in respect of general business using 1/24th method of calculation at 31 March 2016 amounts

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

19 Insurance funds and reinsurer's share in insurance funds (continued)

to RO 1,107 thousand (2015 - RO 1,409 thousand) for general insurance business. The Group uses triangulation techniques to arrive at the provision for IBNR for general insurance business.

The mathematical reserves for long term life contracts and UPR for short term life and medical business as calculated by actuary are RO 1,785 thousand (2015 - RO 999 thousand).

Movements in insurance liabilities and reinsurance assets is as under:

(a) Claims and loss adjustment expenses

2016	**Gross RO'000**	**Reinsurance RO'000**	**Net RO'000**
Notified claims	**7,990**	**(5,818)**	**2,172**
Incurred but not reported	**520**	**(275)**	**245**
Total at the beginning of the year	**8,510**	**(6,093)**	**2,417**
Cash paid for claims settled during the year	**(12,979)**	**8,483**	**(4,496)**
Increase in liabilities arising from current and prior years claims	**11,044**	**(6,880)**	**4,164**
Total at the end of the year	**6,575**	**(4,490)**	**2,085**
Notified claims	**5,152**	**(3,455)**	**1,697**
Incurred but not reported	**1,423**	**(1,035)**	**388**
Total at the end of the year	**6,575**	**(4,490)**	**2,085**

2015	Gross RO'000	Reinsurance RO'000	Net RO'000
Notified claims	20,069	(18,538)	1,531
Incurred but not reported	459	(260)	199
Total at the beginning of the year	20,528	(18,798)	1,730
Cash paid for claims settled during the year	(23,131)	20,029	(3,102)
Increase in liabilities arising from current and prior years claims	11,113	(7,324)	3,789
Total at the end of year	8,510	(6,093)	2,417
Notified claims	7,990	(5,818)	2,172
Incurred but not reported	520	(275)	245
Total at the end of year	8,510	(6,093)	2,417

(b) Provisions for unearned premiums and unexpired short term insurance risks

2016	**Gross RO'000**	**Reinsurance RO'000**	**Net RO'000**
Unearned premiums reserves	**5,565**	**(3,608)**	**1,957**
Mathematical reserves	**935**	**(78)**	**857**
Total at the beginning of the year	**6,500**	**(3,686)**	**2,814**
Premiums written during the year	**(17,386)**	**10,940**	**(6,446)**
Net increase / (release) during the year	**17,601**	**(10,673)**	**6,928**
Total at the end of the year	**6,715**	**(3,419)**	**3,296**
Unearned premiums reserves	**4,930**	**(3,272)**	**1,658**
Mathematical reserves	**1,785**	**(147)**	**1,638**
Total at the end of the year	**6,715**	**(3,419)**	**3,296**

19 Insurance funds and reinsurer's share in insurance funds (continued)

(b) Provisions for unearned premiums and unexpired short term insurance risks

2015	Gross RO'000	Reinsurance RO'000	Net RO'000
Unearned premiums reserves	5,067	(3,409)	1,658
Mathematical reserves	630	(53)	577
Total at the beginning of the year	5,697	(3,462)	2,235
Premiums written during the year	(16,912)	10,942	(5,970)
Increase / (release) during the year	17,715	(11,166)	6,549
Total at the end of the year	6,500	(3,686)	2,814
Unearned premiums reserves	5,565	(3,608)	1,957
Mathematical reserves	935	(78)	857
Total at the end of the year	6,500	(3,686)	2,814

20 Trade and other receivables

	Group		Parent Company	
	2016 RO'000	2015 RO'000	**2016 RO'000**	2015 RO'000
Premiums receivable	**2,384**	3,074	**-**	-
Less: provision for impairment of receivables (note 'a')	**(371)**	(371)	**-**	-
	2,013	2,703	**-**	-
Due from insurance and reinsurance companies (note 'd')	**770**	382	**-**	-
Accrued interest	**178**	258	**-**	-
Due from related parties (note 30)	**522**	513	**1,214**	1,103
Prepayments and other receivables	**731**	618	**522**	413
	4,214	4,474	**1,736**	1,516

(a) The movements in provision for impairment of receivables are as follows:

	Group	
	2016 RO'000	2015 RO'000
At the beginning of the year	**371**	301
Charge for the year	**-**	71
Written off during the year	**-**	(1)
At the end of the year	**371**	371

(b) At 31 March 2016, 64% of the Group's premiums receivable and dues from related parties are from 5 customers (2015 – 50% from 5 customers).

(c) At 31 March 2016, 95% of the Group's due from insurance and reinsurance receivable are from 5 insurance and reinsurance companies (2015 - 85% from 5 insurance and reinsurance companies).

20 Trade and other receivables (continued)

(d) An analysis of amounts due from insurance and reinsurance companies is as under:

Group	2016 RO'000	2015 RO'000
Neither past due nor impaired (upto 90 days)	**647**	106
Past due but not impaired (91 to 180 days)	**110**	143
Past due and impaired (over 180 days)	**13**	133
	770	382

The Group considers amounts due from insurance and reinsurance companies which are past due as fully recoverable. Accordingly, no provision is held against these balances.

21 Share capital

The authorised share capital of the Parent Company comprises 200,000,000 (2015 - 200,000,000) shares of 100 baisas (2015 - 100 baisas) each. The issued and fully paid up share capital consists of 150,075,000 shares (2015 - 130,500,000 shares) of 100 baisas (2015 - 100 baisas) each.

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

	Number of shares held	2016 (%)	Number of shares held	2015 (%)
Fincorp Investment Company LLC	**34,568,703**	**23**	30,059,742	23
Mohamed and Ahmed Al Khonji LLC	**7,554,540**	**5**	6,569,166	5
Al Khonji Holdings LLC	**7,196,836**	**5**	7,758,119	6

22 Legal reserve

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

23 Contingency reserve

In accordance with article 10(bis) (2)(c) and 10(bis) (3)(b) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended, 10% of the net outstanding claims in case of the general insurance business amounting to RO 157 thousand (2015 - RO 203 thousand) and 1% of the life assurance premiums for the year in case of life insurance business amounting to RO 70 thousand (2015 - RO 53 thousand) at the reporting date is transferred from retained earnings to a contingency reserve. The Group may discontinue this transfer when the reserve equals to the issued share capital. No dividend shall be declared in any year until the deficit in the reserve is covered from the retained profits. The reserves shall not be used except with the prior approval of the Capital Market Authority.

Total contingency reserve as of 31 March 2016 accounted for by Falcon Insurance Company SAOC amounted to RO 1.510 million (2015 - RO 1.283 million). However in the consolidated financial statements, contingency reserve of RO 550 thousand (2015 - RO 434 thousand), represents the Group's share of post-acquisition portion.

24 Fair value reserve

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

25 Employees' end of service benefits

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

	Group		Parent Company	
	2016 RO'000	2015 RO'000	**2016 RO'000**	2015 RO'000
At 1 April	**115**	82	**36**	23
Charge for the year (note 7.1)	**47**	37	**14**	13
Paid during the year	-	(4)	-	-
At 31 March	**162**	115	**50**	36

26 Bank borrowings

	Group		Parent Company	
	2016 RO'000	2015 RO'000	**2016 RO'000**	2015 RO'000
Non-current portion				
Term loans	**1,050**	-	**1,050**	-
Current portion				
Current maturity of term loans	**9,050**	-	**9,050**	-
Bank overdraft	**34**	-	**34**	-
	9,084	-	**9,084**	-
	10,134	-	**10,134**	-

The term loans carried annual interest rate ranging from 2.75% to 4.0%.

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

27 Trade and other payables

	Group		Parent Company	
	2016 RO'000	2015 RO'000	**2016 RO'000**	2015 RO'000
Claims related payable	**903**	485	-	-
Reinsurance contracts payable	**4,490**	6,937	**-**	-
Government tax and emergency fund payable	**205**	218	**-**	-
Payable to garages	**439**	336	**-**	-
Accrued expenses	**331**	268	**210**	193
Due to related parties (note 30)	**49**	176	**468**	469
Other payables	**140**	14	**-**	-
	6,557	8,434	**678**	662

28 Net assets per share

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

	Group		Parent Company	
	2016 RO'000	2015 RO'000	**2016 RO'000**	2015 RO'000
Net assets attributable to the shareholders of the Parent Company (RO'000)	**30,186**	25,609	**23,321**	20,276
Number of shares outstanding at 31 March ('000)	**150,075**	130,500	**150,075**	130,500
Net assets per share (in Baisas)	**201**	196	**155**	155

29 Proposed dividend

The Board of Director's have proposed stock dividend of 16.61% of the share capital amounting to RO 2,492,746 (16.61 shares per 100 shares of the face value of RO 0.100) (2015 - 15% of the amounting to RO 1,957,500 (15 shares per 100 shares of the face value of RO 0.100)) and cash dividend of 10% of the share capital amounting to RO 1,500,750 for the current year (2015 - cash dividend of 10% amounting to RO 1,305,000).

30 Related party transactions and balances

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

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

	2016 RO'000	2015 RO'000
Group		
Premiums written	**170**	316
Claims paid	**55**	40
Dividend received	**20**	19
Directors sitting fees (note 7)	**56**	51
Directors' remuneration (note 7)	**187**	183
Parent Company		
Insurance expense	**11**	13
Remuneration and meeting attendance fees income	**10**	28
Directors sitting fees paid	**42**	38
Directors remuneration	**151**	146

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

	Group		**Parent Company**	
	2016 RO'000	2015 RO'000	**2016 RO'000**	2015 RO'000
Short term employment benefits	**543**	521	**287**	241
End of service benefits	**29**	24	**14**	12
Directors sitting fees paid (note 7)	**56**	51	**42**	38
Directors' remuneration (note 7)	**187**	183	**151**	146
	815	779	**494**	437

The Directors' sitting fees of RO 41,900 (2015 - RO 38,100) and Directors' remuneration of RO 150,500 (2015 - RO 146,000) paid by the Parent Company is subject to the approval of the shareholders at the Annual General Meeting.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

30 Related party transaction and balances (continued)

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

	Group		Parent Company	
	2016	2015	**2016**	2015
	RO'000	RO'000	**RO'000**	RO'000
Due from related parties (note 20):				
Falcon Insurance SAOC	**-**	-	**326**	162
Al Anwar International investment LLC	**-**	-	**434**	563
Voltamp Energy SAOG	**454**	378	**454**	378
Insurance and other receivables	**68**	135	**-**	-
	522	513	**1,214**	1,103
Due to related parties (note 27):				
Al Anwar Development LLC	**-**	-	**468**	469
Claims payable	**49**	176	**-**	-
	49	176	**468**	469

31 Contingencies

Falcon Insurance Company SAOC has a guarantee issued in favour of the Omani Unified Bureau for Orange Card SAOC for an amount of RO 50,000 (2015 - RO 50,000) and RO 300,792 (2015 - RO 91,508) issued for tender purpose from which it is anticipated that no material liabilities will arise.

32 Financial and insurance risk management

(a) Governance framework

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

(b) Regulatory framework

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

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

(c) Insurance risk

Due to investment in a major insurance subsidiary, the principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group manages the insurance risk through the careful selection and implementation of its underwriting strategy guidelines together with the adequate reinsurance arrangements and proactive claims handling.

32 Financial and insurance risk management (continued)

(c) Insurance risk (continued)

The Group principally issues general insurance and life insurance products which constitute mainly marine, aviation, fire and general risks and life assurance contracts. Below are brief description of each of the Group's products:

(i) Property and engineering insurance

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Engineering insurance is designed to compensate contract holders for property under construction. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

(ii) Motor insurance

Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

(iii) Marine insurance

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in total or partial loss of cargo.

(iv) Individual life

These are long term life insurance contracts underwritten on individual basis, covering the life of insured. These contracts protect the Group's policy holders from the consequences of events (such as death or disability) that would affect on the ability of the policy holder or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholders. There are benefits to be paid on maturity or surrender benefits. These are taken into consideration by the actuary while determining life reserves for unexpired risks.

(v) Group life

These are short term life insurance contracts underwritten on a group basis, the lives covered usually being employees of a corporate policy holder. These contracts protect the Group's policy holders (the employer) from the consequences of events (such as death or disability) that would affect on the ability of the policy holder or his/her dependents to maintain their current level of income. There are no guaranteed benefits for the policyholders. There are no maturity or surrender benefits.

(vi) Group medical

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

(vii) Group credit life

These are long term credit life insurance contracts underwritten on a group basis, covering the period of related credits from the banks and other financial institutions for its borrowers. These contracts protect the Group's policy holders (the lender) from the consequences of events (such as death or disability) that would affect on the ability of the policy holder or his/her dependents to maintain their current level of income. There are no guaranteed benefits paid. Also there are no maturity or surrender benefits. The premium is received on monthly basis from the policy holders.

32 Financial and insurance risk management (continued)

(c) Insurance risk (continued)

(viii) Individual medical

These are short term medical contracts underwritten on individual as well as group basis covering the period of one year from the date of contract to protect the policy holders (employer / individual) from the loss arising from the short term medical issues that would affecting the policy holder. There are no guaranteed benefits paid. Also there are no maturity or surrender benefits. The premium is received on monthly basis from the policy holders.

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The concentration of insurance risk exposure is minimised by the implementation of the underwriting strategy of the Group, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria. As the Group's entire business is within Sultanate of Oman, hence, the concentration of insurance risk is only within Sultanate of Oman. However, in certain cases, the Group writes business abroad for insurance of marine, cargo and aviation along with motor short term coverage with in GCC.

The Group has concentration of risk mainly in group life and credit life, motor and liability class whereby maximum risk exposure (i.e. total sums insured less reinsurance) amounted to 35%, 40% and 20% (2015 - 35%, 40% and 22%) of the net sum insured respectively.

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 reinsures.

The Group only deals with international reinsurers and those registered in GCC, which are rated by international agencies.

Total insurance coverage on insurance policies quantify some of the risk exposures. Typically, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided.

The outstanding claims before reinsurance mainly include motor, life and medical and fire and engineering class whereby claims outstanding before reinsurance approximate 27%, 18%, and 22% (2015 - 37%, 15% and 16%) of the total outstanding claims respectively. The outstanding claims after reinsurance for the above class of business constitute 37%, 12% and 5% (2015 - 78%, 6% and 2%) of the total net outstanding claims respectively.

Maximum single claims loss paid before reinsurance during the year for major class of business includes fire and marine and aviation class where the maximum single claims loss paid constitute 84% and 12% whereas for the year ended 31 March 2015, it includes single major claim in liability class which comprises 99% of the total claims loss paid before reinsurance arrangements.

32 Financial and insurance risk management (continued)

(c) Insurance risk (continued)

Keeping in view of the frequency of motor and life and medical claims and the fact that these are individually insignificant contracts, hence, the Group is not exposed to any major insurance risk on these class of business. Further, the Group has in place for all the business risks, reinsurance arrangements to minimise the risks.

Key assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variation in mortality, longevity, interest rates and delays in settlement. Discount rate used is determined with reference to risk free rate adjusted for country risk premium.

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and net profit before taxation.

	Change in assumptions	**Impact on liabilities**	**Impact on profit before taxation**
	%	**RO'000**	**RO'000**
2016			
	+10	**416**	**(416)**
Incurred claims - net	**-10**	**(416)**	**416**

	Change in assumptions	Impact on liabilities	Impact on profit before taxation
	%	RO	RO
2015			
	+10	379	(379)
Incurred claims - net	-10	(379)	379

32 Financial and insurance risk management (continued)

(c) Insurance risk (continued)

Claims development

The Group maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments for short term contracts are normally resolved within one year. The following claims development table present reported and incurred but not reported claims for general insurance before any adjustment for ceded reinsurance. Claims reserves for life insurance were not included into the table.

Reporting year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**RO'000 Total**
Estimate of ultimate claims cost:								
- At end of reporting year	5,072	3,878	7,053	4,068	19,520	6,426	3,851	
– One year later	5,608	3,998	7,221	4,278	19,676	6,812	-	
– Two years later	5,617	4,007	7,278	4,287	19,738	-	-	
– Three years later	5,618	4,007	7,283	4,294	-	-	-	
– Four years later	5,618	4,007	7,283	-	-	-	-	
– Five years later	5,623	4,008	-	-	-	-	-	
Current estimate of cumulative claims	5,623	4,008	7,283	4,294	19,738	6,812	3,851	51,611
Cumulative payments to date	5,623	4,007	7,283	4,287	19,676	6,426	-	(47,303)
Liability recognised in the statement of financial position - gross	-	-	-	8	62	386	3,851	4,308

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position.

An accident-year basis is considered to be most appropriate for the business written by the Group.

The Group has in place a series of quota-share reinsurance covers on a number of short-term insurance products that have remained unchanged in recent years. Reserve movements arising on net short-term contracts have therefore followed the pattern of movements on the gross reserves for the same products.

(d) Financial risks

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

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

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

32 Financial and insurance risk management (continued)

(d) Financial risks (continued)

(i) Credit risk

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

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions.

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

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

		Group		**Parent Company**	
		2016	2015	**2016**	2015
	Rating	**RO’000**	RO’000	**RO’000**	RO’000
Bank balances and term deposits	P-1	**746**	4,413	**327**	4,322
Bank balances and term deposits	P-2	**2,138**	1,059	**2**	-
Bank balances and term deposits	Unrated	**10,128**	9,893	**12**	-
		13,012	15,365	**341**	4,322

Reinsurance is placed with reinsures approved by the management, which are either international companies that are rated by international rating agencies or other GCC companies which are registered and operating within the Gulf region and are rated by internal rating agencies.

To mitigate its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsures and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

For direct premium receivables, the management assesses the credit quality of the balances with reference to the Group’s prior years’ experience with the counter parties and an overall credit worthiness of the counter parties. Management measures the quality of its premium receivables with reference to the categories listed below on gross basis:

	2016	2015
Group	**RO’000**	RO’000
Brokers and agents	**1,571**	1,942
Direct corporate customers	**776**	1,093
Direct individuals	**37**	39
	2,384	3,074

As the Group has significant balances due from brokers and agents which are registered the Capital Market Authority (CMA) and are operating over a long period of time in Oman with no history of defaults. There is no significant change in composition of concentration of the premium receivables in current year.

32 Financial and insurance risk management (continued)

(d) Financial risks (continued)

(i) Credit risk (continued)

The Group deals with three registered local brokers with sound financial position for the management of their portfolio management services for shares and cash balances held with them.

At 31 March 2016, RO 664 thousand of reinsurers' receivable were due from top two reinsurers (2015 - RO 283 thousand from top three customers).

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurers fails to pay a claim for any reason, the Group remains liable for the payment to the policy holder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. The financial analysis of reinsurers that is conducted at Group level produces an assessment categorised by a Standard & Poor (S&P) rating (or equivalent when not available from S&P).

The table below shows the gross receivables, from reinsurers at the reporting date as rated by various rating agencies:

Group	**2016 RO'000**	2015 RO'000
Rating		
A	**750**	91
B	**8**	25
Unrated local and foreign companies	**12**	262
Other rated companies	**-**	4
	770	382

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

Group	**2016 RO'000**	2015 RO'000
Reinsurer's share in insurance funds	**7,909**	9,780
Trade and other receivables (excluding prepayments)	**3,483**	3,856
Cash with portfolio managers	**193**	611
Term deposits	**12,178**	10,952
Bank balances	**834**	4,413
	24,597	29,612

Age analysis of financial assets

Group	**Upto 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**121 days or above**	**Total**
2016	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Insurance and other receivables	**2,531**	**244**	**249**	**254**	**936**	**4,214**

	Upto 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 days or above	Total
2015	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Insurance and other receivables	1,691	228	328	341	1,886	4,474

32 Financial risk management (continued)

(d) Financial risks (continued)

(ii) Liquidity risk

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

Maturity profiles

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

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

Group 2015	Over 1 year RO'000	Up to 1 year RO'000	Total RO'000
Insurance funds	935	14,076	15,011
Trade and other payables (excluding government tax and emergency fund payable)	-	8,216	8,216
	935	22,292	23,227

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

Parent Company 2015	Over 1 year RO'000	Up to 1 year RO'000	Total RO'000
Trade and other payables	-	662	662

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

Group 2016	**Within 1 year RO'000**	**1-5 years RO'000**	**Non fixed maturity RO'000**	**Total RO'000**
Available-for-sale financial assets	**-**	**-**	**15,338**	**15,338**
Term deposits	**7,537**	**4,641**	**-**	**12,178**
Financial assets at fair value through profit or loss	**3,476**	**-**	**13,129**	**16,605**
Trade and other receivables (excluding prepayments)	**3,483**	**-**	**-**	**3,483**
Reinsurer's share in insurance funds	**7,762**	**147**	**-**	**7,909**
Cash and bank balances	**834**	**-**	**-**	**834**
	23,092	**4,788**	**28,467**	**56,347**

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

32 Financial risk management (continued)

(d) Financial risks (continued)

(ii) Liquidity risk (continued)

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

Group 2015	Within 1 year RO'000	1-5 years RO'000	Non fixed maturity RO'000	Total RO'000
Available-for-sale financial assets	-	-	1,077	1,077
Term deposits	6,942	4,010	-	10,952
Financial assets at fair value through profit or loss	4,652	-	10,361	15,013
Trade and other receivables (excluding prepayments)	3,856	-	-	3,856
Reinsurer's share in insurance funds	9,702	78	-	9,780
Cash and bank balances	4,413	-	-	4,413
	29,565	4,088	11,438	45,091

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

Parent Company 2015	Within 1 year RO'000	1-5 years RO'000	Non fixed maturity RO'000	Total RO'000
Financial assets at fair value through profit or loss	170	-	9,224	9,394
Trade and other receivables (excluding prepayments)	1,103	-	-	1,103
Cash and bank balances	4,322	-	-	4,322
	5,595	-	9,224	14,819

(iii) Market risk

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

Exchange rate risk

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

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

32 Financial risk management (continued)

(d) Financial risks (continued)

(iii) Market risk (continued)

Exchange rate risk (continued)

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

Interest rate risk

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

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

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

The Group's interest rate risk based on contractual arrangements were as follows:

	Up to 6 months RO'000	**6 months to 1 year RO'000**	**1 to 5 years RO'000**	**Total RO'000**	**Effective interest rate p.a (%)**
2016					
Term deposits	**1,200**	**6,337**	**4,641**	**12,178**	**1.20-4.25**
Investments in bonds	**-**	**-**	**1,443**	**1,443**	**4.5-8.00**

	Up to 6 months RO'000	6 months to 1 year RO'000	1 to 3 years RO'000	Total RO'000	Effective interest rate p.a (%)
2015					
Term deposits	1,250	5,692	4,010	10,952	1.25 – 4.00
Investments in bonds	-	-	876	876	2.5 – 5.00

Sensitivity analysis

The Group limits its interest rate risk by monitoring changes in interest rates.

	Change in assumptions	**Effect on profit before taxation**	
		2016 RO'000	2015 RO'000
Income from term deposits	**+0.5%**	**61**	55
Interest on bonds	**+0.5%**	**7**	4

32 Financial risk management (continued)

(d) Financial risks (continued)

(iii) Market risk (continued)

Price risk

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

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

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

A 10% change in fair value of the Group's quoted available-for-sale financial assets would have impact on equity of approximately RO 1,511 thousand (2015 - RO 88 thousand). A 10% change in fair value of Parent Company's available-for-sale financial assets would have impact on equity of approximately RO 1,367 thousand (2015 – nil).

A 10% change in fair value of the Group's financial assets at fair value through profit or loss would have impact on profit before taxation of approximately RO 1,593 thousand (2015 - RO 1,438 thousand). A 10% change in fair value of the Parent Company's financial assets at fair value through profit or loss would have impact on profit before taxation of approximately RO 1,184 thousand (2015 - RO 876 thousand).

Fair value estimation

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

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

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

Group	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
2015				
Investment property	-	1,900	-	1,900
Available for sale financial assets	875	-	202	1,077
Financial assets at fair value through profit or loss	14,379	-	634	15,013
	15,254	1,900	836	17,990

32 Financial risk management (continued)

(d) Financial risks (continued)

(iii) Market risk (continued)

Fair value estimation (continued)

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

Parent Company	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
2015				
Financial assets at fair value through profit or loss	8,760	-	634	9,394

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

33 Operational risks

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

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

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

34 Capital management

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

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2016 and 2015.

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

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

34 Capital management (continued)

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

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

35 Financial assets by category

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

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

Group 2015	Loans and receivables RO'000	Financial assets at fair value through profit or loss RO'000	Available-for-sale financial assets RO'000	Total RO'000
Available-for-sale financial assets	-	-	1,077	1,077
Financial assets at fair value through profit or loss	-	15,013	-	15,013
Term deposits	10,952	-	-	10,952
Insurance and other receivables (excluding prepayments)	3,856	-	-	3,856
Cash and bank balances	4,413	-	-	4,413
	19,221	15,013	1,077	35,311

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

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

35 Financial assets by category (continued)

Parent Company 2015	Loans and receivables RO'000	Financial assets at fair value through profit or loss RO'000	Available-for-sale financial assets RO'000	Total RO'000
Financial assets at fair value through profit or loss	-	9,394	-	9,394
Trade and other receivables (excluding prepayments)	1,103	-	-	1,103
Cash and bank balances	4,322	-	-	4,322
	5,425	9,394	-	14,819

36 Operating segments

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

The Group has the following operating segments:

General insurance: General business includes insurance and re-insurance of motor, fire, general accident, marine cargo, hull, workmen compensation, engineering and aviation.

Life insurance: Life business relates to the insuring of the life of an individual, group life and group medical.

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

Group **2016**	**General insurance RO'000**	**Life insurance RO'000**	**Total RO'000**
Insurance revenue (net of reinsurance)	**3,659**	**2,305**	**5,964**
Insurance cost (net of reinsurance)	**(2,644)**	**(1,520)**	**(4,164)**
Segment underwriting results	**1,015**	**785**	**1,800**
Allocated investment and other income	**348**	**(126)**	**222**
Segment expenses	**(1,302)**	**(221)**	**(1,523)**
Segment profit	**61**	**438**	**499**
Unallocated expenses (primarily investments)			**(981)**
Unallocated investment and other income (primarily investments)			**6,380**
Profit before taxation			**5,898**
Less: taxation			**(81)**
Net profit for the year			**5,817**
Segment assets	**25,637**	**4,346**	**29,983**
Unallocated assets (primarily investments)			**35,590**
Total assets			**65,573**
Segment liabilities	**16,161**	**3,588**	**19,749**
Unallocated liabilities (primarily investments)			**10,735**
Total liabilities			**30,484**

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

36 Operating segments (continued)

2015	General insurance RO'000	Life insurance RO'000	Total RO'000
Insurance revenue (net of reinsurance)	3,822	1,571	5,393
Insurance cost (net of reinsurance)	(2,674)	(1,115)	(3,789)
Segment underwriting results	1,148	456	1,604
Allocated investment and other income	282	(67)	215
Segment expenses	(1,193)	(192)	(1,385)
Segment profit	237	197	434
Unallocated expenses (primarily investments)			(1,053)
Unallocated investment and other income (primarily investments)			5,784
Profit before taxation			5,165
Less: taxation			(148)
Net profit for the year			5,017
Segment assets	28,851	2,988	31,839
Unallocated assets (primarily investments)			21,857
Total assets			53,696
Segment liabilities	20,743	2,588	23,331
Unallocated liabilities (primarily investments)			586
Total liabilities			23,917

(b) Geographical segment

The Group operates solely in the Sultanate of Oman.

37 Corresponding figures

Certain corresponding information has been reclassified to conform to the presentation adopted in these Parent Company and consolidated financial statements. Such reclassifications do not impact the Group's and the Parent Company's previous year reported profit or equity.