OMINVEST

الشركة العمانية العالمية للتنمية والاستثمار ش.م.ع.ع

Oman International Development and Investment Company SAOG

ANNUAL REPORT 2014

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Ominvest aims to provide its shareholders with a consistent annual return on their capital, and the opportunity to participate in long-term gains from sound local and international investments

OMINVEST
Oman International Development and Investment Company SAOG
P O Box 3886, Ruwi
P C 112, Sultanate of Oman

BOARD OF DIRECTORS

Khalid Muhammad Al Zubair
Chairman (E)

Taya Jandal Ali
Deputy Chairman (E)

Abdullah Said Al Balushi
Director

Jamal Shamis Al Hooti
Director (A)

Majid Salim Al Araimi
Director (A)

Khalil Abdulla Al Khonji
Director (A)

Saif Said Al Yazidi
Director (E)

C.S. Badrinath
Director (E)

Majid Sultan Al Toky
Director (E)

Khalid Abdullah Al Khalili
Director (A)

(E) - Member of Executive Committee (A) Member of Audit Committee

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, it is my great honour to welcome you to the 30th Annual General Meeting of Ominvest. I am pleased to present to you the Annual Report together with the audited financial statements for the Group and the Parent Company for the year ended 31 December 2014.

OMINVEST - 30 YEARS OF EXCELLENCE

Ominvest continues to uphold its long standing track record of consistent profitability and healthy dividend payments to its esteemed shareholders. Established in 1983 with a paid-up capital of RO 8m, Ominvest's paid-up capital now stands at RO 33.67m. Over the preceding 30 years, the company has distributed a total of RO 68.4m in cash dividends to the shareholders. At the end of 2014, Ominvest's total Book Value of Group Equity attributable to Parent Company equity holders (including retained profits) rose to RO 136m, while the Market Value of Equity climbed to RO 140m. As a result, the shareholders have earned an IRR of 16%, since inception of the Company. We are pleased to see such decent investment returns over the long period and expect even better performance in years to follow.

FINANCIAL PERFORMANCE FOR THE YEAR 2014

The Group's consolidated profits rose by 7% to RO 28.42m from RO 26.44m in 2013. Profit attributable to the equity holders of the Parent Company increased to RO 14.51m from RO 14.18m, resulting in Earnings per Share of RO 0.043 in 2014.

In accordance with the directives of the Capital Market Authority (CMA), we are pleased to present Parent Company financial statements along with Group financial statements. The Parent Company's balance sheet grew to RO 106.4m from RO 81.4m – an increase of 31%. Total liabilities rose to RO 46.53m from RO 22.86 in 2013. The total Shareholders' Equity

“The Group’s consolidated profits rose by 7% to RO 28.42m from RO 26.44m.”

as at December 31, 2014 stood at RO 59.9m compared to RO 58.53m. The Net Asset Value per Share rose to RO 0.178 from RO 0.174 – an increase of 2.3%. The Parent Company recorded a profit of RO 5m in 2014 compared to RO 8m in 2013. The decrease in the Parent Company’s net profit was due to lacklustre performance of Muscat Securities Market in 2014 and downturn in regional equity markets in the second half of 2014 due to dramatic decline in oil prices.

Our banking subsidiary, Oman Arab Bank SAOC “OAB”, reported a profit of RO 28.4m for 2014 compared with RO 25.02m for 2013 – an increase of 13.5%. OAB’s gross loans and advances climbed by 17% to RO 1.26b and customer deposits witnessed an increase of 28% to RO 1.47b. OAB’s balance sheet remains robust, which will continue to produce healthy profits over time.

The share of profit attributable to the equity holders of the Parent Company for the year was RO 14.48m. Cash dividend from OAB’s 2013 profits received during 2014 by the Parent Company amounted to RO 5.91m. We are pleased to see our largest investment in the banking sector continue to perform well. With modern banking initiatives underway and new leadership at OAB, we are confident of delivering better results over the next few years.

STRATEGIC INITIATIVES AND OPERATIONAL PROGRESS

During 2014, Ominvest went through significant transformation. We took a number of major operational, investment and strategic initiatives to further strengthen the company’s position as one of the premier investment companies in Oman:

Strategic Initiatives – We have signed an MOU with ONIC Holding to explore the viability of a merger between the two companies. The due diligence process is progressing well. Once the proposed transaction is finalized, we will be able to create larger opportunities for its stakeholders and add value to the society at large.

Operational Initiatives – In order to implement new strategy, necessary changes were effected to the organisation structure with clear direction. Further, organisation was strengthened with appointment of senior management in key thrust areas identified for implementation of new strategy. Also, new policies and manuals are now put in place to ensure that within the new structure, the management team operates more effectively.

Investment Initiatives – The Investment Philosophy, Policy & Strategy framework was reviewed and revised. As a result, we are now well positioned to generate healthy investment returns over the medium to long term. The focus remains on earning attractive dividends from our investment portfolio and realizing significant capital appreciation, over time.

DIVIDENDS FOR THE YEAR 2014

In line with its long established track record, Ominvest endeavours to provide steady dividends to its shareholders. With 2014 being another good year for Ominvest, the Board is pleased to recommend a dividend of 30% comprising of cash dividend of 20% of the total paid-up share capital (the cash dividend in 2013 was 15% of the paid-up share capital) and a stock dividend of 10% of the paid-up share capital (the stock dividend in 2013 was 10% of paid-up share capital).

ECONOMIC ENVIRONMENT & OUTLOOK

The Sultanate of Oman’s economy forecast for 2015 remains stable as the Government opts to continue to have a prudent expansionary fiscal approach. Despite the challenges in 2015 due to the drop in oil price, the Government is targeting a GDP growth of 5% against an estimated 4.4% growth in 2014. Other key drivers to achieve and sustain such a GDP growth include strong domestic demand, growth of non-oil economy and increase in oil production.

Ominvest Board of Directors and Management remains optimistic on the future prospects of your Company. We are committed to nurturing our existing assets, identifying new opportunities, and dedicated to the tradition of enhancing shareholder value.

The Sultanate under the wise leadership of His Majesty Sultan Qaboos Bin Said stands today as an enviable model for sound economic policies aimed at spurring growth while ensuring stability. The standards of corporate governance prevalent among commercial enterprises operating in the country are comparable to the best in the world. The sound legal and regulatory framework governing commercial activity in the country ensures due process and an environment conducive for business to be conducted in conditions of security and fairness.

Finally, I would like to thank the Directors, management, staff, and shareholders for their support in 2014 and look forward to the Company’s continued progress in 2015 and beyond.

KHALID MUHAMMAD AL ZUBAIR
CHAIRMAN
February 22, 2015

Deloitte.

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TO THE SHAREHOLDERS OF
OMAN INTERNATIONAL DEVELOPMENT AND INVESTMENT COMPANY SAOG

We have performed the procedures prescribed in Capital Market Authority (CMA) Circular No. 16/2003 dated 29 December 2003 with respect to the accompanying corporate governance report of **Oman International Development and Investment Company SAOG** and its application of corporate governance practices in accordance with CMA Code of Corporate Governance issued under circular No. 11/2002 dated 3 June 2002 as supplemented by the Rules and Guidelines on Disclosure by Issuers of Securities and Insider Trading approved by Administrative Decisions no. 5/2007 dated 27 June 2007 and the Executive Regulation of the Capital Market Law issued under the Decision No. 1/2009 dated 18 March 2009 (collectively the Code and additional regulations and disclosures). Our engagement was undertaken in accordance with the International Standards on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the Company's compliance with the code as issued by the CMA.

We report our findings as below:

We found that the Company's corporate governance report fairly reflects the Company's application of the provisions of the Code and is free from any material misrepresentation.

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

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

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of **Oman International Development and Investment Company SAOG** to be included in its annual report for the year ended 31 December 2014 and does not extend to any financial statements of **Oman International Development and Investment Company SAOG**, taken as a whole.

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
22 February 2015

CORPORATE GOVERNANCE REPORT

The principles of Corporate Governance mainly deals with the way companies are led and managed, the role of the Board of Directors and a framework of internal controls. At Ominvest, the Board supports the highest standards in Corporate Governance. The Board of Directors is responsible for approving and monitoring the Company's overall strategy and policies, including risk management policies, control systems, business plan and annual budget. The Management is responsible to provide the Board with appropriate and timely information to monitor and maintain effective control over strategic, financial, operational and compliance issues. The Board confirms that Ominvest (the Company) applies the principles set out in the Capital Market Authority's (CMA) Code of Corporate Governance for public listed companies published on 3 June 2002 (Circular no. 11/2002) as amended on 11 January 2003 (Circular no. 1/2003), and other relevant amendments to the Code, rules and guidelines issued by the CMA from time to time.

BOARD OF DIRECTORS

Appointment of Directors

The Articles of Association of the Company provide for ten (10) directors. Each director on the Board is required to own/represent at least two hundred thousand (200,000) shares in the Company as qualification shares. Election to the Board is subject to approval by the regulatory authorities based on nomination form filed by the candidate who meets the minimum qualification requirements as per CMA guidelines. The election for the Board of Directors was held at the Annual General Meeting (AGM) held on 31 March 2014 for a term of three years and the next election to the Board is due to be held at the AGM scheduled for 31 March 2017.

Composition of the Board

During the year 2014, the Board consisted of ten directors who have varied backgrounds and experience and who individually and collectively exercise independent and objective judgement. The composition of the board of directors is in accordance with the Article 3 of the Code.

All Directors, including the Chairman, are non-executive. With the exception of one Director, all other Directors are independent.

All Directors with the exception of one nominee director representing an institutional shareholder, were elected by the shareholders in their individual capacities.

Directors meet the criteria of 'independent director' as defined by Article 1 of the CMA Code of Corporate Governance issued under Circular no. 11/2002 dated 3 June 2002 and subsequent amendments.

Number of Board Meetings

Ominvest held seven Board meetings during the year ended 31 December 2014. These were held on 24 February, 31 March, 06 May, 01 September, 30 September, 10 November and 17 December. The Board meeting held on 31 March 2014 immediately following the AGM was held only to appoint the Chairman and the Deputy Chairman. Therefore, no sitting fee was paid to the directors for attending the meeting. The maximum interval between any two meetings was 118 days. This is in compliance with Article 4 of the Code which requires meetings to be held within a maximum time gap of four months.

Directors' Attendance Record

Director	No. of Board meetings attended	Whether attended last AGM
Khalid Muhammad Al Zubair	5	Yes
Taya Jandal Ali	6	Yes
Abdullah Said Al Balushi	6	Yes
Jamal Shamis Al Hooti	4	Yes
Majid Salim Al Araimi	5	Yes
Khalil Abdulla Al Khonji	4	Yes
Saif Said Al Yazidi	6	Yes
Khalid Abdullah Al Khalili (1)	5	Yes
Majid Al-Toky (1)	5	Yes
Ceruseri Sreenivas Badrinath	6	Yes
Abdul Kader Askalan (2)	1	Yes
Imad Kamal Sultan (2)	1	No

(1) Elected as new members on 31 March 2014 (2) Directors until 31 March 2014

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

Directors with Materially Significant related Party Transactions, Pecuniary or Business Relationship with the Company

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

The Company has its related party policy and all related party transaction were reviewed by the Audit Committee and approved by the Board collectively. During the year, there were no material related party transactions or pecuniary transactions between the Company and its directors that may have potential conflict with the interests of the Company at large.

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

	At 31 Dec 2014 (% Holding)
• Al Hilal Investment Company LLC	20.22%
• Civil Service Employees Pension Fund	14.26%

COMMITTEES OF THE BOARD

Audit Committee

The Committee consists of four non-executive and independent directors. All members of the Committee are familiar with finance, industry, Omani laws and regulations governing SAOG companies.

The Audit Committee met five times during the year on 19 February, 4 May, 10 July, 4 November and 16 December and the attendance record is tabled below.

Attendance record of Audit Committee Members:

Name of Committee Member	Position	Meetings attended during the year
Majid Salim Al Araimi	Chairman	5
Jamal Shamis Al Hooti	Member	5
Khalil Abdulla Al Khonji	Member	4
Khalid Abdullah Al Khalili	Member	4

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

Executive Committee

The Executive Committee is delegated powers and authority to facilitate the smooth running of the operations of the Company and exercise all of the responsibilities of the Board between its meetings within the limits set out in the Delegation of Authority Manual approved by the Board. The exceptions to the delegated powers are:

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

The Executive Committee (EC) consists of four independent and one non independent Directors. All EC members are non-executive Directors.

The Committee met five times during the year on 17 February, 5 May, 17 July, 4 November and 15 December and the attendance record of the members is tabled below:

Name of Committee Member	Position	Meetings attended during the year
Khalid Muhammad Al Zubair	Chairman	5
Taya Jandal Ali	Member	5
Saif Said Al Yazidi	Member	4
Ceruseri Sreenivas Badrinath	Member	5
Majid Sultan Al Toky	Member	4
Imad Kamal Sultan*	Member	1

*Member until 31 March 2014.

In addition, certain Committee members, together with the management of the Company, attended various meetings with Government authorities and consultants in Muscat and Salalah. There was no specific compensation to members made by the Company for the time spent on Company business.

Remuneration of Directors

During the year, following the approval by the shareholders at the AGM held on 31 March 2014, the Directors were paid a remuneration of RO 157,000 for 2013.

Directorship sitting fees of RO 500 was paid to the Directors for each Board/Board Committee meeting attended during the year. Total sitting fees for Board and Board Committee meetings held during 2014 were as follows:

	(RO)
Board	27,000
Executive Committee	12,000
Audit Committee	9,000
Total	**48,000**

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

There were no travel and incidental expenses relating to Group's business paid by the Parent Company to any Board members during the year. Remuneration for 2013 paid in 2014 and sitting fees paid for 2014 relating to individual Directors was (in RO):

Director	Sitting Fees				Remuneration for 2013	Total
	Board	Executive Committee	Audit Committee	Total		
Khalid Muhammad Al Zubair	2,500	2,500		5,000	22,000	27,000
Taya Jandal Ali	3,000	2,500		5,500	19,000	24,500
Abdullah Said Al Balushi	3,000			3,000	14,500	17,500
Jamal Shamis Al Hooti	2,000		2,500	4,500	14,500	19,000
Majid Salim Al Araimi	2,500		2,500	5,000	14,500	19,500
Khalil Abdulla Al Khonji	2,000		2,000	4,000	14,500	18,500
Saif Said Al Yazidi	3,000	2,000		5,000	14,500	19,500
Ceruseri Sreenivas Badrinath	3,000	2,500		5,500	14,500	20,000
Majid Al-Toky (1)	2,500	2,000		4,500	-	4,500
Khalid Abdullah Al Khalili (1)	2,500	-	2,000	4,500		4,500
Abdul Kader Askalan (2)	500	-		500	14,500	15,000
Imad Kamal Sultan (2)	500	500		1,000	14,500	15,500
Total	**27,000**	**12,000**	**9,000**	**48,000**	**157,000**	**205,000**

(1) Directors from 31 March 2014 (2) Directors until 31 March 2014

Directors' Remuneration proposed for 2014 is RO 152,000 and this is subject to shareholders' approval at the AGM scheduled to be held on Monday, 30 March 2015. As per Royal Decree 99/2005 of 5 December 2005, the maximum permissible limit on Board remuneration, including sitting fees is 5% of annual net profit, subject to an overall limit of RO 200,000. Each Director's sitting fees per annum is limited to RO 10,000 after deduction at a rate not less than 5% of the capital.

Internal Control Review

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

MANAGEMENT

Management Discussion and Analysis

A copy of the Management Discussion and Analysis is included in the annual report.

Management Remuneration

At 31 December 2014, the Company had twenty nine (29) full-time employees. The expense (salaries and allowances and other statutory payments) incurred for 2014 relating to the (6) full-time executive management team of the Company was RO 878,233.

In addition, Sitting fees and funds received by the Company from the investee companies was RO 76,958. No Travel and incidental expenses for Group's business incurred by any of the above executives for the year 2014.

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

PROFILE OF EXECUTIVE MANAGEMENT

ABDULAZIZ AL BALUSHI

Chief Executive Officer

AbdulAziz is an experienced and professional banker with more than 28 years of experience in the banking industry and capital markets. He was the CEO of Ahli Bank SAOG from 2007 to 2013 and was primarily responsible in converting a single product mortgage bank into a full-fledged commercial bank. During his tenure, Ahli Bank won many prestigious awards including the best bank of Oman for three consecutive years by OER, the best bank in Oman 2012 by World Finance and the Bankers award 2013.

In a career which has spanned over two decades, Mr. Al Balushi has held positions of increasing responsibility in all major areas of banking. AbdulAziz started his career with Oman International Bank and prior to joining Ahli Bank, he was Deputy CEO of National Bank of Oman. AbdulAziz holds Master of Science Degree in Finance from the University of Strathclyde (UK) and a Fellow Chartered Institute of Bankers (UK). He has attended a host of Specialized Executive Management Development Programmes at International Institutes of worldwide repute such as Strathclyde; London and INSEAD Business Schools. In November 2012, he was ranked as the "Second Best CEO in the Arab Banking World" by Forbes Magazine. AbdulAziz served in various Boards of companies across the Sultanate including ONIC Holding, Al Ahlia Insurance Company, National Life Insurance, Oman Investment & Finance Company, Gulf Hotels Co. and as Advisory Board Member in the College of Agricultural and Marine Services at Sultan Qaboos University. He is currently the Chairman of Oman Electricity Transmission Company, a wholly government-owned entity. He is also a member "The British Scholarships of Oman", a local organisation that sponsors outstanding Omanis for post graduate studies in the U.K.

SHAHID RASOOL

Chief Investment Officer

Shahid joined the company in 2014 and brings on board significant experience in the areas of public and private equity investments and equity research. Before joining Ominvest, he was Head of Public Securities at QInvest (Qatar's largest investment bank) and managed the Bank's proprietary capital and client portfolios focusing on MENA and Global Equities. Previously, he was Head of Investments at First Gulf Bank (FGB) in Abu Dhabi, where he managed a large team and multi-asset global portfolios comprising private equity, public equities and hedge funds. He also managed private equity investments at ADIC – an Abu Dhabi based SWF. Shahid is a CFA Charter holder and received his MBA from The University of Chicago, Booth School of Business, Illinois, USA.

BIKRAM MONGA

Chief Risk Officer

Bikram is a senior risk management professional with 19 years of international experience in financial services / banking across Commercial & Investment Banking, Brokerage, Advisory and Islamic Banking. His experience includes working with leading institutions across GCC, Western & Eastern Europe and Central Asia, where he has accumulated an extensive understanding of various markets and advised businesses in multicultural environments. Bikram holds a BSc (with honours) in Mechanical Engineering from Moscow and an MBA from University of Alberta, Canada. At Ominvest, Bikram is responsible for the Risk Management, Compliance and Legal functions.

NASHAT HELAL

Financial Controller

Nashat is a CPA & CMA by profession and he is a member of the Institute of Management Accountants and CFA Institute with over than 12 years of professional experience in managing the finance functions, formulating strategic business plans, budgeting and financial planning. Previously he was with Ernst & Young in Jordan and Oman where he was the Executive Manager leading the risk management team and led projects across various industries covering government, utilities, insurance, energy, banking and financial services. He joined the Company in July 2013 and is responsible of the finance department after he worked as a Chief Financial Officer of Oman Sail. He holds Bachelor degree in Marketing from Yarmouk University in Jordan.

HAMID AL HARTHI

Head of Support Services

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

MUNEER AL MUGHAIRI

Chief Internal Auditor

Muneer has over 12 years of experience in Internal Audit. He worked for various reputable companies such as Oman LNG, Takamul Investment Company, Al Maha Petroleum Marketing Company. In his capacity as Internal Audit Manager at Takamul Investment Company, Muneer was responsible to oversee the Internal Audit Department over the parent company and to evaluate the requirement of conducting shareholders audit over around 8 subsidiaries. Muneer is a Certified Internal Auditor, a Certified Fraud Examiner and a Certified Information System Auditor.

SHAREHOLDERS

Communication to Shareholders and Investors

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

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

Distribution of Shareholding

The shareholding pattern as on 31 December 2014 was:

Number of Shares	% Held	Number of shareholders	Total Shares	% of Share Capital
33,674,301 and above	Above 10%	2	116,123,992	34.48%
16,837,151 to 33,674,300	5% - 10%	-	-	-
3,367,431 to 16,837,150	1% - 5%	14	114,712,361	34.07%
Below 3,367,430	Below 1%	1,098	105,906,647	31.45%
		1,114	336,743,000	100.00%

PROFESSIONAL PROFILE OF THE STATUTORY AUDITOR

The shareholders of the Company have appointed M/s Deloitte & Touche as the auditors for the year ended 31 December 2014.

Deloitte & Touche (M.E.) & Co. LLC - Statutory Auditors

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's more than 200,000 professionals are committed to becoming the standard of excellence.

Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is the first Arab professional services firm established in the Middle East region with uninterrupted presence for over 85 years. Deloitte is among the region's leading professional services firms, providing audit, tax, consulting, and financial advisory services through 26 offices in 15 countries with over 2,500 partners, directors and staff.

Remuneration to statutory auditors: (RO)

		(RO)
Audit fees for 2014:	Parent Company	9,950
	Subsidiaries	39,700
		49,650

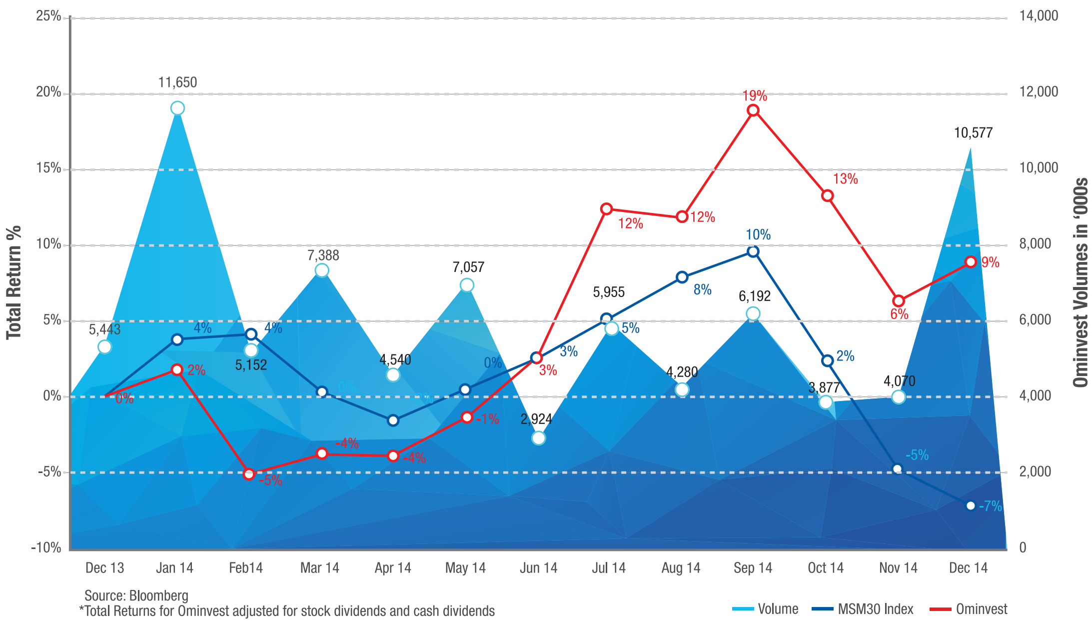
LEGAL ADVISOR

M/s Al Busaidy, Mansoor Jamal & Co. continued to serve the Company as the Legal Advisor during the year.

MARKET PRICE DATA

The performance of the Company's share price (total returns) in 2014 versus MSM-30 Index is shown below:

Total Return in 2014 - MSM30 Index vs Ominvest



Source: Bloomberg
*Total Returns for Ominvest adjusted for stock dividends and cash dividends

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

	Dec'13	Jan'14	Feb'14	Mar'14	Apr'14	May'14	Jun'14	Jul'14	Aug'14	Sep'14	Oct'14	Nov'14	Dec'14
High	0.456	0.466	0.448	0.424	0.384	0.378	0.398	0.434	0.440	0.490	0.464	0.440	0.440
Low	0.424	0.436	0.412	0.404	0.360	0.358	0.372	0.392	0.420	0.428	0.398	0.404	0.374
Close	0.434	0.442	0.412	0.418	0.366	0.376	0.392	0.430	0.428	0.456	0.434	0.406	0.416

Source : MSM Monthly Investors' Guide

Details of Non-Compliance

There have been no instances of non-compliance on any matter relating to the Commercial Companies Law No. 4/1974, CMA's code of corporate governance for public listed companies, CMA regulations or the MSM listing agreements.

Acknowledgement by the Board

The Board acknowledges its responsibilities and confirm that:

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

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

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

Date: 22 February 2015

APPENDIX 1

Particulars of Directorships of other Public Joint Stock Companies and Memberships of their committees

	OTHER DIRECTORSHIPS			
Director	**Company**	**Position**	**Committee**	**Position**
Taya Jandal Ali	National Finance Co. SAOG	Chairman	EC	Chairman
Majid Salim Saeed Al Araimi	Oman Packaging Co. SAOG	Dy. Chairman	-	-
Saif Said Al Yazidi	National Bank of Oman SAOG	Director	CC	Member
	OOREDOO SAOG	Director	AC	Member
Majid Sultan Al Toky	Oman Investment and Finance SAOG	Director	EC	Member
			EC = Executive Committee CC = Credit Committee AC = Audit Committee	

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERVIEW

Oman International Development and Investment Company SAOG (Ominvest or the Company), an Omani General Joint Stock Company, was established by a Ministerial Decree in 1983. The Company's shares are listed on the Muscat Securities Market (MSM) and it is a constituent of the MSM Index which comprises a basket of 30 listed companies.

The Company's stated objectives are to provide its shareholders a consistent annual return on their capital, together with an opportunity to participate in the long-term gains from its sound investments.

To achieve these objectives, the Company's current investment strategy focuses on the following major areas:

- Strategic investments
- Public and Private Equity investments
- Real Estate investments

Within the above strategy, Ominvest is exploring opportunities to increase and diversify its portfolio of investments within and outside the Sultanate with an objective of growth in sustainable earnings and to mitigate volatility in its portfolio of investments.

GROUP AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Group audited consolidated financial statements include the audited financial statements of the following companies for the financial year ended 31 December 2014:

Company	Activity	Country	Staff *	Status
Oman International Development & Investment Company SAOG	Investment	Oman	29	Parent Company
Oman Arab Bank SAOC	Banking	Oman	1,187	Subsidiary (51%)
Oman Investment Services SAOC	Investment	Oman	3	Subsidiary (99.98%)
Salalah Resorts SAOC	Integrated Tourism	Oman	-	Subsidiary (100%)
Al Jabal Al Aswad Investment LLC	Tourism	Oman	-	Subsidiary (100%)
Budva Beach Properties d.o.o.	Tourism	Montenegro	2	Subsidiary (100%)

[Subsidiary of Al Jabal Al Aswad Inv. LLC]

* at 31 December 2014

The financial highlights based on the audited financial statements for the financial year ended 31 December 2014 are:

	GROUP		PARENT COMPANY	
	2014 (RO '000)	**2013** (RO '000)	**2014** (RO '000)	**2013** (RO '000)
Profit for the year attributable to the shareholders of the Parent Company	14,505	14,177	5,013	8,016
Share capital	33,674	30,613	33,674	30,613
Shareholders' funds	132,669	123,176	59,907	58,533
Proposed cash dividend	6,735	4,592	6,735	4,592
Proposed stock dividend	3,367	3,061	3,367	3,061
Basic earnings per share (RO)	0.043	0.042	0.015	0.024
Net assets per share (RO)	0.394	0.366	0.178	0.174
Cash dividend per share (RO)	0.020	0.015	0.020	0.015
Stock dividend per share (RO)	0.010	0.010	0.010	0.010

PERFORMANCE FOR THE YEAR

The Group consolidated profit for the year was RO 28.42m (2013: RO 26.44m) and is attributable to:

	2014	2013
	(RO'000)	(RO'000)
Shareholders of the Parent Company	14,505	14,177
Non-Controlling interests	13,919	12,264
	28,424	26,441

Non-controlling interests represents 49% of the banking subsidiary's equity owned by the minority shareholder, Arab Bank, Jordan. Accordingly, 49% of Oman Arab Bank's profit for the year is attributable to non-controlling interests.

Earnings per share increased to RO 0.043 (2013: RO 0.042) for the Group and decreased to RO 0.015 (2013: RO 0.024) for the Parent Company. NAV per share increased to RO 0.394 (2013: RO 0.366) for the Group and RO 0.178 (2013: RO 0.174) for the Parent Company.

PARENT COMPANY

Income

Investment Income: RO 8.47m (2013: RO 11.18m)

Investment income comprise dividend income, profit from capital market investments and from available for sale investments. Investment income details are presented in Note 19 of the financial statements.

i. **Dividend income** – RO 7.31m (2013: RO 7.60)

Ominvest's main income was from its single largest investment (at cost) of RO 41.30m (39% of total assets) in its banking subsidiary, Oman Arab Bank SAOC (OAB). During 2014, cash dividend of RO 5.91m (2013: RO 5.91m) was received from OAB.

Cash dividend and directors' sitting fees received from associate investments in National Finance Company, National Detergent Company and National Biscuits Industries Limited was RO 0.77m (2013: RO 0.75m).

Cash dividend received from capital market investments in Oman and other GCC markets amounted to RO 0.25m (2013: RO 0.26m) and cash dividend received from other investments in Oman was RO 0.42m (2013: RO 0.68m).

ii. **Profit from capital markets investments**

Profit from capital markets investments amounted to RO -703.7m (2013: RO 3.36m) representing net realized and unrealized gains. Capital market investments incurred a loss of -0.97% (2013: +37.5% gains) for the year.

Movement in capital market investments for the year was as follows:

	MSM	Other GCC * Portfolio	Others Markets	Total
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
At 1 January 2014	3,296	2,061	1,515	6,872
Market gains	(402)	(329)	28	(703)
Net flows	740	589	(879)	450
At 31 December 2014	3,634	2,321	664	6,619

* include managed GCC focused mutual funds.

Movement in the index of selected GCC markets was as follows:

PERIOD	MSM General Index	DFM General Index	ADSM Index
31 December 2014	6343.22	3774.00	4528.93
31 December 2013	6834.56	3369.81	4290.30
Change for the year	↓ 7.19%	↑11.99%	↑5.56%

DFM = Dubai Financial Market ADSM = Abu Dhabi Stock Market

iii. **Available for Sale investments**

Available for sale investments included under investment securities comprise:

a) **Quoted local investments**

These positions represent investments in public equities to be held for medium to long term horizon. The Balance of these investments was RO 25.09m as of 31 December 2014, with recorded unrealized gains through other comprehensive income of RO 0.953m.

a-1) Investments in overseas unquoted private equity direct investments and managed funds:

These positions are generally held for long periods. Fair values of these investments are estimated based on periodic reports received from the fund managers. Based on the periodic reports received, following a review of each position, the management estimates impairment charges, if any, and such charge is recognized as an expense in the statement of comprehensive income. Estimated positive fair value changes, if any, are recognized in shareholders total equity through 'other comprehensive income' in the statement of comprehensive income.

During 2014, the Company exited its investment in Mountain Partners AG.

a-2) Loss/Profit realized from private equity managed funds was RO -0.006m (2013: RO 0.2m). This was earned from those private equity funds which mainly represent residual balances.

1 managed fund which was fully provided for in earlier years and written off during the year, amounted to RO 0.30m.

Movement during the year, investments at cost, impairment provision for changes in fair values is as follows:

Particulars	Investments	Provisions for Impairment	Fair value Reserve
	(RO'000)	(RO'000)	(RO'000)
At 1 January 2014	4,335	2,906	78
Net Additions	-	306	-
Disposals	(765)	-	-
Investments written off	(1,741)	(1,737)	-
Reduction	-	-	(14)
At 31 December 2014	1,829	1,475	64

(b) Unquoted Local Investments

Unquoted local investments are initially recognized at acquisition cost, being the fair value. At the reporting date, these investments were fair valued mainly based on DCF valuation which is considered to be the most appropriate basis. Following this, these investments are reported at a fair value of RO 6.6m (recognised in previous years) compared to acquisition cost of RO 0.7m. The positive changes in fair values amounting to RO 5.6m (before deferred tax reserve) is recognized through other comprehensive income and included in shareholders' equity.

Statement of Financial Position

Total Assets were RO 106.44m vs. RO 81.40m at 31 December 2013. Concentration of total assets by geography is, Sultanate of Oman: RO 95.13m 89% (2013: RO 68.25m) and outside the Sultanate RO 11.31m 11% (2013: RO 13.15m).

Shareholders' Total Equity at RO 59.91m grew by 2.35% from RO 58.53m at 31 December 2013. Share Capital increased to RO 33.67m (from RO 30.61m), the increase represent stock dividend of RO 3.06m approved at the Annual General Meeting held on 31 March 2014. Retained Earnings rose to RO 19.19m compared to RO 13.33m as at 31 December 2013.

Investments in associates (Group)	2014	2013
	(RO'000)	(RO'000)
	13,908	12,372

There are 3 (2013: 3) SAOG companies in which the Group and the Parent Company have shareholding between 20% and 50% of the voting rights, and deemed to exercise significant influence by representation on the investee company Board and Board committees. The market value of investments in associate companies quoted on the Muscat Securities Market held by the Group amounted to RO 13.56m (2013: RO 13.46m). The major exposure is to a leasing associate which accounted for a carrying value of RO 10.05m (market value: RO 9.97m). The Group will continue to hold these investments subject to returns meeting internal benchmarks.

Associates generally performed well and contributed positively. Share of profits from associates recognised in the Group's statement of comprehensive income amounted to RO 1.69m for 2014 (2013: RO 1.52m). Cash dividend from associates recognised in the parent company amounted to RO 0.77m (2013: RO 0.75m)

Fair Value Disclosures

As per International Accounting Standard 27: Consolidated and Separate Financial Statements, the parent company is only required to present the consolidated financial statements which incorporate its results and financial position as well as those of the subsidiary companies. IAS 27 also prescribes the accounting treatment for investments in subsidiaries and associates when the parent company is required to prepare separate financial statements by the local regulators.

In accordance with the (Capital Market Authority's Circular E/2/2007 issued on 14th January 2007) the Parent Company's detailed financial statements are presented along with the Group financial statements. These financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS).

We would like to highlight the following important disclosures related to the Fair Value of investments in subsidiaries and investments in associate companies in the Parent Company's separate financial statements.

Investments in Subsidiaries

The Parent Company's investments in subsidiaries, which are unquoted, are stated "at cost" and comprise the following:

	2014		2013	
	%held	(RO'000)	%held	(RO'000)
Oman Arab Bank SAOC	50.99	41,302	50.99	41,302
Oman Investment Services SAOC	99.98	903	99.98	903
Salalah Resorts SAOC	100.00	3,000	100.00	1,000
Al Jabal Al Aswad Investment LLC	100.00	-	100.00	-
Budva Beach Properties (fully owned subsidiary of Al Jabal Al Aswad Investment LLC)	100.00	5,231	100.00	5,231

While the investment in the banking subsidiary is reported at cost (RO 41.3m) under IAS 27, the fair value of the Parent Company's investment in Oman Arab Bank SAOC's equity (50.99%) could be significantly higher. IFRS set out valuation techniques such as using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and options pricing models for determining the fair value of unquoted investments. Fair value of Parent Company's investment in Oman Arab Bank could vary depending on the valuation technique that may be applied.

Budva Beach Properties and Salalah Resorts SAOC were established to focus on property development. Salalah Resort SAOC is an Integrated Tourism Complex project.

Investments in Associates

In accordance with International Accounting Standard 28: Investments in Associates (revised), investments in associates are stated "at cost". Income from such investments is recognised in the Parent Company's separate financial statements as the cash dividend received from associate companies.

Investments in associates are in companies which are listed on the Muscat Securities Market. At the balance sheet date, the market value of these investments at closing prices was RO 13.43m (2013: RO 13.36m) compared with the balance sheet carrying value (at cost) in the Parent Company's separate financial statements of RO 6.25m (2013: RO 5.63m) reflecting a positive value difference of RO 7.18m (2013: RO 7.73m).

Therefore, to conclude, the fair value of net assets held by the Parent Company as shown in its separate financial statements, would be significantly higher as compared to the reported net asset value of RO 59.91m (2013: RO 58.53m) considering the value ascribed to subsidiaries and associates at the balance sheet date under IFRS.

All other financial assets and liabilities of the Parent Company are reported at fair values, as per IFRS.

In adopting these policies, the Group applies prudence and consistency in methodology used as this involves certain judgements and estimates. It is the Group's policy to promptly report any material issues relating to its results and financial position immediately.

Due from Subsidiaries: RO 2.78m (2013: RO 4.52m)

This represents the development costs and expenses paid by the Parent Company on behalf of the directly managed and fully owned subsidiaries in the real estate sector.

Property & Equipment: RO 0.35m (2013: RO 5.52m)

During 2014, the company completed the commercial property and transferred it to investment property. The same property was sold during the year. The remaining balance of property and equipment as of 31 December 2014 represents furniture & fixture and computer equipment & software.

Bank borrowings

Increase in 2014	2014	2013
(RO'000)	(RO'000)	(RO'000)
22,800	44,000	21,200

This comprises the Parent Company borrowings (including short-term and medium term borrowings from the banking subsidiary) of RO 19.5m (2013: RO 5m) which was eliminated on consolidation. The borrowings are mainly to fund Parent Company's investment activities. All outstanding borrowings are clean facilities without any tangible securities and are due for settlement within one year to two years.

Ominvest's debt/equity ratio at the balance sheet date is positioned at 0.73:1 on shareholders' total equity of RO 59.91m in the Parent Company.

INTERNAL CONTROL

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

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

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

Critical Accounting Policies

The Group's accounting policies have been adopted in conformity with the International Financial Reporting Standards (IFRS) and have been consistently applied.

In applying certain accounting policies, the management of the Parent Company and of investee companies is required to make estimates and judgements regarding certain assets which are expected to be generating income and cash flows over a longer period, say up to ten years. Carrying values of assets recognised in the financial statements from such estimates are necessarily based on assumptions about numerous factors involving varying, and possibly significant, degrees of judgement and uncertainty. Accordingly, the carrying values reported in the financial statements may prove, with the benefit of hindsight, to be inaccurate. The balance sheet items which may most significantly be affected by these estimates are unquoted investments held by the Group and loans and advances to customers by the banking subsidiary.

Considering the Group's principal activities, the following accounting policies (fully detailed in the consolidated financial statements) are critical as their application may have a significant bearing on the reported results and the financial position of the Group:

- **Impairment and uncollectability of financial assets**

  An assessment is made at each balance sheet date to determine whether there is any indication that a specific financial asset may be impaired. If such indication exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the statement of comprehensive income.

  Loans and advances to customers are presented net of specific and general allowances for uncollectibility.

- **Fair Values**

  Fair values relating to valuation of unquoted investments and measurement of estimated change in values is by reference to external reports received. Fair values of unquoted investments cannot be determined without extensive, subjective, judgmental and possibly speculative estimates by the Company. Such investments are initially stated at cost, re-measured to estimated values at periodic intervals.

  Unrealised gains and losses on re-measurement of fair values of financial assets at fair value through profit or loss are included in the statement of comprehensive income and positive changes in fair values on available for sale financial assets are included under shareholders equity.

Dividends and Share Capital

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

Since inception, the Parent Company has a track record of consistent dividend payments. Cash dividends of RO 68.36m have been declared and distributed to shareholders. In addition, stock dividends totalling RO 21.67m were distributed since inception.

Share Capital paid in by the shareholders to date amounted to RO 12m as, of which RO 8 m was paid in November 1983 when the Company was incorporated and RO 4m in April 1994, following an increase in paid up share capital.

The market capitalisation of the Parent Company at end 2014 was RO 140m (2013: RO 132.86m).

Potential Risks and Concerns

We discuss below risks associated with our operations. However, these risks and uncertainties may not be the only ones facing our Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect us. If any of these risks actually occur, our business, financial condition or results of operations could be impacted.

Banking Sector Exposure:

- The banking subsidiary, Oman Arab Bank SAOC, is the largest investment of the Parent Company. The Bank operates within the confines of the Omani economy which is substantially dependent on income derived from oil and gas which is dependent on the crude reserves, annual production and international demand and supply. The growth in the Bank's loan book and resultant earnings is dependent on the continuous growth in Oman's economic activities.
- The banking industry is licensed and regulated by the Central Bank of Oman. Changes in regulations could impact the earnings and operational ability of the Bank.

Real Estate Sector Exposure:

The Real Estate investments by the Company include the development of properties over time. This exposes the Company to the risks in property market conditions and thereby potential decrease in the value of its real estate investments.

Leasing Sector Exposure:

- The leasing associate, National Finance Company SAOG, is carried on an equity basis at a value of RO 10.05 million in the consolidated financial statements. Any deterioration in the fundamentals of leasing industry could impact the financial statements of the associate thus reducing earnings recorded by the Group and the carrying value of our investment.
- The leasing industry is regulated by the Central Bank of Oman and any changes in regulations may impact the earnings ability of this company.

Private Equity Exposure:

- The investment in private equity is illiquid and the timing and size of distributions is not under the control of the Company's management. Furthermore, exits are dependent on the market conditions prevalent in the global economies.
- Provisions for impairments, which are considered other than temporary, have been estimated by management and are mainly based on external reports issued by the Fund Managers and investee companies. Continued economic weakness in developed markets and the lack of availability of funding could affect the viability of some of these investments.

Public Equity Exposure:

- While the Group's exposure to the companies listed on the Muscat Securities Market is primarily in Blue Chips stocks, any volatility in the local, regional and Asian markets could impact the returns from this segment of the Group's assets. As the portfolio is fairly well diversified, relatively small compared to Group's total assets, and is regularly monitored by the management, timely response would minimise the impact.

Date: February 22, 2015

Deloitte.

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Independent auditor's report to the shareholders of Oman International Development and Investment Company SAOG and its subsidiaries

Report on the financial statements

We have audited the accompanying financial statements of **Oman International Development and Investment Company SAOG** ("the Parent company") and the consolidated financial statements of **Oman International Development and Investment Company SAOG and its subsidiaries** ("the Group"), which comprise of the Parent company's and consolidated statement of financial position as at 31 December 2014 and the Parent company's and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 3 to 74.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the Parent company's and consolidated financial statements in accordance with International Financial Reporting Standards and the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the provisions for disclosure included in the Executive Regulations of the Capital Market Law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the Parent company's and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the Parent company's and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Parent company's and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Parent company's and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Parent company's and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the Parent company's and consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Parent company's and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Independent auditor's report
to the shareholders of
Oman International Development and Investment Company SAOG
and its subsidiaries

Opinion

In our opinion, the Parent company's and consolidated financial statements, present fairly, in all material respects, the financial position of **the Parent company and the Group,** as of 31 December 2014, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion, the Parent company's and consolidated financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the provisions for disclosure included in the Executive Regulations of the Capital Market Law.

Deloitte & Touche

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
22 February 2015

Signed by
Alfred Strolla
Partner

Deloitte & Touche (M.E.) & Co. LLC
P.O. Box 258, P.C. 112
Sultanate of Oman

GROUP AND PARENT COMPANY STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2014

	Notes	Group		Parent Company	
		2014	**2013**	**2014**	**2013**
		(RO'000)	(RO'000)	(RO'000	(RO'000)
ASSETS					
Balances with banks and money at call	25	115,302	134,338	3,549	2,078
Certificates of deposit	6	200,000	100,000	-	-
Deposits with banks	7	96,258	35,150	-	-
Investment securities	8	113,657	68,476	39,733	15,017
Investments in associates	8(d)	13,908	12,372	6,249	5,627
Investments in subsidiaries	8(e)	-	-	50,436	48,436
Loans and advances to customers	9	1,240,336	1,071,291	-	-
Due from subsidiaries		-	-	2,776	4,522
Other assets	10	43,350	32,850	367	193
Investment properties	11(a)	2,980	-	2,980	-
Projects work in progress	11(b)	8,778	8,717	-	-
Property and equipment	11(c)	29,669	32,333	346	5,522
TOTAL ASSETS		**1,864,238**	**1,495,527**	**106,436**	**81,395**
EQUITY AND LIABILITIES					
CAPITAL AND RESERVE					
Share capital	12	33,674	30,613	33,674	30,613
Legal reserve	13(a)	24,802	22,838	9,072	8,571
Capital reserve	13(b)	17,846	17,846	-	-
General reserve	13(c)	12,064	10,615	-	-
Subordinated debt reserve	13(d)	15,297	10,198	-	-
Revaluation reserve	13(e)	1,677	1,677	-	-
Cumulative changes in fair value	8(b)	6,292	6,712	6,970	6,017
Retained earnings		21,017	22,677	10,191	13,332
Equity attributable to equity holders of the Parent Company		132,669	123,176	59,907	58,533
Non-controlling interests		104,323	97,410	-	-
TOTAL EQUITY		**236,992**	**220,586**	**59,907**	**58,533**
LIABILITIES					
Due to banks	15	30,391	20,062	44,000	21,200
Deposits from customers		1,465,206	1,148,504	-	-
Other liabilities	16	77,413	52,683	2,529	1,662
Taxation	18	4,236	3,692	-	-
Subordinated bonds	17	50,000	50,000	-	-
TOTAL LIABILITIES		**1,627,246**	**1,274,941**	**46,529**	**22,862**
TOTAL EQUITY AND LIABILITIES		**1,864,238**	**1,495,527**	**106,436**	**81,395**
Net assets per share (Rial Omani)	38	**0.394**	**0.366**	**0.178**	**0.174**

These financial statements were approved and authorised for release by the Board of Directors on 22 February 2015 and were signed by:

Khalid Muhammad Al Zubair
Chairman

AbdulAziz Al Balushi
Chief Executive Officer

The accompanying notes form an integral part of these consolidated financial statements.

GROUP AND PARENT COMPANY STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Group		Parent Company	
		2014	**2013**	**2014**	**2013**
		(RO'000)	(RO'000)	(RO'000)	(RO'000)
Interest income	19	57,767	53,504	-	-
Interest expense	20	(14,468)	(11,523)	(509)	(463)
Net interest income / (expense)		**43,299**	**41,981**	**(509)**	**(463)**
Investment income - net	21	4,850	6,933	8,470	11,180
Fee and commission income - net	22	19,475	14,417	-	-
Other operating income	23	5,781	4,721	127	70
Total income		**73,405**	**68,052**	**8,088**	**10,787**
Operating expenses	24	(40,362)	(36,064)	(2,769)	(2,041)
Provision for impairment of work in progress	11 (b)	-	(1,329)	-	-
Allowance for loan impairment	9 (b)	(8,885)	(6,351)	-	-
Recoveries / release from allowance for loan impairment	9 (b)	6,871	4,999	-	-
Provision for impairment on investments		(306)	(730)	(306)	(730)
OPERATING PROFIT		**30,723**	**28,577**	**5,013**	**8,016**
Share of profit from associates	8 (d)	1,687	1,519	-	-
PROFIT BEFORE TAX		32,410	30,096	5,013	8,016
Income tax expense	18	(3,986)	(3,655)	-	-
PROFIT FOR THE YEAR		**28,424**	**26,441**	**5,013**	**8,016**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Changes in the fair value of available-for-sale investments		(1,740)	2,180	953	962
Other comprehensive income for the year		(1,740)	2,180	953	962
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**26,684**	**28,621**	**5,966**	**8,978**
Profit for the year attributable to:					
Shareholders of the Parent Company		14,505	14,177	5,013	8,016
Non-controlling interests		13,919	12,264	-	-
		28,424	**26,441**	**5,013**	**8,016**
Total comprehensive income for the year attributable to:					
Shareholders of the Parent Company		14,085	15,759	5,966	8,978
Non-controlling interests		12,599	12,862	-	-
		26,684	**28,621**	**5,966**	**8,978**
Basic earnings per share on profit attributable to the shareholders of the Parent Company (Rial Omani)	37	0.043	0.042	0.015	0.024

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Legal reserve	Capital reserve	General reserve	Sub-ordinated debt reserve	Revaluation reserve	Cumulative changes in fair value	Retained earnings	Attributable to equity holders of the Parent Company	Non-controlling interests	Total
	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)
GROUP											
At 31 December 2012	27,830	20,757	17,846	9,977	5,099	1,677	5,130	22,441	110,757	90,233	200,990
Profit for the year	-	-	-	-	-	-	-	14,177	14,177	12,264	26,441
Net changes in fair values	-	-	-	-	-	-	1,582	-	1,582	598	2,180
Total comprehensive income for the year	-	-	-	-	-	-	1,582	14,177	15,759	12,862	28,621
Transfer to legal reserve (note 13a)	-	2,081	-	-	-	-	-	(2,081)	-	-	-
Transfer to general reserve (note 13c)	-	-	-	638	-	-	-	(638)	-	-	-
Transfer to subordinated debt reserve (note 13d)	-	-	-	-	5,099	-	-	(5,099)	-	-	-
Bonus shares issued during the year (note 12)	2,783	-	-	-	-	-	-	(2,783)	-	-	-
Dividend paid relating to 2012	-	-	-	-	-	-	-	(3,340)	(3,340)	(5,685)	(9,025)
At 31 December 2013	**30,613**	**22,838**	**17,846**	**10,615**	**10,198**	**1,677**	**6,712**	**22,677**	**123,176**	**97,410**	**220,586**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14,505**	**14,505**	**13,919**	**28,424**
Net changes in fair values	**-**	**-**	**-**	**-**	**-**	**-**	**(420)**	**-**	**(420)**	**(1,320)**	**(1,740)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(420)**	**14,505**	**14,085**	**12,599**	**26,684**
Transfer to legal reserve (note 13a)	**-**	**1,964**	**-**	**-**	**-**	**-**	**-**	**(1,964)**	**-**	**-**	**-**
Transfer to general reserve (note 13c)	**-**	**-**	**-**	**1,449**	**-**	**-**	**-**	**(1,449)**	**-**	**-**	**-**
Transfer to subordinated debt reserve (note 13d)	**-**	**-**	**-**	**-**	**5,099**	**-**	**-**	**(5,099)**	**-**	**-**	**-**
Bonus shares issued during the year (note 12)	**3,061**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,061)**	**-**	**-**	**-**
Dividend paid relating to 2013	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,592)**	**(4,592)**	**(5,686)**	**(10,278)**
At 31 December 2014	**33,674**	**24,802**	**17,846**	**12,064**	**15,297**	**1,677**	**6,292**	**21,017**	**132,669**	**104,323**	**236,992**

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Legal reserve	Cumulative changes in fair value	Retained earnings	Total
	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)
PARENT COMPANY					
At 1 January 2013	27,830	7,770	5,055	12,240	52,895
Profit for the year	-	-	-	8,016	8,016
Net changes in fair value	-	-	962	-	962
Total comprehensive income for the year	-	-	962	8,016	8,978
Bonus shares issued during the year (note 12)	2,783	-	-	(2,783)	-
Transfer to legal reserve (note 13a)	-	801	-	(801)	-
Dividend paid relating to 2012 (note 14)	-	-	-	(3,340)	(3,340)
At 1 January 2014	**30,613**	**8,571**	**6,017**	**13,332**	**58,533**
Profit for the year	-	-	-	5,013	5,013
Net changes in fair value	-	-	953	-	953
Total comprehensive income for the year	-	-	953	5,013	5,966
Transfer to legal reserve (note 13a)	-	501	-	(501)	-
Bonus shares issued during the year (note 12)	3,061	-	-	(3,061)	-
Dividend paid relating to 2013 (note 14)	-	-	-	(4,592)	(4,592)
At 31 December 2014	**33,674**	**9,072**	**6,970**	**10,191**	**59,907**

The accompanying notes form an integral part of these consolidated financial statements.

GROUP AND PARENT COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Group		Parent Company	
		2014	2013	2014	2013
		(RO'000)	(RO'000)	(RO'000)	(RO'000)
Operating activities					
Profit before tax		32,410	30,096	5,013	8,016
Adjustments for:					
Provision for end of service benefits		448	433	56	68
Depreciation on property and equipment	11	2,619	2,424	83	87
Allowance for loan impairment	9(b)	8,885	6,351	-	-
Provision for impairment of work in progress	9(b)	-	1,329	-	-
Recoveries / release from allowance for loan impairment	9(b)	(6,871)	(4,999)	-	-
Provision for impairment on investments		306	730	306	730
Gain on sale of an investment property		(1,863)	-	(1,863)	-
Change in the fair value of financial assets at fair value through profit or loss		1,891	(964)	1,939	(307)
Profit / (loss) on sale of available-for-sale investments		2,693	(966)	-	-
Income from held-to-maturity investments		(803)	(745)	-	-
Non-controlling interests		(7,006)	(5,087)	-	-
Operating profit before working capital changes		32,709	28,602	5,534	8,594
Changes in operating assets and liabilities					
Investment securities		(49,688)	(8,780)	(26,008)	1,179
Loans and advances to customers		(171,058)	(142,729)	-	-
Due from subsidiaries		-	-	1,746	149
Other assets		(10,502)	(1,360)	(174)	398
Deposits from customers		316,702	118,345	-	-
Other liabilities		24,285	9,840	811	853
Cash generated from / (used in) operations		142,448	3,918	(18,091)	11,173
Tax paid		(3,443)	(3,813)	-	-
Net cash from / (used in) operating activities		139,005	105	(18,091)	11,173
Investing activities					
Investments in subsidiaries		-	-	(2,000)	(500)
Investments in associates		(1,536)	(1,069)	(622)	(297)
Proceeds from disposal of an investment property		8,000	-	8,000	-
Additions to investment properties		(3,655)	-	(3,655)	-
Projects work in progress		(61)	(508)	-	-
Additions to property and equipment		(5,448)	(9,379)	(369)	(1,962)
Proceeds from sale of property and equipment		30	49	-	-
Net cash (used in) / generated from investing activities		(2,670)	(10,907)	1,354	(2,759)
Financing activities					
Bank borrowings		8,300	(3,425)	22,800	(3,325)
Dividends paid		(4,592)	(3,340)	(4,592)	(3,340)
Net cash generated from / (used in) from financing activities		3,708	(6,765)	18,208	(6,665)
Net change in cash and cash equivalents		140,043	(17,567)	1,471	1,749
Cash and cash equivalents at the beginning of the year		265,126	282,693	2,078	329
Cash and cash equivalents at the end of the year	25	**405,169**	**265,126**	**3,549**	**2,078**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Group and Parent Company Financial Statements for the Year Ended 31 December 2014

1. GENERAL INFORMATION

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

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

These consolidated financial statements for the year ended 31 December 2014 comprise the Parent Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The separate financial statements represent the financial statements of the Parent Company on a stand-alone basis. The consolidated and separate financial statements are collectively referred to as "the financial statements".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Basis of preparation

These financial statements are prepared under the historical cost convention, as modified by remeasurement of fair value of financial assets at fair value through profit or loss and available-for-sale financial assets. The basis of consolidation is set out in note 2.4.

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

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

2.3 Changes in accounting policies and disclosures

The accounting policies are consistent with those used in the previous financial year except for where the Group has adopted certain new standards of, amendments and interpretations to IFRS.

2.4 Basis of consolidation

The consolidated financial statements comprise those of the Parent Company and each of its subsidiaries as at 31 December each year. Subsidiaries are all entities (including special purpose entities) over which the Group exercises control. Control is achieved when the Parent Company:

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

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Parent Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether or not the Parent company's voting rights in an investee are to give it power including:

- The size of the Parent company's holding of the voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Parent Company, or other holders or other parties;
- Rights arising from other contractual arrangements;
- Any facts and circumstances that indicates that the Parent Company has, or does not have, the current ability to direct the relevant activities at the time the decisions need to be made, including voting patterns at previous shareholders meetings.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The carrying amounts of the Group's interest and non-controlling interest are adjusted to reflect the changes in their relative interest in subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received directly is equity and attributed to the owners of the Parent Company.

If the Group loses control over a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of consideration received and the fair value of any retained interest; and
- The carrying amount of assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest.

All amounts previously recognised in other comprehensive income in relation to subsidiary are accounted for as if the Group has directly disposed of the assets and liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified / permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment as associate or joint venture.

In the Parent company's separate financial statements investments in subsidiaries are stated at cost, less provision for impairment in value of any individual investment. Dividend income is recognised in the profit or loss in the period in which entitlement is established.

2.4.1 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. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses and movements in reserves are recognised in the profit or loss. The cumulative post-acquisition movements are adjusted against 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 obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Parent company's separate financial statements investments in associates are stated at cost, less provision for impairment in value of any individual investment. Dividend income is recognised in the profit or loss in the period in which entitlement is established.

2.5 Financial assets – Initial recognition and subsequent measurement

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

2.5.1 Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

2.5.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

2.5.3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial securities held-for-trading which are acquired principally for the purpose of selling in the short-term and instruments so designated by management upon inception. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Unrealised gains or losses arising from changes in fair value are included in the statement of profit or loss and other comprehensive income in the period in which they arise. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by- instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

2.5.4 Available-for-sale investments

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group has not designated any loans or receivables as available-for-sale. After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in other comprehensive income in the cumulative changes in fair value. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of profit or loss in other operating income. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the Effective Interest Rate (EIR). Dividends earned whilst holding available-for-sale financial investments are recognised in the statement of profit or loss and other comprehensive income as investment income when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the statement of profit or loss and other comprehensive income in 'Impairment losses on financial investments' and removed from the cumulative changes in fair value.

2.5.5 Financial investments held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. In the case where the Group sells more than an insignificant amount of held to maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Held-to-maturity investments are initially recognised at fair value plus transaction costs. These are subsequently carried at amortised cost using the effective interest method.

2.5.6 Loans and advances to customers and due from banks

Loans and receivables to customers and due from banks are non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market. They arise when the Group provides money directly to a debtor with no intention of trading the receivable. Loans and receivables are recognised when cash is advanced to customers and are carried at amortised cost using the effective interest method.

2.5.7 Fair value measurement principles

Regular purchases and sales of financial assets are recognised on the trade-date basis – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. The fair value of financial instruments is based on their quoted market bid price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated based on discounted cash flow and other valuation techniques. The fair value of derivatives that are not exchange-traded is estimated at the amount that the bank would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counter-parties.

2.5.8 Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- The Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.5.9 Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and an impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events as well as considering the guidelines issued by the Central Bank of Oman:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the Group, or national or local economic conditions that correlate with defaults on the assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit or loss.

(b) Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from equity and recognised in the statement of profit or loss.

Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

(c) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

2.5.10 Islamic banking

Murabaha to the Purchase Orderer

Murabaha to the purchase orderer represents the sale of goods at cost plus an agreed profit. Murabaha receivables consist of deferred sales transaction agreements. Promise made in the Murabaha to the purchase orderer is not obligatory upon the customer.

Ijarah Muntahia Bittamleek

Ijarah Muntahia Bittamleek is a lease whereby the legal title of the leased asset passes to the lessee at the end of the Ijarah (lease term), provided that all Ijarah installments are settled.

Musharaka

Musharaka contracts represents a partnership between the Window and a customer whereby each party contributes to the capital in equal or varying proportions to establish a new project or share in an existing one, and whereby each of the parties becomes an owner of the capital on a permanent or declining basis and shall have a share of profits or losses.

Diminishing Musharaka

Diminishing Musharaka is a form of partnership where two or more persons jointly own a tangible asset in an agreed proportion and one of the partners undertakes to buy the ownership rights of other partner by way of periodical payments till the title of such tangible assets completely transferred to the purchasing partner.

Mudaraba

A contract between two parties, whereby one party provides the funds (Rab Al Mal) and the other party (the Mudarib) invest the funds in an asset, project or particular activity and any generated profits are distributed between the parties according to the profit shares that were pre-agreed upon in the contract. The Mudarib is responsible for losses caused by his misconduct, negligence or violation of the terms and conditions of the Mudarib; otherwise, losses are borne by Rab Al Mal. The Mudaraba capital of Mudaraba is paid to the Mudarib or placed under his disposition.

Wakalah

A contract between two parties whereby one party (the principal: Muwakkil) appoints the other party (the agent: Wakil) to invest certain funds according to terms and conditions of the Wakalah for a fixed fee in addition to any profit exceeding the expected profits as an incentive for the Wakil for the good performance. Any losses as a result of the misconduct or negligence or violation of the terms and conditions of the Wakalah are borne by the Wakil; otherwise, they are borne by the principal.

Qard Hassan

A non-profit bearing loan enables the borrower to use the borrowed amounts for a specific period of time, at the end of which the same borrowed amounts would be repaid free of any charges of profits.

2.6 Segment reporting

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

Investments for the Parent Company and retail banking, corporate banking, investment banking and support and unallocated functions for the banking subsidiary. The segment information is set out in note 27.

2.7 Foreign currency translation

2.7.1 Functional and presentation currency

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

2.7.2 Transactions and balances

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

On disposal of foreign operations, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit or loss.

2.8 Investment properties

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

Freehold property - 25 years

2.9 Property and equipment

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

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

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

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

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

Freehold land and land with factory buildings are considered as a separate class of assets by the Group's associate companies. These are revalued on a regular basis.

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

Projects work-in-progress

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

2.10 Impairment of non-financial assets

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

2.11 Cash and cash equivalents

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

2.12 Borrowings

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

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

2.13 Other liabilities

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

2.14 Taxation

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

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

Deferred tax is calculated using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.15 Employees' end of service benefits

End of service benefits are accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003, as amended. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date.

Contributions to the Omani Government Social Security Scheme under Royal Decree No. 72/91 for Omani employees in accordance with the Omani Social Insurance Law 1991 are recognised as an expense in the statements of profit or loss as incurred.

2.16 Provisions

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

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

2.17 Revenue recognition

Interest income and expense

Interest income and expense are recognised in the profit or loss for all instruments measured at amortised cost using the effective interest method, unless collectability is in doubt. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis. Asset management fees related to investment funds are recognised pro-rata over the period the service is provided. The same revenue recognition criteria are applied for custody services that are continuously provided over an extended period of time.

Dividend income

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

2.18 Fiduciary assets

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

2.19 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair value adjustments are recorded in the profit or loss. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.20 Trade and settlement date accounting

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

2.21 Offsetting

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

2.22 Dividends

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

2.23 Directors' remuneration

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

2.24 Earnings per share

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of the consolidated financial statements, as per IFRS, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the reporting date and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

3.1 Going concern

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

3.2 Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows and in line with the Central Bank of Oman guidelines in this respect. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.3 Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. In such situations, the investments would therefore be measured at fair value and not at amortised cost.

3.4 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using certain valuation techniques, derived from observable market data where possible. Where observable market data are not available, judgment is used to establish fair values.

3.5 Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, carried at fair value through profit or loss, or available-for-sale or held-to-maturity investments.

3.6 Impairment of available-for-sale investments

The Group reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment.

In making this judgment, the Group and the Parent Company evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

3.7 Useful lives of property and equipment and investment properties

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

3.8 Taxes

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

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

For the year ended 31 December 2014, the Group has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the period beginning on 1 January 2014.

4.1 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have been adopted in these consolidated financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities	The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.
Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities	The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.
Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	The amendment to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less cost of disposal.
Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting	The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.
IFRIC 21: Levies	IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies neither economic compulsion nor the going concern basis financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

4.2 Standards and Interpretations in issue not yet effective

At the date of authorisation of these consolidated financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New IFRS and relevant amendments	Effective for annual periods beginning on or after
IFRS 9: Financial Instruments	1 January 2018
IFRS 15: Revenue from Contracts with Customers	1 January 2017
Amendment to IFRS 11: Accounting for Acquisition of Interest in Joint Operations	1 January 2016
Amendment to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendment to IAS 16 and IAS 41: Agriculture – Bearer Plants.	1 January 2016
Amendment to IAS 19: Employee Benefit Plans – Employee Contributions	1 July 2014
Amendments to IAS 27: Permits use of equity method for investments in subsidiaries, associates and joint ventures when an entity prepares its separate financial statements.	1 January 2016
Amendments to IFRS 10 and IAS 28: Specifies the accounting treatment for gain or loss on sale or contribution of assets between investor and joint ventures based on whether or not the sale or contribution results in a business.	1 January 2016
Annual Improvements to IFRSs 2010 – 2012 cycle	1 July 2014
Annual Improvements to IFRSs 2011 – 2013 cycle	1 July 2014
Annual Improvements to IFRSs 2012 – 2014 cycle	1 January 2016

The Group and the Parent Company anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group's in the period of initial application. The adoption of these standards and interpretations has not resulted in changes to the Group's accounting policies and has not affected the amounts reported for the current or prior periods except for IFRS 9: Financial Instruments 9. IFRS 9 introduces new requirements for the classification and measurement of financial instruments. The management is currently assessing this standard which may have an impact on the financial statements of the Group as described above.

5. FINANCIAL RISK MANAGEMENT POLICIES

5.1 Financial risk management

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

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

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

5.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from lending activities at the banking subsidiary and investment activities and other assets in the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and financial guarantees given by the banking subsidiary.

5.2.1 Credit risk management

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The details of concentrations of credit risk based on counterparties by industry are disclosed in Note 9(d) and the geographical concentration is disclosed in Note 33.

5.2.2 Risk mitigation policies

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

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

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

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The banking subsidiary employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:
charges over business assets such as premises, inventory and accounts receivable lien on fixed deposits cash margins mortgages over residential and commercial properties pledge of marketable shares and securities

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

(b) Assessment of the financial capabilities of the borrowers

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

(c) Credit-related commitments

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

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

	Performing loans (neither past due nor impaired)	Loans past due but not impaired	Non performing loans	Gross loans
	RO'000	RO'000	RO'000	RO'000
Loans and advances with available collateral	278,060	22,432	11,502	328,385
Loans and advances with available guarantees	96,787	-	8,567	96,787
At 31 December 2014	374,847	22,432	20,069	425,172
At 31 December 2013	282,213	13,462	30,346	326,021

5.2.3 Impairment and provisioning policy

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the banking subsidiary about the loss events set out in Note 2.5.9 as well as considering the guidelines issued by the Central Bank of Oman.

The banking subsidiary's credit policy requires the review of individual financial assets on a quarterly basis or earlier when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually not significant; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience and experienced judgment.

5.2.4 Maximum exposure to credit risk before collateral held or other credit enhancements

	Group	
	2014	**2013**
	RO' 000	RO' 000
Items on the statement of financial position		
Certificates of deposit (note 6)	200,000	100,000
Deposit from banks - Money market placement	96,258	35,150
Loans and advances		
Corporate loans	748,659	677,178
Personal loans	528,667	428,427
Other assets	43,350	32,850
Investment in securities		
Government Development Bonds	50,402	32,073
	1,667,336	1,305,678
Off - balance sheet items		
Financial guarantees	97,224	89,681
Undrawn loan commitments	642	770
	97,866	90,451

The above table represents the worst case scenario of credit risk exposure to the Group at 31 December 2014 and 31 December 2013 without taking into account the collateral held or other credit enhancements. Management is confident that the Group has suitable policies to measure and control the credit risk. In addition, credit risk is mitigated through collaterals in the form of mortgages and guarantees wherever required.

(a) 76.7% (2013 - 100%) of the inter-bank money market placements are with banks rated investment grade and above based on the ratings assigned by External Credit Rating Agencies.

(b) Loans and advances represent 67% (2013 – 72%) of the total on-balance sheet items. Of the total loans and advances 95% (2013 - 96%) are neither past due nor impaired.

(c) The impaired loans have decreased from 3.3% at 31 December 2013 to 2.7% at 31 December 2014. The impaired personal loans constitute 0.9% of the total loans at 31 December 2014 compared to 0.9% at 31 December 2013.

(d) Certificates of deposit which represent 11% (2013 – 7%) of the total on-balance sheet items are placed with the Central Bank of Oman.

5.2.5 Loans and advances to customers and due from banks

(a) Loans and advances to customers and due from banks held by the Group are summarised as follows:

	2014			2013		
	Loans and advances to customers	Due from banks	Total	Loans and advances to customers	Due from banks	Total
	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Neither past due nor impaired	1,211,603	95,758	1,307,361	1,048,174	35,150	1,083,324
Special mentioned loans	5,106	-	5,106	7,357	-	7,357
Past due but not impaired	22,432	-	22,432	13,462	-	13,462
Impaired	38,185	-	38,185	36,613	-	36,613
Gross loans and advances	1,277,326	95,758	1,373,084	1,105,606	35,150	1,140,756
Less: allowance for loan impairment and contractual interest not recognised (refer to note (a) below)	(36,990)	-	(36,990)	(34,315)	-	(34,315)
Net loans and advances	1,240,336	95,758	1,336,094	1,071,291	35,150	1,106,441

(b) The total impairment provision for loans and advances is RO 36,904,000 (2013 - RO 34,315,000) of which RO 19,485,000 (2013 - RO 19,674,000) represents the individually impaired loans and the remaining amount of RO 17,419,000 (2013 – RO 13,369,000) represents the collective impairment provision made on a portfolio basis.

(c) The break-up of the loans and advances to customers in respect of the risk ratings adopted by the banking subsidiary are:

	2014			2013		
	Retail loans	Corporate loans	Total	Retail loans	Corporate loans	Total
	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Standard loans	516,296	717,739	1,234,035	417,334	644,302	1,061,636
Special mention loans	1,015	4,091	5,106	1,077	6,280	7,357
Substandard loans	4,026	576	4,602	1,110	5,155	6,265
Doubtful loans	1,256	5,423	6,679	1,484	1,533	3,017
Loss	6,073	20,831	26,904	7,422	19,909	27,331
	528,666	748,660	1,277,326	428,427	677,179	1,105,606

(d) Age analysis of the Group's loans and advances past due but not impaired

	2014	2013
	(RO'000)	(RO'000)
Past due up to 30 days	3,348	1,520
Past due 30-60 days	9,941	7,181
Past due 60-89 days	9,143	4,761
Total	22,432	13,462
Fair value of related collateral	27,831	5,535

(e) Loans and advances individually impaired

	2014	2013
	(RO'000)	(RO'000)
Individually impaired loans	38,185	36,613
Fair value of related collateral available	19,326	15,561

5.2.6 Loans and advances renegotiated

These arrangements include extended payment arrangements, deferral of payments and modification of interest rates. Following restructuring, a previously past due loan account is reclassified as a normal loan and managed with other similar loans which are neither past due nor impaired. The restructuring arrangements are based on the criteria and indicators which in the judgement of the management will indicate that the payment will most likely continue. The Group's total restructured loans at 31 December 2014 amounted to RO 9,167,000 (2013 – RO 6,060,000).

5.2.7 Debt securities

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

5.2.8 Repossessed collateral

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding balance of the debt. Repossessed assets are classified as other assets in the statement of financial position. The value of assets obtained by the Group by taking possession held as collateral as security at 31 December 2014 is RO 310,000 (2013 – RO 310,000).

5.3 Market risk

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

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

5.3.1 Market price risk measurement techniques

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

The impact of 10% change in the market price of the quoted equities and funds which are part of the financial assets at fair value through profit or loss at 31 December 2014 is 2.8% of the Group's total income (2013 – 3.19%).
The Parent Company is exposed to equity securities price risk because of investments held and classified as investments at fair value through profit or loss and available for sale financial assets. The Parent Company manages its market risk from its investing activities by diversification based on extensive research on equity or fund positions. Market risks are measured against management targets, past trends in world indices and market specific indices, before taking positions and subsequently monitored regularly.

The impact of 10% change in the market price of the quoted equities which are classified as financial assets at fair value through profit or loss at 31 December 2014 is 13.2% of the Parent company's total income (2013 – 6.11%).

5.3.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument carried at fair value will fluctuate due to changes in the market interest rates. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amount of interest based assets and liabilities that mature or re-price in a given period. The Group manages this risk by matching/re-pricing of assets and liabilities. The Group is not excessively exposed to interest rate risk as its assets and liabilities are re-priced frequently. The banking subsidiary's Assets and Liabilities Committee (ALCO) monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the banking subsidiary's profitability. The table in Note 34 summarises the Group's exposure to the interest rate risks. It includes the Group's financial instruments at the carrying amount, categorised by the earlier of the contractual re-pricing and maturity dates.

For managing its interest rate risk in the banking book the Group stipulates limits on open interest rate sensitive gaps for maturities up to 1 year and also periodically calculates Earnings at Risk (EaR) impact on its Net Interest Income (NII) from 100 bps change in interest rates on open interest rate gaps for maturities up to 1 year. The EaR gap limit is stipulated as a certain percentage of the NII of the Group for the previous year. The EaR at 31 December 2014 is 2.26% (2013 – 1.57%).

The Parent company's interest rate risk is limited since all of its financial assets are non-interest bearing and all of its borrowings are due within 6 months of the reporting date and are bearing a fixed interest rate for the period. The table in Note 34 summarises the Parent company's exposure to the interest rate risk.

5.3.3 Currency risk

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

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

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

The Parent company's exposure to assets denominated in foreign currencies (excluding US Dollars which the Omani Rial is pegged to) was 6.47% (2013 - 9.95%) of the total assets at the reporting date. Management regularly monitors the currency risk by reviewing the positions and within the overall context of its investment guidelines.

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

Foreign currency exposures

	Group		Parent Company	
	2014	**2013**	**2014**	**2013**
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Assets denominated in US Dollars (included assets denominated in GCC currency pegged with US Dollars)	9,486	5,169	3,879	3,883
Percentage of total assets		0.35%	3.64%	4.77%
Assets denominated in other foreign currencies	7,848	8,876	6,885	8,101
Percentage of total assets	0.42%	0.59%	6.47%	9.95%

5.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Group's funding activities are based on a range of instruments including deposits, other liabilities and assigned capital. Consequently, funding flexibility is increased and dependence on any one source of funds is reduced. The Group maintains liquidity by continually assessing, identifying and monitoring changes in funding needs required to meet strategic goals set in terms of the overall strategy. In addition the Group holds certain liquid assets as part of its liquidity risk management strategy.

The Group and the Parent Company hold investment securities listed on the securities markets and other quoted investments. Those investments are liquid in nature and can be sold in response to need for liquidity. As at 31 December 2014, the quoted investments for the Group were 48% of the total investment securities and 82% for the Parent Company (2013: 24% and 48% respectively).

5.5 Fair value estimation

The estimate of fair values of the financial instruments is based on information available to the individual Group Company's management at the reporting date. Whilst management has used its best judgment in estimating the fair value of the financial instruments, there are inherent weaknesses in any estimation technique. The estimates involve matters of judgment and cannot be determined with precision. The bases adopted by the Group and Parent Company in deriving the fair values are as follows:

5.5.1 Current account balances due to and from banks

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

5.5.2 Loans and advances

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

5.5.3 Investments at fair value through profit or loss and available for sale

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

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

5.5.4 Customers' deposits

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

5.5.5 Derivatives

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

The related fair value details are set out in note 32.

5.6 Capital management

The Group's objectives of capital management are:

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

The principal objective of the Central Bank of Oman's (CBO) capital adequacy requirements is to ensure that an adequate level of capital is maintained to withstand any losses which may result from the risks in a bank's balance sheet, in particular credit risk. The CBO's risk-based capital adequacy framework is consistent with the international standards of the Bank for International Settlements (BIS).

The CBO required the banks registered in the Sultanate of Oman to maintain a minimum capital adequacy ratio of 10% based on guidelines of the Basel II Accord from January 2007. The minimum capital adequacy ratio has been increased to 12% from 31 December 2010 onwards.

The ratio for the banking subsidiary calculated in accordance with the CBO and BIS capital adequacy guidelines as per the Basel II Accord is as follows:

	2014	2013
	RO' 000	RO' 000
Capital		
Tier 1	202,276	185,788
Tier 2	36,660	45,255
Total capital base	238,936	231,043
Risk weighted assets		
Credit risk	1,432,598	1,279,113
Market risk	4,963	7,713
Operational risk	122,288	112,025
Total risk weighted assets	1,559,849	1,398,851
Capital adequacy ratio %	15.32	16.52

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

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

During 2014, the Parent company's strategy, which was unchanged from 2013, was to maintain the gearing ratio at an acceptable level. The gearing ratio at 31 December 2014 and 2013 for the Parent Company was 40.31% and 24.62% respectively.

	2014	2013
	RO' 000	RO' 000
Total borrowings	(44,000)	(21,200)
Less: bank balances and cash	3,549	2,078
Net debt	(40,451)	(19,122)
Total equity	(59,907)	(58,533)
Total capital	(100,358)	(77,655)
Gearing ratio	40.31%	24.62%

6. CERTIFICATES OF DEPOSIT

Certificates of deposit are issued by the Central Bank of Oman for period of 28 days (2013 : ranging from 28 days to 57 days) and carry interest at rate ranging from 0.12% to 0.13% (2013 : ranging from 0.12% to 0.15%) per annum.

7. DEPOSITS WITH BANKS

Deposits with banks include RO 500,000 (2013 - RO 500,000) being a capital deposit with the Central Bank of Oman in terms of regulations applicable to the banking subsidiary which earn interest at 1.5% (2013 – 1.5%) per annum. This deposit cannot be withdrawn without prior approval of the Central Bank of Oman. The remaining RO 95.76 million (2013 - RO 34.65 million) was placed with international and local banks.

8. INVESTMENT SECURITIES

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

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Financial assets at fair value through profit or loss (Note 8a)	7,748	9,371	6,619	6,872
Available-for-sale investments (Note 8b)	55,507	27,032	33,114	8,145
Held-to-maturity investments (Note 8c)	50,402	32,073	-	-
	113,657	68,476	39,733	15,017

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

(i) Financial assets designated at fair value through profit or loss

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

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Quoted investments				
Local investments by sector				
Banking	1,110	2,378	1,110	1,846
Investment	1,449	266	1,449	266
Services	276	509	229	461
Industrial	851	775	846	723
	3,686	3,928	3,634	3,296
Oman Al Arabi Fund	430	539	-	-
	4,116	4,467	3,634	3,296

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Foreign investments				
Equity and equity related	2,985	3,576	2,985	3,576
	7,101	8,043	6,619	6,872
Unquoted local investments	317	286	-	-
Total financial assets designated at fair value through profit or loss	7,418	8,329	6,619	6,872

(ii) Financial assets held for trading

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Total financial assets held for trading	330	1,042	-	-
Total financial assets designated at fair value through profit or loss	7,748	9,371	6,619	6,872

Unquoted local investments held by the Group include investment in the Financial Settlement and Guarantee Fund of RO 196,438 (2013 - RO 189,783) which is not realisable until the date the banking subsidiary ceases its brokerage activities or the fund is liquidated, whichever is earlier.

(b) Available-for-sale investments

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Local investments				
Quoted investments (cost)	40,117	15,915	25,090	-
Fair value reserve	787	693	967	-
Unquoted investments (cost)	889	850	700	700
Fair value reserve	6,583	6,598	6,598	6,598
Deferred tax liability on fair value reserve	(659)	(659)	(659)	(659)
Total local investments	47,717	23,397	32,696	6,639
Foreign investments				
Quoted investments (cost)	7,143	2,074	-	-
Fair value reserve	(457)	4	-	-
	6,686	2,078	-	-
Unquoted investments (cost)	2,541	4,387	1,829	4,334
Less: Provision for impairment	(1,475)	(2,906)	(1,475)	(2,906)
	1,066	1,481	354	1,428
Fair value reserve	38	76	64	78
	1,104	1,557	418	1,506
Total available-for-sale investments	55,507	27,032	33,114	8,145

Fair value reserve changes in available-for-sale investments are recognised in other comprehensive income under "changes in fair value of available-for-sale investments". Provision for impairment for available for sale investments are charged to profit or loss.

(c) Held-to-maturity investments

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Oman Government Development Bonds				
- held by the banking subsidiary	50,402	32,073	-	-

All the bonds are denominated in Rial Omani and are issued by the Government of Oman. They carry interest rates varying between 2.75% and 5.5% (2013 - 2.75% and 5.5%) per annum. The maturity profile of the bonds based on the remaining period to maturity from the reporting date, is as follows:

	2014	2013
	RO' 000	RO' 000
Within one year	-	2,400
Between one and five years	50,402	29,673
	50,402	32,073

(d) Investments in associates

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

	2014			2013		
	Holding	Carrying Value	Cost	Holding	Carrying Value	Cost
	(%)	RO'000	RO'000	(%)	RO'000	RO'000
National Finance Company SAOG	25.87%	10,049	4,804	24.22	8,699	4,182
National Biscuit Industries Ltd. SAOG	29.22%	1,144	732	29.22	988	732
National Detergent Company SAOG	20.94%	2,715	713	20.94	2,685	713
		13,908	6,249		12,372	5,627

All the Group's associated companies' shares are listed on the Muscat Securities Market (MSM). The market value of investments in associated companies as of the reporting date amounted to RO 13,555,066 (2013 - RO 13,455,015).

Total assets, liabilities and revenues of the Group's associates, all of which are registered in the Sultanate of Oman are shown below, along with the Group's share of the results of these associates:

	Assets (RO'000)	Liabilities (RO'000)	Revenues (RO'000)	Share of profit (RO'000)
Name of the associate				
2014				
National Finance Company SAOG	165,300	126,553	15,911	1,330
National Biscuit Industries SAOG	6,656	2,915	11,353	185
National Detergent Company SAOG	25,651	12,364	23,386	172
				1,687
2013				
National Finance Company SAOG	151,119	115,069	14,538	1,152
National Biscuit Industries SAOG	6,898	3,698	11,305	140
National Detergent Company SAOG	24,073	10,943	21,704	227
				1,519

(e) Investments in subsidiaries

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

	Country of Incorporation	2014 Holding	2014 Cost	2013 Holding	2013 Cost
		%	(RO'000)	%	(RO'000)
Oman Arab Bank SAOC (Principal activity: Banking)	Oman	50.99	41,302	50.99	41,302
Oman Investment Services SAOC (Principal activity: Investments)	Oman	99.98	903	99.98	903
Salalah Resorts SAOC (Principal activity: Integrated Tourism Project)	Oman	100.00	3,000	100.00	1,000
Al Jabal Al Aswad Investment (Principal activity: Real Estate)	Oman	100.00	-	100.00	-
Budva Beach Properties (Principal activity: Tourism project)	Montenegro	100.00	5,231	100.00	5,231
			50,436		48,436

(f) Details of significant investments

As at reporting date, the Group's investments for which either, the Group's holding represents 10% or more of the issuer's share capital, or, the Group's holding exceeds 10% of the market value of the Group's investment portfolio, are detailed as follows:

Quoted securities

2014	Holding %	Number of shares	Fair value (RO'000)	Carrying value (RO'000)
Group				
National Biscuit Industries Ltd SAOG	29.22	292,197	1,096	1,144
National Finance Company SAOG	25.87	66,440,917	9,966	10,049
National Detergent Company SAOG	20.94	3,561,700	2,493	2,715
Bank Muscat SAOG	0.46	10,110,369	5,884	5,884
Ahli Bank SAOG	6.48	83,898,163	20,555	20,555
Oman National Dairy Products Co. Ltd SAOG	19.65	482,726	-	-
			39,994	40,347

As at reporting date, the Parent company's investments for which either, the Parent company's holding represents 10% or more of the issuer's share capital, or, the Parent company's holding exceeds 10% of the market value of the Parent company's investment portfolio, are detailed as follows:

Quoted securities

2014	Holding %	Number of shares	Fair value (RO'000)	Carrying value (RO'000)
Parent Company				
National Biscuit Industries Ltd SAOG	28.92	289,197	1,084	732
National Finance Company SAOG	25.56	65,650,136	9,848	4,804
National Detergent Company SAOG	20.94	3,561,700	2,493	713
Bank Muscat SAOG	0.46	10,110,369	5,884	5,884
Ahli Bank SAOG	6.48	83,898,163	20,555	20,555
Oman National Dairy Products Co. Ltd SAOG	19.65	482,726	-	-
			39,864	32,688

	Holding %	Number of shares	Fair value (RO'000)	Carrying value (RO'000)
2013				
Group				
National Biscuit Industries Ltd SAOG	29.22	292,197	1,096	988
National Finance Company SAOG	24.22	60,687,024	9,467	8,699
National Detergent Company SAOG	20.94	3,561,700	2,892	2,685
Bank Muscat SAOG	0.063	1,363,686	867	867
Ahli Bank SAOG	0.003	42,370	8	8
Oman National Dairy Products Co. Ltd SAOG	19.65	482,726	-	-
			14,330	13,247
2013				
Parent Company				
National Biscuit Industries Ltd SAOG	28.92	289,197	1,084	732
National Finance Company SAOG	24.01	60,146,475	9,383	4,182
National Detergent Company SAOG	20.94	3,561,700	2,892	713
Bank Muscat SAOG	0.063	1,363,686	867	867
Ahli Bank SAOG	0.003	42,370	8	8
Oman National Dairy Products Co. Ltd SAOG	19.65	482,726	-	-
			14,234	6,502

Unquoted securities	Holding %	Number of shares	Carrying value (RO'000)
2014			
Group			
Subsidiaries			
Oman Arab Bank SAOC	51.00	59,160,000	108,538
Oman Investment Services SAOC	99.98	998,800	858
Salalah Resorts SAOC	100.00	3,000,00	1,311
Budva Beach Properties	100.00	-	4,911
Others			
Al Shamal Plastics LLC (g)	21.44	200,000	913
Modern Steel Mills LLC (g)	19.49	136,395	4,828
Gulf Acrylic Industries LLC (g)	17.64	100,000	621
			121,980

Unquoted securities	Holding %	Number of shares	Carrying value (RO'000)
2014			
Parent Company			
Subsidiaries			
Oman Arab Bank SAOC	50.99	59,148,400	41,302
Oman Investment Services SAOC	99.98	999,800	903
Salalah Resorts SAOC	100.00	3,000,000	3,000
Budva Beach Properties	100.00	-	5,231
Others			
Al Shamal Plastics LLC (g)	16.08	150,000	876
Modern Steel Mills LLC (g)	19.49	136,395	4,828
Gulf Acrylic Industries LLC (g)	13.23	75,000	561
			56,701

Unquoted securities	Holding	Number of shares	Carrying value
2013	%		(RO'000)
Group			
Subsidiaries			
Oman Arab Bank SAOC	51.00	59,160,000	101,364
Oman Investment Services SAOC	99.98	999,800	714
Salalah Resorts SAOC	100.00	1,000,000	-
Budva Beach Properties	100.00	-	4,984
Others			
Al Shamal Plastics LLC (g)	21.44	200,000	913
Modern Steel Mills LLC (g)	19.49	136,395	4,828
Gulf Acrylic Industries LLC (g)	17.64	100,000	621
			113,424
Parent Company			
Subsidiaries			
Oman Arab Bank SAOC	50.99	59,148,400	41,302
Oman Investment Services SAOC	99.98	999,800	903
Salalah Resorts SAOC	100.00	1,000,000	1,000
Budva Beach Properties	100.00	-	5,231
Others			
Al Shamal Plastics LLC (g)	16.08	150,000	876
Modern Steel Mills LLC (g)	19.49	136,395	4,828
Gulf Acrylic Industries LLC (g)	13.23	75,000	561
			54,701

These are not recognised as investment in associates since the Group does not have significant influence.

9. LOANS AND ADVANCES TO CUSTOMERS

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

	2014	2013
	RO' 000	RO' 000
Corporate Loans		
Term loans	577,860	541,682
Overdrafts	141,439	111,291
Bills discounted	22,793	21,319
Islamic finance	6,567	2,888
	748,659	677,180
Personal Loans		
Consumer loans	372,777	328,076
Mortgage loans	100,822	66,520
Overdrafts	35,383	27,237
Credit cards	5,072	5,759
Islamic finance	14,613	835
	528,667	428,427
Gross loans and advances	1,277,326	1,105,606
Less: allowance for loan impairment and unrecognised contractual interest (note 9(b))	(36,990)	(34,315)
Net loans and advances	1,240,336	1,071,291

(b) Allowance for loan impairment and unrecognised contractual interest

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

2014	Allowance for loan impairment (RO 000)	Unrecognised contractual interest (RO 000)	Total (RO 000)
At 1 January	27,318	6,997	34,315
Additional provision made	8,577	2,408	10,985
Provided during the year for Islamic financing	308	-	308
Amounts written off	(855)	(892)	(1,747)
Amounts released/recovered	(4,697)	(2,174)	(6,871)
At 31 December	30,651	6,339	36,990
2013			
At 1 January	24,777	6,744	31,521
Additional provision made	6,305	2,103	8,408
Provided during the year for Islamic financing	46	-	46
Amounts written off	(276)	(385)	(661)
Amounts released/recovered	(3,534)	(1,465)	(4,999)
At 31 December	27,318	6,997	34,315

At 31 December 2014, loans and advances on which contractual interest was not recognised or has not been accrued amounted to RO 38,185,000 (2013 - RO 36,613,000).

At 31 December 2014, loan impairment provision amounting to RO 17,419,000 (2013 - RO 14,641,000) has been made towards losses incurred but not identified on performing portion of the loans and advances on a portfolio basis.

(c) Islamic financing

Included in the above loans and advances are the following Islamic financing contracts:

	Personal (RO 000)	Corporate (RO 000)	Total (RO 000)
2014			
Musharaka	11,176	5,697	16,873
Murabaha	1,317	554	1,871
Ijarah Muntahia Bittamleek	2,120	316	2,436
At 31 December	14,613	6,567	21,180
2013			
Musharaka	570	2,888	3,458
Murabaha	202	-	202
Ijarah Muntahia Bittamleek	63	-	63
At 31 December	835	2,888	3,723

	Gross Investment in lease	Present value of minimum lease payment
2014	RO' 000	RO' 000
Within one year	294	181
Two to five years	978	624
More than five years	2,269	1,631
	3,541	2,436
Deferred profit	(1,105)	-
Net investment in lease finance	2,436	2,436
2013		
Within one year	10	7
Two to five years	29	21
More than five years	49	35
	88	63
Deferred profit	(25)	-
Net investment in lease finance	63	63

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

	2014	2013
	RO' 000	RO' 000
Personal and consumer loans	528,667	428,427
Transportation	133,275	139,672
Manufacturing	105,518	110,532
Construction	136,135	105,490
Electricity, water and gas	65,896	44,249
Wholesale and retail trade	43,567	34,252
Services	45,949	34,007
Import trade	37,238	32,157
Financial institutions	11,746	23,952
Mining and quarrying	19,484	15,064
Agriculture and allied activities	6,383	4,771
Government	3,383	-
Others	140,085	133,033
	1,277,326	1,105,606

10. OTHER ASSETS

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Customers' indebtedness against acceptances	28,559	16,748	-	-
Interest receivable	3,999	4,199	-	-
Prepayments	1,499	1,513	107	23
Receivable from investment customers	1,788	1,095	-	-
Positive fair value of derivatives (Note 32)	220	251	-	-
Others	7,285	9,044	260	170
	43,350	32,850	367	193

11 (a). INVESTMENT PROPERTIES

Group and Parent Company

	Land	Buildings	Capital work-in-progress	Total
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Cost				
At 1 January 2014	-	-	-	-
Transfers {Note 11(c)}	2,427	973	2,586	5,986
Additions	2,531	-	1,124	3,655
Disposal	(2,427)	-	(3,710)	(6,137)
At 31 December 2014	2,531	973	-	3,504
Depreciation				
At 1 January 2014	-	-	-	-
Transfer {Note 11(c)}	-	524		524
At 31 December 2014	-	524	-	524
Carrying value				
At 31 December 2014	2,531	449	-	2,980
At 31 December 2013	-	-	-	-

The Company has moved to a new location during the year resulting in a change in use of its owner occupied building which is reclassified to investment property. The building is now held for capital appreciation and to earn rentals.

Management also changed its intention to use the land and building under construction as an investment property and therefore reclassified the same. The property was disposed-off during the year.

The Company has also purchased a land during the year for capital appreciation which is recognised as an investment property.

At the reporting date fair value of the land and building was RO 4,127,500. Fair value was determined by the Company using market comparable approach based on recent market prices (level 2 hierarchy).

11 (b). PROJECTS WORK IN PROGRESS

At 31 December 2014, projects work in progress includes:

	2014	2013
Group	RO' 000	RO' 000
Salalah Resorts SAOC		
Initial stage	168	1,067
Consultancy charges	2,433	2,798
	2,601	3,865
Less: provision for impairment	-	(1,329)
Total	2,601	2,536
Budva Beach Properties:		
Cost of land	5,231	5,231
Consultancy and other costs	946	950
	6,177	6,181
	8,778	8,717

At 31 December 2014, the project development cost relating to Salalah Resorts SAOC amounted to RO 2.6 million (2013: 2.5 million). Although there are certain delays in execution of the Development Agreement (DA) the negotiations on terms and conditions of the DA are now in an advanced stage with the authorities involved. The Board of Directors believe that the DA will be formally signed and executed in due course and the project will generate returns to the shareholders. Accordingly, the development costs incurred as of 31 December 2014 will be fully realised.

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

	2014	2013
	RO' 000	RO' 000
At 1 January	1,329,034	-
Charged during the year	-	1,329,034
Written-off during the year	(1,329,034)	-
At 31 December	-	1,329,034

11 (c). PROPERTY AND EQUIPMENT

	Land and buildings	Furniture, fixtures and equipment	Motor vehicles	Capital work in progress	Total
	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Group					
Cost:					
At 1 January 2013	11,157	19,665	588	12,367	43,777
Additions	-	2,109	20	7,474	9,603
Transfers	13,931	2,336	-	(16,267)	-
Disposals	(270)	(132)	(34)	-	(436)
At 1 January 2014	24,818	23,978	574	3,574	52,944
Additions	2 ,722	1,582	172	971	5,447
Transfers	-	713	-	(713)	-
Transfers {Note 11(a)}	(3,400)	-	-	(2,586)	(5,986)
Disposals	-	(15)	(137)	-	(152)
At 31 December 2014	24,140	26,258	609	1,246	52,253
Depreciation:					
At 1 January 2013	3,017	14,902	431	-	18,350
Charge for the year	411	1,947	66	-	2,424
Disposals	-	(129)	(34)	-	(163)
At 1 January 2014	3,428	16,720	463	-	20,611
Charge for the year	649	1,930	40	-	2,619
Transfers {Note 11(a)}	(524)	-	-	-	(524)
Disposals	-	(13)	(109)	-	(122)
At 31 December 2014	3,553	18,637	394	-	22,584
Carrying value					
At 31 December 2014	20,587	7,621	215	1,246	29,669
At 31 December 2013	21,390	7,258	111	3,574	32,333

	Land and buildings	Furniture, fixtures and equipment	Motor vehicles	Capital work in progress	Total
	(RO'000)	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Parent Company					
Cost					
At 1 January 2013	3,400	465	5	637	4,507
Additions	-	13	-	1,949	1,962
Disposals	-	(3)	-	-	(3)
At 1 January 2014	3,400	475	5	2,586	6,466
Additions	-	330	39	-	369
Transfers {Note 11(a)}	(3,400)	-	-	(2,586)	(5,986)
Disposals	-	-	-	-	-
At 31 December 2014	-	805	44	-	849
Depreciation:					
At 1 January 2013	448	407	5	-	860
Charge for the year	40	47	-	-	87
Disposals	-	(3)	-	-	(3)
At 1 January 2014	488	451	5	-	944
Charge for the year	36	35	12	-	83
Transfer	(524)	-	-	-	(524)
At 31 December 2014	-	486	17	-	503
Carrying value					
At 31 December 2014	-	319	27	-	346
At 31 December 2013	2,912	24	-	2,586	5,522

12. SHARE CAPITAL

The Parent company's authorised share capital is 500,000,000 (2013 – 500,000,000) shares of 100 baisa each (2013 – 100 baisa). 336,743,000 (2013 – 306,130,000) shares of 100 baisa (2013- 100 baisa) each have been issued and are fully paid. During the year 30,613,000 shares (2013: 27,830,000) were issued as stock dividend as approved in the Annual General Meeting, held on 31 March 2014.

Shareholders of the Parent Company who own 10% or more of the Parent company's shares, whether in their name or through nominee accounts, and the number of shares they hold at the reporting date are as follows:

	2014		2013	
	Holding %	**Shares**	Holding %	Shares
Al Hilal Investment Co. LLC	20.22	68,092,793	20.22	61,902,542
Civil Service Employees' Pension Fund	14.26	48,031,199	14.92	45,660,051
	34.48	116,123,992	35.14	107,562,593

13. RESERVES

(a) Legal reserve

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

	2014	2013
	RO' 000	RO' 000
Parent Company	9,072	8,571
Share of subsidiaries' legal reserve	15,730	14,267
Group	24,802	22,838

(b) Capital reserve

Oman Arab Bank SAOC, the banking subsidiary, has increased its paid up share capital through capitalisation of retained profits and issue of rights. The Parent company's share of the increased paid up share capital (50.99%) through capitalisation of retained profits has been transferred to a non-distributable capital reserve in the Group's financial statements.

	2014	2013
	RO' 000	RO' 000
Capital reserve	17,846	17,846

(c) General reserve

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

(d) Subordinated debt reserve

The subordinated debt reserve has been created by the banking subsidiary by a transfer of 10% of the subordinated bonds each year out of the profit after tax for the year. The Central Bank of Oman requires that a reserve be set aside annually for the subordinated bonds which are due to mature within five years. The reserve is available for transfer back to retained earnings upon maturity of the subordinated bonds.

(e) Revaluation reserve

The revaluation reserve represents the Parent company's share of the revaluation reserve arising from the revaluation of land in associated companies.

14. DIVIDEND PROPOSED AND PAID

Parent Company

Final dividends are not accounted for until they have been approved at the Annual General Meeting. At the forthcoming Annual General Meeting, to be held on 30 March 2015, a cash dividend of RO 0.020 per share (2013 - RO 0.015 per share) amounting to RO 6,734,860 (2013 - RO 4,591,950) and a stock dividend of RO 0.010 per share (2013 - RO 0.010) amounting to RO 3,367,430 (2013 - RO 3,061,300) in respect of year ended 31 December 2014 is to be proposed by the Board of Directors. The financial statements for the year ended 31 December 2014 do not reflect proposed dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2015.

15. DUE TO BANKS

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

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Due to banks - current accounts	5,891	3,862	-	-
Terms loans	24,500	16,200	44,000	21,200
	30,391	20,062	44,000	21,200

Term loans are unsecured and carry interest ranging from 2% to 2.9% (2013: 2.25% to 3%).

The maturity profile of terms loans is as follows:

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Due within one year	10,500	16,200	15,000	21,200
Due in more than one year	14,000	-	29,000	-
	24,500	16,200	44,000	21,200

16. OTHER LIABILITIES

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Liabilities against acceptances	28,559	16,748	-	-
Payable to investment customers	23,329	12,215	-	9
Accrued expenses and other payables	10,150	10,885	2,173	1,359
Interest payable	6,971	4,765	75	44
Cheques and trade settlement payable	4,249	3,877	-	-
Staff terminal benefits (note 26)	2,610	2,568	281	251
Interest and commission received in advance	1,343	1,385	-	-
Negative fair value of derivatives (Note 32)	202	240	-	-
	77,413	52,683	2,529	1,662

17. SUBORDINATED BONDS

In order to enhance the capital adequacy and to meet the funding requirements, in April 2012 the Banking subsidiary issued non-convertible unsecured subordinated bonds of RO 50 Million (50,000,000 units of RO 1 each) for a tenor of five years and one month through private placement. The bonds are listed in the Muscat Securities Market and are transferable through trading. The bonds carry a fixed coupon rate payable semi-annually with the principal payable on maturity.

18. TAXATION

(a) Recognised in the statements of comprehensive income

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Statement of profit or loss				
Current year	3,940	3,659	-	-
Deferred tax	46	(4)	-	-
Tax expense	3,986	3,655	-	-
Statement of financial position				
Current year	3,917	3,419	-	-
Deferred tax	319	273	-	-
	4,236	3,692	-	-
Deferred tax liability				
At 1 January	273	277	-	-
Movement for the year	46	(4)	-	-
	319	273	-	-

The Parent Company and each of its Omani subsidiaries are subject to income tax at the rate of 12% of taxable income in excess of RO 30,000. There is no concept of Group taxation in Oman.

(b) Reconciliation of income tax expense

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

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Profit before tax	32,410	30,096	5,013	8,016
Income tax at the rates mentioned above	3,878	3,601	598	962
Tax-exempt revenues	(586)	(627)	(920)	(1,015)
Non-deductible expenses	764	520	494	284
Deferred tax (income) / expense not recognised during the year	(163)	(6)	(176)	(6)
Unrecognised deferred tax on losses utilised during the year	-	(225)	-	(225)
Deferred tax on losses not recognised during the year	-	178	-	-
Current tax-prior year	76	250	-	-
Deferred tax – prior year	10	-	-	-
Others	7	(36)	4	-
Income tax expense	3,986	3,655	-	-

(c) Movement

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
At 1 January	3,692	3,850	-	-
Provided during the year	3,986	3,655	-	-
Paid in current year	(3,442)	(3,813)	-	-
At 31 December	4,236	3,692	-	-

(d) Status of tax assessments

The consolidated tax liability comprises the tax liability of the Parent Company and its subsidiaries Oman Arab Bank SAOC, Oman Investment Services SAOC, Salalah Resorts SAOC and Budva Beach Properties.

Oman International Development and Investment Company SAOG (Ominvest)

The assessments of Ominvest have been completed by the Tax Department up to and including 2008.

Ominvest has filed an objection to HE The Secretary General for Taxation against the assessment completed by the Tax Department. The objection decision is awaited.

The assessment of the tax returns filed for the tax years 2009 to 2013 respectively have not yet been finalised by the Secretariat General for Taxation at the Ministry of Finance. Management believes however that any additional taxes that may arise on the completion of the tax assessments for the open tax years will not be significant to Ominvest's financial position as at 31 December 2014.

Oman Investment Services SAOC (OIS)

The assessments of OIS have been completed by the Tax Department up to and including 2009. The assessment of the tax return filed for the years 2010 to 2013 have not yet been finalised by the Secretariat General for Taxation at the Ministry of Finance. Management believes however that any additional taxes that may arise on completion of the tax assessments for the open tax year will not be significant to OIS' financial position at 31 December 2014.

Oman Arab Bank SAOC (OAB)

OAB was exempt from tax for the period from 16 April 1994 to 31 July 2000. The assessments for the years up to and including 2008 are complete. The assessments for the years 2009 to 2013 are not yet finalised by the Tax Authorities. Management believes that no significant further liabilities will be incurred by the OAB on completion of the pending tax assessments as compared to the existing provision established.

Salalah Resorts SAOC

The Company was registered as a closed joint stock company in the Sultanate of Oman in April 2010. The assessment of the tax return filed for the nine month period ended 31 December 2010 and tax years from 2011 to 2013 have not yet been finalised by the Secretariat General for Taxation at the Ministry of Finance. Management believes however that any additional taxes that may arise on completion of the tax assessment for the open tax year will not be significant to Salalah Resorts SAOC's financial position at 31 December 2014.

Budva Beach Properties

Budva Beach Properties is an entity that was registered in Montenegro in September 2010. The Company is yet to commence its commercial operations.

19. INTEREST INCOME

	Group		Parent Company	
	2014	**2013**	**2014**	**2013**
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Loans and advances to customers	56,580	52,588	-	-
Oman Government Development Bonds	803	745	-	-
Placements with banks and other money market placements	169	57	-	-
Certificates of deposit	215	114	-	-
	57,767	53,504	-	-

20. INTEREST EXPENSE

	Group		Parent Company	
	2014	**2013**	**2014**	**2013**
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Time deposits	9,489	6,699	-	-
Subordinated bonds	2,758	2,742	-	-
Call accounts	766	736	-	-
Savings accounts	422	382	-	-
Bank borrowings	1,033	964	509	463
	14,468	11,523	509	463

21. INVESTMENT INCOME

	Group		Parent Company	
	2014	**2013**	**2014**	**2013**
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Dividend from investments	1,703	1,597	7,316	7,579
Quoted local investments				
Profit on sale	2,431	1,954	486	875
Change in fair value	(840)	820	(888)	164
Quoted foreign investments				
Profit on sale	750	2,179	750	2,179
Change in fair value	(1,051)	143	(1,051)	143
Investment properties				
Profit on sale of an investment property	1,863	-	1,863	-
Unquoted foreign investments				
(Loss) / profit on sale	(6)	240	(6)	240
	4,850	6,933	8,470	11,180

22. FEE AND COMMISSION INCOME – NET

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Fee and commission income	21,629	16,222	-	-
Fee and commission expense	(2,154)	(1,805)	-	-
	19,475	14,417	-	-

23. OTHER OPERATING INCOME

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Foreign exchange (net)	4,564	4,453	-	-
Income from Islamic window	869	23	-	-
Other income	348	245	127	70
	5,781	4,721	127	70

24. OPERATING EXPENSES

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Staff costs (refer below)	24,830	21,984	2,086	1,488
Other operating expenses	11,392	10,680	400	266
Operating expenses of the Islamic window	1,190	723	-	-
Depreciation	2,619	2,381	83	87
Directors' sitting fees and remuneration:				
Parent Company	200	200	200	200
Banking subsidiary	131	96	-	-
	40,362	36,064	2,769	2,041
Staff costs:				
Salaries	20,404	18,281	1,770	1,101
End of service benefits	448	433	56	68
Social security costs	1,368	974	47	29
Other costs	2,610	2,296	213	290
	24,830	21,984	2,086	1,488

25. CASH AND CASH EQUIVALENTS

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

	Group		Parent Company	
	2014	2013	2014	2013
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Balances with banks and money at call	115,302	134,338	3,549	2,078
Deposits with banks (note 7)	95,758	34,650	-	-
Certificates of deposit (note 6)	200,000	100,000	-	-
Due to banks – current accounts (note 15)	(5,891)	(3,862)	-	-
	405,169	265,126	3,549	2,078

26. END OF SERVICE BENEFITS

In accordance with the Labour Law of Oman, the Group and Parent Company accrues for employees' end of service benefits for its non-Omani employees. Movements in the liability recognised in the financial statements are as follows:

	Group		Parent Company	
	2014	**2013**	**2014**	**2013**
	(RO'000)	(RO'000)	**(RO'000)**	(RO'000)
At 1 January	2,568	2,907	251	210
Charge for the year	448	433	56	68
Paid during the year	(406)	(772)	(26)	(27)
At 31 December	2,610	2,568	281	251

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

27. SEGMENTAL INFORMATION

The Group is organised into two main business segments:

- Banking Segment - incorporating corporate, retail, treasury and investment banking activities carried out by the Group's banking subsidiary; and
- Investment Segment - incorporating investment activities with both short-term and long-term objectives.

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

Banking Sector

	Investments	Retail banking	Corporate banking	Investment banking	Support and unallocated function	Al-Yusr	Adjustments	Total
2014	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Interest income	-	29,535	27,188	-	1,187	-	(143)	57,767
Interest expenses	(544)	(1,614)	(9,063)	-	(3,390)	-	143	(14,468)
	(544)	27,921	18,125	-	(2,203)	-	-	43,299
Other operating income	8,817	11,967	5,216	5,256	4,669	869	(6,688)	30,106
Share of profit from associates	1,687	-	-	-	-	-	-	1,687
Total operating income	9,960	39,888	23,341	5,256	2,466	869	(6,688)	75,092
Allowance for loan impairment	-	16,132	20,503	-	-	355	-	36,990
Provision for impairment on investments	306	-	-	-	-	-	-	306
Assets	116,367	497,922	741,089	50,922	503,004	23,154	(68,220)	1,864,238
Liabilities	49,380	383,228	1,072,596	49,134	85,105	13,169	(25,366)	1,627,246
2013	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Interest income	-	28,146	24,541	-	916	-	(106)	53,497
Interest expenses	(471)	(1,494)	(6,323)	-	(3,341)	-	106	(11,523)
	(471)	26,652	18,218	-	(2,425)	-	-	41,974
Other operating income	9,837	7,716	4,443	4,607	4,587	23	(5,135)	26,078
Share of profit from associates	1,519	-	-	-	-	-	-	1,519
Total operating income	10,885	34,368	22,661	4,607	2,162	23	(5,135)	69,571
Allowance for loan impairment	-	14,350	19,919	-	-	46	-	34,315
Provision for impairment on investments	730	-	-	-	-	-	-	730
Assets	91,408	413,243	659,388	35,273	338,992	9,459	(52,236)	1,495,527
Liabilities	27,494	356,713	792,384	35,273	71,466	1,767	(10,156)	1,274,941

28. RELATED PARTY TRANSACTIONS

(a) These represent transactions with related parties defined in International Accounting Standard 24 – Related Party Disclosures. Pricing policies and the terms of the transactions are approved by the Parent company's and subsidiaries' respective Boards of Directors.

(b) Transactions and balances with related parties of the Parent Company or holders of 10% or more of the Parent company's shares or their family members, included in the statements of comprehensive income, statement of financial position and off-balance sheet are as follows:

	Total	Major shareholders	Directors	Associates	Key management	Non-controlling interests
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Group – 2014						
Statements of comprehensive income						
Interest and commission income	258	-	3	160	-	95
Interest expense	309	-	-	-	-	309
Directors' sitting fees and Remuneration	331	-	200	-	-	131
Staff costs	1,828	-	-	-	1,828	-
Terminal benefits	122	-	-	-	122	-
Operating expenses	57	-	57	-	-	-
Statements of financial position						
Loans and advances	25,768	1,500	374	14,137	-	9,757
Deposits from customers	1,989	9	128	150	-	1,702
Other assets	12	-	12	-	-	-
Off balance sheet						
Letters of credit and guarantees	212,600	-	-	-	-	212,600
Group – 2013						
Statements of comprehensive income						
Interest and commission income	435	-	11	144	-	280
Interest expense	401	-	-	1	-	400
Directors' sitting fees & remuneration	296	-	258	-	-	38
Staff costs	1,953	-	-	-	1,953	-
Terminal benefits	146	-	-	-	146	-
Operating expenses	62	-	62	-	-	-
Statements of financial position						
Loans and advances	11,837	750	93	5,470	-	5,524
Deposits from customers	4,842	9	2,740	323	-	1,770
Other assets	7	-	7	-	-	-
Off balance sheet						
Letters of credit and guarantees	158,233	-	-	-	-	158,233

(c) The Banking subsidiary has a management agreement with Arab Bank plc, Jordan, which owns 49% of the Banking subsidiary's share capital. In accordance with the terms of the management agreement, Arab Bank plc provides banking related technical assistance and other management services, including secondment of managerial staff. The annual management fee is RO 75,000 (2013 - RO 75,000).

	2014			2013		
Parent	**Subsidiary RO'000**	**Directors RO'000**	**Key management RO'000**	**Subsidiary RO'000**	**Directors RO'000**	**Key management RO'000**
Statement of profit or loss and other comprehensive income						
Directors' sitting fees and remuneration	-	200	-	-	200	-
Staff costs	-	-	878	-	-	563
Terminal benefits	-	-	41	-	-	53
Operating expenses	-	57	-	-	62	-
Interest expenses	143	-	-	106	-	-
Statements of financial position						
Property and equipment	-	250	-	-	7	-
Bank borrowings	19,500	-	-	5,000	-	-
Bank balances	2,157	-	-	430	-	-
Due from subsidiaries	2,776			4,522	-	-

(d) Due from subsidiaries in the Parent Company include an amount of RO 1,483,993 (2013 - RO 3,306,242) related to the tourist resort project in Salalah. The Board of Directors believe that the project is financially viable and a specific entity Salalah Resorts SAOC has been set up for this purpose and accordingly the amount is fully recoverable on implementation of the project.

29. FIDUCIARY ACTIVITIES

As at 31 December 2014, balances stated at cost arising from fiduciary activities are as follows:

	Group		Parent Company	
	2014 (RO'000)	2013 (RO'000)	**2014** (RO'000)	2013 (RO'000)
Investments syndicated by the Group and registered in its name:				
Parent Company	965	1,102	965	1,102
Funds under management:				
Banking subsidiary	402,329	324,163	-	-
	403,294	325,265	965	1,102

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

The Banking subsidiary's fiduciary activities consist of investment management activities conducted as trustee and manager for investment funds and individuals. The aggregate amounts of funds managed are not included in the Group's statement of financial position.

30. COMMITMENTS

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

	Group	Parent Company
	RO' 000	RO' 000
2014		
Undrawn loan commitments	642	-
Contractual interest charge to maturity	1,556	1,556
	2,198	1,556
2013		
Construction	3,013	1,629
Undrawn loan commitments	770	-
Contractual interest charge to maturity	42	42
	3,825	1,671

	Up to 1 year	1 to 5 years	Over 5 years	Total
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
2014				
Undrawn loan commitments	-	642	-	642
Contractual interest charge to maturity	24	1,532	-	1,556
	24	2,174	-	2,198
2013				
Capital commitments	3,013	-	-	3,013
Undrawn loan commitments	-	770	-	770
Contractual interest charge to maturity	42	-	-	42
	3,055	770	-	3,825

31. CONTINGENT LIABILITIES

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

	2014	2013
	RO' 000	RO' 000
Letters of credit	396,531	461,952
Guarantees	421,259	394,281
Financial guarantees	97,224	89,681
	915,014	945,914

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

	Group		Parent Company	
	2014	**2013**	**2014**	**2013**
	(RO'000)	(RO'000)	**(RO'000)**	(RO'000)
Export trade	331,549	399,213	-	-
Construction	270,152	264,317	-	-
Government	74,500	94,033	-	-
Transportation	20,660	49,323		
Import trade	64,982	62,740	-	-
Utilities	131,834	46,941	-	-
Services	10,745	11,406	-	-
Wholesale and retail trade	5,173	10,764	-	-
Manufacturing	5,419	7,177	-	-
	915,014	945,914	-	-

Group's letters of credit and guarantees amounting to RO 644,109,000` (2013 - RO 696,813,000) were counter guaranteed by other banks. Letter of credit and guarantees include RO 165,000 (2013 – RO 392,000) relating to non-performing loans.

Legal claims

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

32. DERIVATIVES

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

Group

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

Notional amounts by term to maturity

	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 – 12 months	1-5 years
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2014						
Purchase contracts	220	-	23,501	19,800	3,701	-
Sale contracts	-	(202)	(23,483)	(19,786)	(3,697)	-
	220	(202)	18	14	4	-
31 December 2013						
Purchase contracts	251	-	60,041	54,421	5,620	-
Sale contracts	-	(240)	(60,030)	(54,412)	(5,618)	-
	251	(240)	11	9	2	-

33. GEOGRAPHICAL CONCENTRATION OF ASSETS AND LIABILITIES

	Sultanate of Oman	North America	UK and Europe	Other Countries	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Group - 2014					
Assets					
Balances with banks and money at call	113,896	-	36	1,370	115,302
Certificates of deposit	200,000	-	-	-	200,000
Deposits with banks	44,086	8,028	8,007	36,137	96,258
Investment securities	103,549	137	563	9,408	113,657
Investments in associates	13,908	-	-	-	13,908
Investment properties	2,980	-	-	-	2,980
Loans and advances to customers	1,240,336	-	-	-	1,240,336
Other assets	43,337	-	13	-	43,350
Projects work in progress	2,601	-	6,177	-	8,778
Property and equipment	29,669	-	-	-	29,669
Total assets	1,794,362	8,165	14,796	46,915	1,864,238
Liabilities					
Due to banks	24,562	262	1,216	4,351	30,391
Deposits from customers	1,465,206	-	-	-	1,465,206
Other liabilities	74,776	-	27	-	74,803
Subordinated bonds	50,000	-	-	-	50,000
End of service benefits	2,610	-	-	-	2,610
Taxation	4,236	-	-	-	4,236
Total liabilities	1,621,390	262	1,243	4,351	1,627,246
Group - 2013					
Assets					
Balances with banks and money at call	132,698	-	28	1,612	134,338
Certificates of deposit	100,000	4,346	-	-	100,000
Deposits with banks	18,915	159	6,427	5,462	35,150
Investment securities	60,303	-	1,817	6,197	68,476
Investments in associates	12,372	-	-	-	12,372
Loans and advances to customers	1,071,291	-	-	-	1,071,291
Other assets	32,839	-	11	-	32,850
Projects work in progress	2,536	-	6,181	-	8,717
Property and equipment	32,333	-	-	-	32,333
Total assets	1,463,287	4,505	14,464	13,271	1,495,527
Liabilities					
Due to banks	16,449	33	481	3,099	20,062
Deposits from customers	1,148,504	-	-	-	1,148,504
Other liabilities	50,100	-	15	-	50,115
Subordinated bonds	50,000	-	-	-	50,000
End of service benefits	2,568	-	-	-	2,568
Taxation	3,692	-	-	-	3,692
Total liabilities	1,271,313	33	496	3,099	1,274,941

Parent Company - 2014	Sultanate of Oman RO'000	North America RO'000	UK and Europe RO'000	Other Countries RO'000	Total RO'000
Assets					
Balances with banks and money at call	2,152	-	26	1,371	3,549
Investment securities	36,329	137	169	3,098	39,733
Investments in associates	6,249	-	-	-	6,249
Investment in subsidiaries	45,205	-	5,231	-	50,436
Investments in property	2,980	-	-	-	2,980
Other assets	367	-	-	-	367
Due from subsidiaries	1,499	-	1,277	-	2,776
Property and equipment	346	-	-	-	346
Total assets	95,127	137	6,703	4,469	106,436
Liabilities					
Due to banks	44,000	-	-	-	44,000
Other liabilities	2,248	-	-	-	2,248
End of service benefits	281	-	-	-	281
Taxation	-	-	-	-	-
Total liabilities	46,529	-	-	-	46,529

Parent Company - 2013	Sultanate of Oman RO'000	North America RO'000	UK and Europe RO'000	Other Countries RO'000	Total RO'000
Assets					
Balances with banks and money at call	446	-	20	1,612	2,078
Investment securities	9,934	160	1,420	3,503	15,017
Investments in associates	5,627	-	-	-	5,627
Investments in subsidiaries	43,205	-	5,231	-	48,436
Due from subsidiaries	3,321	-	1,201	-	4,522
Other assets	193	-	-	-	193
Property and equipment	5,522	-	-	-	5,522
Total assets	68,248	160	7,872	5,115	81,395
Liabilities					
Due to banks	21,200	-	-	-	21,200
Other liabilities	1,411	-	-	-	1,411
End of service benefits	251	-	-	-	251
Total liabilities	22,862	-	-	-	22,862

34. INTEREST RATE SENSITIVITY ANALYSIS

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

	Average effective interest rate	Within 6 months	6 to 12 months	Over 1 year	Not exposed to interest rate risk	Total
	%	RO'000	RO'000	RO'000	RO'000	RO'000
Group - 2014						
Assets						
Balances with banks and money at call	NIL	-	-	-	115,302	115,302
Certificates of deposit	0.13%	200,000	-	-	-	200,000
Deposits with banks	0.34%	66,772	-	500	28,986	96,258
Investment securities:						
- Govt. Development Bonds	2.54%	-	-	50,402	-	50,402
- Investments	NIL	-	-	-	63,255	63,255
Investments in associates	NIL	-	-	-	13,908	13,908
Investment properties	NIL	-	-	-	2,980	2,980
Loans and advances to customers	4.68%	247,058	246,317	739,839	7,122	1,240,336
Other assets	NIL	3,999	-	-	39,351	43,350
Projects work in progress	NIL	-	-	-	8,778	8,778
Property and equipment	NIL	-	-	-	29,669	29,669
Total assets		517,829	246,317	790,741	309,351	1,864,238
Liabilities						
Due to banks	2.5%	24,500	-	-	5,891	30,391
Deposits from customers	0.94%	386,338	262,889	204,257	611,722	1,465,206
Other liabilities	NIL	50,164	379	81	24,179	74,803
End of service benefits	NIL	-	-	-	2,610	2,610
Subordinated bonds	5.50%	-	-	50,000	-	50,000
Taxation	NIL	-	-	-	4,236	4,236
Total liabilities		461,002	263,268	254,338	648,638	1,627,246
Group - 2013						
Assets						
Balances with banks and money at call	-	-	-	-	134,338	134,338
Certificates of deposit	0.13%	100,000	-	-	-	100,000
Deposits with banks	0.11%	34,650	-	500	-	35,150
Investment securities:						
- Govt. Development Bonds	2.75-5.5%	-	2,400	29,673	-	32,073
- Investments	NIL	-	-	-	36,403	36,403
Investments in associates	NIL	-	-	-	12,372	12,372
Loans and advances to customers	5.06%	206,107	225,778	635,719	3,687	1,071,291
Other assets	NIL	4,199	-	-	28,651	32,850
Projects work in progress	2.50%	-	-	2,536	6,181	8,717
Property and equipment	NIL	-	-	-	32,333	32,333
Total assets		344,956	228,178	668,428	253,965	1,495,527
Liabilities						
Due to banks	2.4%	16,200	-	-	3,862	20,062
Deposits from customers	0.94%	397,372	180,175	57,694	513,263	1,148,504
Other liabilities	NIL	25,904	379	81	23,751	50,115
End of service benefits	NIL	-	-	-	2,568	2,568
Subordinated bonds	5.50%	-	-	50,000	-	50,000
Taxation	NIL	-	-	-	3,692	3,692
Total liabilities		439,476	180,554	107,775	547,136	1,274,941

	Average effective interest rate	Within 6 months	6 to 12 months	Over 1 year	Not exposed to interest rate risk	Total
	%	RO'000	RO'000	RO'000	RO'000	RO'000
Parent - 2014						
Assets						
Balances with banks and money at call	NIL	-	-	-	3,549	3,549
Investment securities:	NIL	-	-	-	39,733	39,733
Investments in associates	NIL	-	-	-	6,249	6,249
Investments in subsidiaries	NIL	-	-	-	50,436	50,436
Investment properties	NIL	-	-	-	2,980	2,980
Due from subsidiaries	NIL	-	-	-	2,776	2,776
Other assets	NIL	-	-	-	367	367
Property and equipment	NIL	-	-	-	346	346
Total assets		-	-	-	106,436	106,436
Liabilities						
Bank borrowings	2.5%	15,000	-	29,000	-	44,000
Other liabilities	NIL	-	-	-	2,248	2,248
End of service benefits	NIL	-	-	-	281	281
Total liabilities		15,000	-	29,000	2,529	46,529
Parent - 2013						
Assets						
Balances with banks and money at call	NIL	-	-	-	2,078	2,078
Investment securities:	NIL	-	-	-	15,017	15,017
Investments in associates	NIL	-	-	-	5,627	5,627
Investments in subsidiaries	NIL	-	-	-	48,436	48,436
Due from subsidiaries	NIL	-	-	-	4,522	4,522
Other assets	NIL	-	-	-	193	193
Property and equipment	NIL	-	-		5,522	5,522
Total assets		-	-	-	81,395	81,395
Liabilities						
Bank borrowings	2.5%	21,200	-	-	-	21,200
Other liabilities	NIL	-	-	-	1,411	1,411
End of service benefits	NIL	-	-	-	251	251
Total liabilities		21,200	-	-	1,662	22,862

35. ASSETS AND LIABILITIES MATURITY PROFILE

	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Group - 2014					
Assets					
Balances with banks and money at call	75,625	16,994	14,115	8,568	115,302
Certificates of deposit	200,000	-	-	-	200,000
Deposits with banks	96,258	-	-	-	96,258
Investment securities	29,636	-	62,021	22,000	113,657
Investments in associates	-	-	-	13,908	13,908
Investment properties	-	-	-	2,980	2,980
Loans and advances to customers	234,212	148,369	318,882	538,873	1,240,336
Other assets	37,247	5,563	533	7	43,350
Projects work in progress	-	-	-	8,778	8,778
Property and equipment	-	-	-	29,669	29,669
Total assets	672,978	170,926	395,551	624,783	1,864,238
Equity					
Capital and reserves attributable to the shareholders of the Parent Company	-	-	-	132,669	132,669
Non-controlling interests	-	-	-	104,323	104,323
Total equity	-	-	-	236,992	236,992
Liabilities					
Due to banks	16,391	-	14,000	-	30,391
Deposits from customers	418,642	290,732	488,988	266,844	1,465,206
Other liabilities	67,007	2,674	5,003	119	74,803
Subordinated bonds	-	-	50,000	-	50,000
End of service benefits	-	-	2,610	-	2,610
Taxation	3,917	319	-	-	4,236
Total liabilities	505,957	293,725	560,601	266,963	1,627,246
Total equity and liabilities	505,957	293,725	560,601	503,955	1,864,238

	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Group - 2013					
Assets					
Balances with banks and money at call	75,369	26,682	15,542	16,745	134,338
Certificates of deposit	100,000	-	-	-	100,000
Deposits with banks	34,650	-	-	500	35,150
Investment securities	28,250	2,400	35,826	2,000	68,476
Investments in associates	-	-	-	12,372	12,372
Loans and advances to customers	186,251	175,348	273,231	436,461	1,071,291
Other assets	27,557	4,061	577	655	32,850
Projects work in progress	-	-	-	8,717	8,717
Property and equipment	-	-	-	32,333	32,333
Total assets	452,077	208,491	325,176	509,783	1,495,527
Equity					
Capital and reserves attributable to the shareholders of the Parent Company	-	-	-	123,176	123,176
Non-controlling interests	-	-	-	97,410	97,410
Total equity	-	-	-	220,586	220,586
Liabilities					
Due to banks	20,062	-	-	-	20,062
Deposits from customers	419,749	250,980	272,703	205,072	1,148,504
Other liabilities	44,634	1,358	4,123	-	50,115
Subordinated bonds	-	-	50,000	-	50,000
End of service benefits	-	-	2,568	-	2,568
Taxation	3,419	273	-	-	3,692
Total liabilities	487,864	252,611	329,394	205,072	1,274,941
Total equity and liabilities	487,864	252,611	329,394	425,658	1,495,527

Parent Company - 2014	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Assets					
Balances with banks and money at call	3,549	-	-	-	3,549
Investment securities	6,619	-	33,114	-	39,733
Investments in associates	-	-	-	6,249	6,249
Investments in subsidiaries	-	-	-	50,436	50,436
Investment properties	-	-	-	2,980	2,980
Due from subsidiaries	-	-	2,776	-	2,776
Other assets	367	-	-	-	367
Property and equipment	-	-	-	346	346
Total assets	10,535	-	35,890	60,011	106,436
Equity					
Capital and reserves					
Total equity	-	-	-	59,907	59,907
Liabilities					
Due to banks	7,500	7,500	29,000	-	44,000
Other liabilities	2,248	-	-	-	2,248
End of service benefits	-	-	281	-	281
Total equity and liabilities	9,748	7,500	29,281	59,907	106,436

Parent Company - 2013					
Assets					
Balances with banks and money at call	2,078	-	-	-	2,078
Investment securities	6,872	-	8,145	-	15,017
Investments in associates	-	-	-	5,627	5,627
Investments in subsidiaries	-	-	-	48,436	48,436
Due from subsidiaries	-	-	4,522	-	4,522
Other assets	193	-	-	-	193
Property and equipment	-	-	-	5,522	5,522
Total assets	9,143	-	12,667	59,585	81,395
Equity					
Capital and reserves	-	-	-	58,533	58,533
Total assets	-	-	-	58,533	58,533
Liabilities					
Due to banks	21,200	-	-	-	21,200
Other liabilities	1,411	-	-	-	1,411
End of service benefits	-	-	251	-	251
Total equity and liabilities	22,611	-	251	58,533	81,395

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Group

The fair values of on balance sheet financial instruments, except for the following, are not significantly different from the carrying values included in the Group financial statements. The carrying value and estimated fair value of the following financial instruments are set out below:

	Carrying value (RO'000)	Fair value (RO'000)	Difference (RO'000)
Investments in associates (note 8(d))			
2014	13,908	13,555	(353)
2013	12,372	13,455	1,083

The fair value of the investments in associates is based on the closing bid prices on the Muscat Securities Market at the reporting date. Certain available-for-sale investments amounting to RO 373,720 (2013: 949,520) are stated at cost in the absence of fair value information.

Parent Company

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

	Carrying value (RO'000)	Fair value (RO'000)	Difference (RO'000)
Investments in associates (note 8(d))			
2014	6,249	13,425	7,176
2013	5,627	13,359	7,732

Investments in subsidiaries amounting to RO 50.4 (2013 – RO 48.4) million are stated at cost. The fair value of Parent company's investments in subsidiaries could vary depending on the valuation technique (IAS 39) that may be applied.

Fair value hierarchy

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

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

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

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

Transfers between levels

During the reporting period ended 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

As at 31 December 2014

	Level 1	Level 2	Level 3	Total
Group	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Financial assets at fair value through profit or loss	7,101		317	7,418
Financial assets held for trading	330	-	-	330
Available-for-sale investments	47,590	7,057	860	55,506
Derivative financial instruments				
Purchase contracts	-	220	-	220
Sale contracts	-	(202)	-	(202)
Parent Company				
Financial assets at fair value through profit or loss	6,619	-	-	6,619
Available-for-sale investments	26,057	7,057	-	33,114

As at 31 December 2013

	Level 1	Level 2	Level 3	Total
Group	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Financial assets at fair value through profit or loss	8,043	-	286	8,329
Financial assets held for trading	1,042	-	-	1,042
Available-for-sale investments	18,686	8,345	-	27,031
Derivative financial instruments				
Purchase contracts	-	251	-	251
Sale contracts	-	(240)	-	(240)
Parent Company				
Financial assets at fair value through profit or loss	6,871	-	-	6,871
Available-for-sale investments	-	8,145	-	8,145

37. BASIC EARNINGS PER SHARE

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

	Group		Parent Company	
	2014	**2013**	**2014**	**2013**
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Profit for the year attributable				
to shareholders of the parent (RO'000)	14,505	14,177	5,013	8,016
Weighted average number of shares outstanding during the year	336,743,000	336,743,000	336,743,000	336,743,000
Basic earnings per share (RO)	0.043	0.042	0.015	0.024

During the year, the Parent Company issued stock dividend of 30,613,000 shares (2013 – 27,783,000) without consideration. According to IAS 33 - Earnings per share, the weighted average number of ordinary shares outstanding during the period and for all periods presented shall be adjusted. In the present financial statement, the issue has been treated as if it had occurred at the beginning of 2013 and the basic earnings per share was recalculated accordingly. As there was no dilutive potential shares, the diluted earnings per share is identical to the basic earnings per share.

38. NET ASSETS PER SHARE

The calculation of net assets per share is as follows:

	Group		Parent Company	
	2014	**2013**	**2014**	**2013**
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Equity attributable				
to shareholders of the parent (RO'000)	132,669	123,176	59,907	58,533
Number of shares outstanding during the year	336,743,000	336,743,000	336,743,000	336,743,000
Net assets per share (RO)	0.394	0.366	0.178	0.174

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