

Al Anwar Holdings SAOG

Directors' Report for the year ended 31st March, 2012

Dear Shareholders,

On behalf of the Board of Directors, I have great pleasure in welcoming you to the Eighteenth Annual General Meeting of Al Anwar Holdings SAOG (AAH). I take this opportunity to place before you the Annual Report on the activities and performance of your company for the financial year ending 31st March 2012.

General Economic Environment:

The expansionary financial, economic and monetary policies pursued by the Sultanate of Oman provided a sustained catalyst for development as the economy recorded a 7 per cent growth in 2011. The 2011 budget was based on oil revenue of \$58 per barrel whereas the average price of Oman oil touched \$ 102 per barrel leading to an anticipated budget surplus above RO 900 million. Oman's economy was largely unaffected by the recent turmoil in global financial markets. The banking and financial sector witnessed healthy performance in tandem with the economic growth led by sustained consumer demand and public sector activities. Inflation also remained moderate at about 4 per cent, and the fiscal and external surpluses were high at about 8 per cent and 10 per cent of the GDP respectively.

During the year ending as on 31st March, 2012, the bench mark MSM 30 index of the Muscat Securities Market, recorded a drop of 8.6% at 5,690 points as on 31st March, 2012 as against 6,229 points as on 1st April, 2011.

The Year in Retrospect:

The year was characterized by growth in most of the investments and pause in drop of devaluation of other investments. As a result, investments in Oman contributed positively by way of share of profits. However, AAH needed to account for losses on account of fair valuation of its investment in India.

During the year, we had successfully divested 51% stake in our matured investment, Sun Packaging LLC, resulting in a profit of RO 281,772. The balance stake of 11.5% was retained as other investments and AAH booked a fair value gain of RO 63,538 on it.

We were cautiously pursuing investment opportunities and continue to seek value investments. During the year, the company increased its stake in Taageer Finance Company SAOG and it currently holds 29.70% and one of Al Anwar's subsidiary, namely, Al Anwar International Investment LLC is holding 3.93% of Taageer. This is contributing significantly to the share of profits.

During the year Mr. Reji Joseph joined as Chief Executive Officer and he has led the team at AAH with his able leadership to work tirelessly on a three pronged approach; namely, to source lucrative investment opportunities, to improve the performance of investee companies by persuasive monitoring and guidance, and to seek profitable exits for matured investments.

The developments during 2011 and the increased labor costs have posed challenges and also had its effect on margins on some of its investee companies.

Financial Overview of Al Anwar Group:

You will be happy to note that we have returned to profitability and are well placed to capitalize on the significant growth opportunities presented by our businesses. Several of the losses of the previous year were on account of fair value loss accounted on the investment made in Bahrain & India and Fair value change in value of our investment in land.

a consolidated loss of RO 1.2 million during 2011 we closed this year with a consolidated profit of 11 million, attributable to the shareholders of the parent company.

The consolidated financial statements presented are an outcome of the following:

1. The revenues generated and the costs incurred for the year ended as on 31st December, 2011 by its subsidiaries namely:
 - a) Falcon Insurance Company SAOC,
 - b) Sun Packaging Co. LLC (SPC), up to 30th September, 2011 the date of divestment,
 - c) Al Anwar International Investment LLC, 100% subsidiary of AAH, primarily being used as investment arm for AAH, and
 - d) Al Anwar Securities SAOC, 100% subsidiary of AAH
2. The Share of Profit / (Loss) achieved by Associate Companies for the year ended as on 31st December, 2011 in which Al Anwar Holdings owns between 20% and 50% of share capital.
3. Dividends from other investments.
4. Realised and un-realised gains / losses from other listed securities.

I am pleased to report that, your company has posted a consolidated profit attributable to the shareholders of the parent company of RO 0.511 million during the year as compared with loss of RO 1.201 million during the year 2010-11 in consolidated Group Accounts and a profit of RO 0.742 million during the year as compared with loss of RO 1.700 million during the year 2010-11 in Parent Company Accounts.

During the year 2011-12, your company divested 51% stake in its subsidiary, Sun Packaging Company LLC and realized part of the value in this investment. As a result of this divestment the company made a total gain of RO 0.345 million comprising of RO 0.282 million as profit on sale of investments and RO 0.063 million as fair value gain on retained stake of 11.5% in the company.

During the year company increased its stake in Taageer Finance Company from 22.67% to 29.70%, registered in its name directly, in addition to 3.93% registered in the name of Al Anwar International Investment LLC.

The Earning / (loss) Per Share (EPS) was 4 Baizas in 2012 as against loss of (10) Baizas in 2011.

Net assets, as on 31st March, 2012, of the company was 151 Baizas per share as against 147 Baizas per share as on 31st March, 2011.

Despite the profit, retained earnings in the parent company is not enough for the Board of Directors to declare any dividend (Previous year also NIL). Similarly, the Board is also not recommending any Directors Remuneration for the same reason (Previous year also NIL).

Performance of Al Anwar Investments:

Subsidiaries:

1. **Falcon Insurance Company SAOC (Falcon):** Insurance sector in Oman has been witnessing intense competition and natural calamities over the period on a regular basis. As a result, there is a pressure on margin while the claims and the cost of re-insurance have increased. As the average insurance premiums could not be increased, all the competitors are forced to increase business volumes to absorb the large fixed costs associated with this business. Due to declining valuation in MSM, the income from investments made by Falcon also declined during the year as compared with last year.

In view of above, Falcon along with most other peers had reported significant increase in losses during the year verses last year.

The management of the company is working hard to realign its business strategies keeping in view the current market dynamics and potential of natural calamities. It is expected that the strategic realignment would help in turning around the financial results for the year 2012.

2. **Sun Packaging Company LLC (SPC):** Keeping in line with our strategy to divest matured investments, AAH sold 51% stake in SPC. The balance 11.5% stake retained was re-classified as other investments at Fair Value through Profit & Loss. The company continues to report good results based on prudent policies and strong business plans.
3. **Al Anwar International Investments Co. LLC (AAIL):** AAIL is an investment arm for Al Anwar Holding and is a 100% subsidiary of AAH. The company is holding various investments for and on behalf of AAH.
4. **Al Anwar Securities SAOC (AAS):** The company is 100% subsidiary incorporated during the year 2008 with an objective to carry out various financial services in Oman. However, as the volatility in financial services sector continued, the Board decided to not to commence operation in the company.

Associates:

1. Voltamp Energy SAOG (and its subsidiary):

During the year 2011, Voltamp Energy SAOG (VE) completed the power transformer project in Sohar and started commercial production. However, due to the lead time, all the deliveries of transformers were spilling over next year and in compliance with prudent accounting practices, no revenue was booked during the year. This resulted in to a loss of RO 0.938 million from Voltamp Power and despite good performance by other divisions, VE reported a 45% reduction in net profit.

However, on the positive side, Voltamp Power made significant savings in overheads during this gestation period. It is expected that Power Transformer division would be able to book more business during the year and the Distribution Transformer division will also increase its profits during the year and as such, the consolidated results of VE would be significantly better than the one reported for 2011.

2. Taageer Finance Company SAOG (Taageer):

Taageer continued on the growth path and reported an increase of 11% in its revenue. Taageer also reported 30% increase in net profits after tax as compared with last year.

3. Al Maha Ceramics Company SAOC(AMC):

AMC turned around as expected during the year 2011 and reported a 52% increase in revenue and significant increase in its net profit. AMC increased its marketing network and initiatives and introduced many new attractive designs during the year and reached 94% capacity utilization. As the market has stabilized, it is expected to continue at high utilization and better price realization on account of high quality products.

Other Investments:

1. **Almondz Global Securities Limited, India (AGSL):** The lack of liquidity in the scrip, coupled with negative sentiments on brokerage sector in India, continued to depress the valuations of this investment and AAH was booked a loss of RO 0.41 million approximately. Recent development of regulators finding irregularities in various IPO's has further dampened the valuations.

2. **Addax Bank Bahrain (Addax Bank):** After two year of booking losses and softening of valuations of various investments held by Addax Bank, the bank reported marginal profit during the year 2011. As a result, a small gain of RO 22,000 was booked by AAH on change of fair value during the year.

AAH is also exploring possibilities of exiting from this investment with minimum possible losses and therefor, is in discussion with the management and Board of Addax Bank and legal consultants in Bahrain.

The Year Ahead & Future Projects:

The outlook for Oman's economy in 2012 is positive as the government has announced a 12 per cent increase in spending, based on oil price pegged at \$75 a barrel and a daily production of 920,000 barrels. Fiscal surplus is also anticipated in 2012 on the back of supportive oil prices. Indications are that infrastructure projects will continue to give a fillip to the economy in 2012 as part of the 8th Five-Year Plan strategy. Oman's real GDP growth is forecast to accelerate further to 7 per cent in 2012.

The Equity markets are likely to remain volatile as there is a possibility of negative global cues; especially from the Euro zone. The challenges posed by the global and regional adjustments have been considered by the group and the individual companies are well poised to consider different growth opportunities during the year.

AAH will continue adopting cautious approach on new investments. AAH believes in prudent management of our investments through a disciplined approach. The area of future investments would encompass financial, other services sector and industries.

As we embark into the future with renewed verve we remained committed to create value to stakeholders of the Al Anwar group. This would be achieved through a clear strategy and road map for growth and productivity by introducing best business and investment practices. Our committed teams in our companies work hard towards achieving the objectives of achieving sustainable quality earnings. Our track record has given us the ability and confidence to continue to seek value opportunities with a long term focus.

Omanisation:

Al Anwar as a company and as a group has always been fully committed of recruiting and training Omani employees in large numbers. Present Omanisation in the parent company is 33.3% while as a group it is 58%. We are making efforts to increase the Omani talent in the group.

Corporate Governance:

Your company's Board and Management have always believed in maintaining a high level of professionalism and integrity in all its operations. The company stands committed to fully adhere to the Code of Corporate Governance issued by the Capital Market Authority. A report on Corporate Governance and also a Management Discussion and Analysis Report have been included in the Annual Report.

The Board has reviewed the existing system of Rules, Regulations and internal controls so as to ensure that they properly identify authorities at various levels and that there is a good system of checks and balances in place. Furthermore all systems and procedures are constantly upgraded and strengthened which ensures efficiency and transparency.

Thanks and Appreciation:

On behalf of the Board, I would like to convey our loyalty , gratitude and extreme thanks to His Majesty Sultan Qaboos Bin Said and to His Majesty's Government for incentives and support for all round sustainable development in the Sultanate.

The Board records its sincere appreciation to Capital Market Authority, MSM, Customers, Bankers and Auditors for their continued support to the Company and the Group.

I would also like to express my sincere appreciation to the Board of Directors of all Al Anwar Group companies for direction given to the management of the respective companies. I place on record my sincere thanks and appreciation for the dedicated efforts of the management team and all employees of the holding company and the group companies.

I would also like to convey my sincere thanks to the shareholders of the company for the confidence they have reposed in the company and in its Board.

**For & on behalf of the Board of Directors of
Al Anwar Holdings SAOG**



**Masoud bin Humaid Al Harthy
Chairman**