# AL ANWAR HOLDINGS SAOG
# AND ITS SUBSIDIARIES

## CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

## 31 December 2008

**Registered office and principal place of business:**

Villa No. 897, Way No. 3013
Shatti Al Qurum, P.O. Box 468, Postal Code 131
Al Hamriya
Sultanate of Oman

# Al Anwar Holdings SAOG
# Consolidated and Parent Company Financial statements

*31 December 2008*

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# Directors' Report

**Dear Shareholders,**

On behalf of the Board of Directors I am pleased to present the un-audited results of Al Anwar Holdings SAOG (AAH) for the nine months ended at 31st December, 2008.

Al Anwar Holdings SAOG is an Omani Joint Stock Investment Holding Company registered in the Sultanate of Oman. The business activities of the company include equity participation in new and existing business ventures across various sectors.

## Financial Overview of Al Anwar Group:

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

1. The revenues generated and the costs incurred by its subsidiaries namely:
   a. Sun Packaging Co. LLC (SPC),
   b. Al Anwar International Investment LLC, 100% subsidiary of AAH, primarily being used as investment arm for AAH, and
   c. Voltamp Energy SAOG (VE) formerly known as Voltamp Manufacturing Co. LLC (Switchgear & Transformer Divisions) was consolidated up to 1st Quarter. VE became an associate in 2nd Quarter due to stake dilution resulting from its IPO. Therefore the financials of VE are not consolidated. Consequently total assets, revenue and gross operating profit are lower as compared with previous period, 31st December, 2007.

2. The Share of Profit / (Loss) achieved by Associate Companies in which AAH owns between 20% and 50% of their share capital.

3. Dividends from investments.

4. Realized gains made from divestments.

5. Realised and un-realised gains / losses from other listed securities.

Your company achieved a consolidated net profit after tax attributable to shareholders of parent company to the tune of RO 3.847 million for the nine months ended 31st December, 2008 as against a net profit of RO 2.794 million for the nine months ended on 31st December, 2007 recording an increase of 38%.

Out of above profit, Al Anwar Holdings SAOG has realised profit of RO 2.245 million by divesting its stake in Voltamp Energy during the period which accounts for 58% of consolidated net profit for the period. Further, a profit of RO 1.949 million was recorded for fair value changes in investments, which accounts for 51% of consolidated net profit for the period. Investors are cautioned that such profits may not follow a fixed pattern. The consolidated net profit after tax attributable to shareholders of parent company are after 'netting-off' the unrealised losses of RO 1.133 million on other marketable securities.

The Earning per share (EPS) has improved to 38 Baisa in nine months ended on 31st December, 2008 as against 32 Baisa in nine months ended as on 31st December, 2007 registering an increase of 22% on the increased Share Capital from RO 8.855 million to RO 10.000 million, an increase of 12.93%.

Net asset per share of the group has improved to 181 Baisa per share as on 31st December, 2008 as against 156 Baisa per share as on 31st December, 2007 recording an increase of 16% on the increased capital.

## Status of Investments

### Subsidiaries:

(i) Sun Packaging Co. LLC: The Company was utilising its expanded capacity to the extent of 85% during the nine months ended as on 30th September, 2008. Consequently turnover has recorded substantial growth over same period of the last year but margins were under strain due to steep increase in raw material prices in the current period.

(ii) Al Anwar International Investments LLC: This company has made investment in a financial services company in Saudi Arabia by acquiring 25% stake in a company under incorporation, Addax Securities. Addax Securities has since obtained license from CMA of Saudi Arabia for securities business and is in the process of incorporation of the company and obtaining other regulatory approvals. It is expected that the company would start operation by March 2009.

### Associates:

(i) Voltamp Energy SAOG: A profit making Company has improved its turnover by 36% during the nine months ended as on 30th September, 2008 in comparison with that of last year. The company has also posted a growth of 33% in net profit during this period as compared with the same period in previous year. The company has entered in technical collaboration with Tatung Company, Taiwan to set up production facility of power transformers in Sohar. During the month of June, 2008 the company came up with a successful IPO thru which Al Anwar Holdings also sold 16.4% stake in VE and now holds 28.71% stake in VE.

(ii) National Aluminium Products Co. SAOG: The Company has registered a growth of 14% in revenue during nine months ended as on 30th September, 2008 as compared with last year. The Company has further reported growth in net profit of 50% during nine months ended as on 30th September, 2008 as compared with same period during previous year. However, NAPCO management reported a loss of RO 1.546 million in the post balance sheet period, which is subject to Audit and approval by the Board of NAPCO. The impact on our net profits and net assets will be to the tune of 20% of the actual loss ascertained by the Auditors and approved by the Board of NAPCO.

(iii) Falcon Insurance Co. SAOC: The Company was benefited during the period ended as on 30th September, 2008 due to writing new businesses with qualitative improvements and putting in place risk mitigating policies. The company has reported profits in the period ended as on 30th September, 2008 as against loss reported during the same period last year. The company is confident of maintaining the trend during the rest of the year.

(iv) Al Maha Ceramics Co. SAOC: The commercial production of the company was started during the month of March, 2008. Initial feed backs from market are very positive on quality and the company is expanding its market penetration. Due to non-availability of Gas, the company is unable to achieve production levels as envisaged.

(v) Al Anwar Blank Co. SAOC: The Company has begun to show the sign of turning around with the help of strategic partner. The company has developed new customers and is expected to turn around soon.

**Other investments:**

(i) The company has made investment in Almondz Global Securities Ltd, India, a financial services company listed on Bombay Stock Exchange and National Stock Exchange. The value of investment is depressed due to steep fall in Indian Stock Markets. As AAH strictly adheres to the IFRS and IAS guidelines to value the investment at fair value, we have valued this investment at market rate as on 31.12.08. Resultant unrealised losses are included in the profits referred above.

(ii) Company had also made trading investments during the period and valued these investments also at price quoted on MSM as on 31.12.08. Resulted gain or losses have been included in the profits referred above.

(iii) Due to uncertain real estate markets, the company decided not to go ahead with establishment of Real Estate Company and refunded in full the capital contribution received from other investors. The company is holding the land at cost in its books and exploring all possible options in respect of the land.

**Market Outlook:**

With strict risk mitigating policies the company is able to weather-out the current global trend of financial markets. Looking into the current recessionary conditions, investee companies are being guided to control cost and try maintaining existing revenues and margins. New Investments in the Insurance sector, Ceramic Tiles and Financial Sector in India and Saudi Arabia are expected to add to the income and diversify its income streams in future. These investments are also expected to enhance the market value of the investment portfolio.

**Thanks and Appreciation:**

I would like to express our extreme thanks and appreciation to His Majesty Sultan Qaboos Bin Said and His Government for incentives and support for all round sustainable development in the Sultanate. I would also like to thank the Capital Market Authority and the Muscat Securities Market for their guidance and support. I also thank the Bankers of our companies for their continued support to the Company and its Group.

I would also like to express my sincere appreciation to the Board of Directors of all Al Anwar Group investee companies for direction given to the managements of these 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 Humaid Al Harthy**
**Chairman**
Date: 14/02/2009

# Al Anwar Holdings SAOG
# Summary of unaudited Consolidated Results (for nine months) Ended as on 31st December

| | 2008 | 2007 | %age Change |
|---|---|---|---|
| | RO '000 | RO '000 | |
| Total Assets of the Group | 33,209 | 47,110 | -30% |
| Net Assets attributable to the parent Company | 18,117 | 13,797 | 31% |
| Net Assets per Share (in RO) | 0.181 | 0.156 | 16% |
| Current Ratio | 0.833 | 1.130 | -26% |
| Gross Operating profit from Subsidiaries | 1,999 | 8,465 | -76% |
| Add : Investment & other Incomes (note 2) | 4,132 | 1,840 | 125% |
| | ---------- | --------- | |
| Gross Profit | 6,131 | 10,305 | -40% |
| | ====== | ===== | |
| Gross Operating Profit Margin | 18.55% | 25.97% | -29% |
| Net Profit | 4,135 | 3,891 | 6% |
| Net Profit attributable to ordinary shareholders. | 3,847 | 2,794 | 38% |
| Earnings Per Share for the nine months (in Baizas) | 38 | 32 | 22% |
| Share Capital | 10,000 | 8,855 | 13% |

Notes:

1. Share Capital was increased from RO 8.855 Million to RO 10.000 Million through Stock dividend.
2. Investment & other income includes profit on sale of investment, Dividend income, share of profits from associate companies, fair value change in investment, unrealised gains / (loss) and other income.

Director　　　Director　　　Director

# Al Anwar Holdings SAOG
# Consolidated and Parent Company Balance sheet

*as at 31 December*

(Amount in RO' 000)

| | | Group | | Parent Company | | %age Change | |
|---|---|---|---|---|---|---|---|
| | | **2008** | **2007** | **2008** | **2007** | **Group** | **Parent Company** |
| **Asset** | | | | | | | |
| Fixed Assets | 3 | 3,219 | 9,095 | 16 | 18 | -65% | -22% |
| Intangible Assets | 4 | 63 | 1,575 | - | - | -96% | - |
| Investments in Associates | 5 | 12,066 | 3,477 | 7,939 | 3,911 | 247% | 103% |
| Investment in Subsidiaries | 5 | - | - | 1,041 | 6,132 | - | -83% |
| Investment at Fair value | 5 | 7,624 | 8,376 | 7,438 | 8,315 | -9% | -11% |
| Investment held to maturity | 5 | 73 | 72 | 73 | 72 | 0% | 0% |
| Investment held for trading | 5 | 41 | 555 | 41 | 285 | -92% | -86% |
| Investments in Property | 6 | 3,148 | 135 | 3,148 | 100 | 2232% | 3048% |
| Inventories | 7 | 2,579 | 6,980 | - | - | -63% | - |
| Trade & Other receivables | 8 a | 3,429 | 15,004 | 154 | 86 | -77% | 84% |
| Other Current Assets | 8 b | 593 | 992 | - | - | -40% | - |
| Cash & Bank Balance | 9 | 374 | 849 | 354 | (40) | -56% | -984% |
| **Total** | | **33,209** | **47,110** | **20,204** | **18,879** | **-30%** | **7%** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Shareholders' Funds | | | | | | | |
| Share Capital | 10 a | 10,000 | 8,855 | 10,000 | 8,855 | 13% | 13% |
| Legal Reserves | 10 b | 1,113 | 1,050 | 1,057 | 811 | 6% | 30% |
| Fair Value Reserve | | 68 | 11 | - | - | 518% | - |
| Retained Earnings | | 6,936 | 3,881 | 2,522 | 2,564 | 79% | -2% |
| **Shareholders' fund attributable to shareholders of Parent Company** | | **18,117** | **13,797** | **13,579** | **12,230** | **31%** | **11%** |
| Minority Interest | 11 | 660 | 5,223 | - | - | -87% | - |
| **Total Shareholders' fund And Minority Interest** | | **18,777** | **19,020** | **13,579** | **12,230** | **-1%** | **11%** |
| Long Term Liabilities | 12 | 6,048 | 7,018 | 5,226 | 6,094 | -14% | -14% |
| Accounts & Other payables | 13 | 3,385 | 11,562 | 816 | 280 | -71% | 192% |
| Short term borrowings | 14 | 4,999 | 9,510 | 583 | 275 | -47% | 112% |
| **Total Liabilities** | | **14,432** | **28,090** | **6,625** | **6,649** | **-49%** | **0%** |
| **Total** | | **33,209** | **47,110** | **20,204** | **18,879** | **-30%** | **7%** |
| | | | | | | | |
| Net Asset Value in Baisa | 15 | 181 | 156 | 136 | 138 | 16% | -2% |

The notes on pages 6 to 30 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 14th February, 2009 and were signed on their behalf by:

| | | |
|---|---|---|
| ………………………………………. | ……………………..……… … | ……………………..…………. |
| Chairman | Director | Chief Executive Officer |

# Al Anwar Holdings SAOG
# Consolidated and Parent Company income statement

*For the period ended 31 December*

(Amount in RO' 000)

| | | Group | | Parent Company | | %age Change | |
|---|---|---|---|---|---|---|---|
| | | **2008** | **2007** | **2008** | **2007** | **Group** | **Parent Company** |
| **Income** | | | | | | | |
| Sales | 2 p | 10,775 | 32,593 | - | - | -67% | - |
| Dividend Income | 17 a | 8 | - | 80 | 115 | - | -30% |
| Other Income | 17 b | 365 | 129 | 347 | 22 | 183% | 1476% |
| Share of Profit/(loss) in results of associates | 5 | 843 | (288) | - | - | 293% | - |
| **Total Income** | | **11,991** | **32,434** | **427** | **137** | **-63%** | **211%** |
| **Expenses** | | | | | | | |
| Cost of Sales | | 8,776 | 24,128 | - | - | -64% | - |
| Administration, General expenses | | 874 | 4,184 | 318 | 171 | -79% | 86% |
| Depreciation & Amortization | | 392 | 1,281 | 6 | 5 | -69% | 16% |
| Finance Charges | | 638 | 609 | 337 | 139 | 5% | 142% |
| **Total Expenses** | | **10,680** | **30,202** | **661** | **315** | **-65%** | **110%** |
| Net operating profit for the period /(loss) | | **1,311** | **2,232** | **(234)** | **(178)** | **-41%** | **31%** |
| Realised gain on sale of Investment | 18 | 2,245 | 570 | 2,911 | 570 | 294% | 411% |
| Realised gain on Trading portfolio | | (144) | 184 | (144) | 166 | - | - |
| Fair Value change in strategic investment | 19 | 1,949 | - | - | - | - | - |
| Unrealised gain / (loss) on Investments | | (1,132) | 1,245 | (1,132) | 1,245 | - | - |
| Net profit for the period before tax | | **4,229** | **4,231** | **1,401** | **1,803** | **0%** | **-22%** |
| Less: Taxation | 20 | (93) | (340) | - | - | -73% | - |
| **Net Profit for the period** | | **4,136** | **3,891** | **1,401** | **1,803** | **6%** | **-22%** |
| Less Minority Interest | 11 | (289) | (1,097) | - | - | -74% | - |
| **Profit /(loss) attributable to the shareholders of the parent company** | | **3,847** | **2,794** | **1,401** | **1,803** | **38%** | **-22%** |
| **Basic Earning per Share in Baisa** | 16 | 38 | 32 | 14 | 21 | 22% | -31% |

The notes on pages 6 to 30 form an integral part of these financial statements.

Director

Director

Director

# Al Anwar Holdings SAOG

## Consolidated and Parent Company statement of changes in equity

*For the year ended 31 December 2008*

(RO '000)

| **Group** | **Share capital** | **Legal reserve** | **Fair Value** | **Retained earnings** | **Total** |
|---|---|---|---|---|---|
| At 31 March 2007 | 7,700 | 1,050 | 11 | 2,627 | 11,388 |
| Transfer to Share Capital | 1,155 | - | - | (1,155) | - |
| Net profit for the period | - | - | - | 2,794 | 2,794 |
| Dividend Paid | | | | (385) | (385) |
| | --------- | --------- | --------- | --------- | --------- |
| At 31 December 2007 | 8,855 | 1,050 | 11 | 3,881 | 13,797 |
| | ===== | ===== | ===== | ===== | ===== |
| At 31 March 2008 | 8,855 | 1,526 | 68 | 4942 | 15,391 |
| Transfer to Share Capital | - | - | - | - | - |
| Net profit for the period | - | - | - | 3,847 | 3,847 |
| Decrease due to divestment | - | (413) | - | - | (413) |
| Dividend Paid | - | - | - | (708) | (708) |
| Stock Dividend | 1,145 | | - | (1,145) | - |
| | --------- | --------- | --------- | --------- | --------- |
| At 31 December 2008 | 10,000 | 1,113 | 68 | 6,936 | 18,117 |
| | ===== | ===== | ===== | ===== | ===== |

| **Parent** | **Share capital** | **Legal reserve** | **Retained earnings** | **Total** |
|---|---|---|---|---|
| At 31 March 2007 | 7,700 | 811 | 2,301 | 10,812 |
| Transfer to Share Capital | 1,155 | - | (1,155) | - |
| Net profit for the period | -- | -- | 1,803 | 1,803 |
| Dividend Paid | | | (385) | (385) |
| | --------- | --------- | --------- | --------- |
| At 31 December 2007 | 8,855 | 811 | 2,564 | 12,230 |
| | ===== | ===== | ===== | ===== |
| At 31 March 2008 | 8,855 | 1057 | 2,974 | 12,886 |
| Stock Dividend | 1,145 | - | (1,145) | - |
| Net profit for the period | -- | -- | 1,401 | 1,401 |
| Dividend Paid | | | (708) | (708) |
| | --------- | --------- | --------- | --------- |
| At 31 December 2008 | 10,000 | 1,057 | 2,522 | 13,579 |
| | ===== | ===== | ===== | ===== |

The notes on pages 9 to 30 form an integral part of these financial statements.
The report of auditors is set forth on page 1.

## Al Anwar Holdings SAOG and Its Subsidiaries

## Consolidated and Parent Company cash flow statement

*For the year ended 31 December*

| | | | | (RO '000) |
|---|---|---|---|---|
| | **Group** | | **Parent Company** | |
| | **2008** | **2007** | **2008** | **2007** |
| Dividend, Other income, Receipts from customers | 3,041 | 9,484 | 1,123 | 295 |
| Cash paid to suppliers & employees | (188) | (10,132) | (315) | (1,110) |
| Interest paid | (644) | (609) | (343) | (138) |
| Tax Paid | (332) | (104) | - | - |
| Net Cash from operating activities | 1,877 | (1,361) | 465 | (953) |
| Net Cash used in investing activities | (637) | (6,478) | (239) | (5,017) |
| Net Cash used from financing activities | (973) | 6,256 | 128 | 4,585 |
| Net increase (decrease) in cash and cash equivalents | 267 | (1,583) | 354 | (1,385) |
| Cash and Cash equivalents brought forward | 125 | 2,432 | - | 1,345 |
| Effects of disposal of a subsidiary | (18) | - | - | - |
| Cash and Cash equivalents carried forward | 374 | 849 | 354 | (40) |

The notes on pages 6 to 30 form an integral part of these financial statements.

# Al Anwar Holdings SAOG
## Notes
*(forming part of the consolidated financial statements)*

### 1 Legal status and principal activities

Al Anwar Holdings SAOG (the "Parent Company") is an Omani joint stock company incorporated on 20 December 1994 and registered in the Sultanate of Oman. The business activities of Parent Company and its subsidiary companies (together referred to as the "Group" and defined in note 5) include promotion of and participation in a variety of ventures in the financial services and industrial sector in the Sultanate of Oman.

During the year the Parent Company disposed 28.71% equity in one of its subsidiaries Voltamp Energy SAOG ("VE"). VE is now an associate of the Parent Company, with 28.71% equity.

### 2 Significant accounting policies

**Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards and interpretation issued by the relevant body of the International Accounting Standards Board, the requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and the rules for disclosure requirements prescribed by the Capital Market Authority.

- In the current year, the Group has adopted IFRS 7 Financial Instruments: Disclosures, which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1: Presentation of Financial Statements.

- The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

- Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; and IFRIC 10 Interim Financial Reporting and Impairment. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

- Amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosure' requires an entity to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

- IFRS 8 Operating segments, which becomes effective for periods commencing on or after 1 January 2009. The new standard may require changes in the way the Group discloses information about its operating segments.

The following accounting policies have been consistently applied in dealing with items considered material to the Group's and Parent Company's financial statements.

**a) Basis of accounting**

The financial statements have been prepared under the historical cost convention, except that investments at fair value through profit or loss, investments available for sale and investment property are stated at their fair values and the held-to-maturity investments and Government soft loans which are stated at amortised cost.

**b) Basis of consolidation**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

## Al Anwar Holdings SAOG

## Notes

*(forming part of the consolidated financial statements)*

**2 Significant accounting policies** *(continued)*

**b) Basis of consolidation** *(continued)*

The consolidated balance sheet incorporates the assets and liabilities of the Parent and it's subsidiaries. All significant inter-company balances, transactions, income and expenses have been eliminated on consolidation. For the purpose of consolidation, financial position and results of operations of the subsidiaries are consistently considered on the basis of their unaudited financial statements for the period ended on the 30 September 2008. Adjustments are made for significant transactions which took place between the reporting date of subsidiaries and the Parent Company.

**c) Investments**

*Subsidiary*

In the Parent Company's separate financial statements, the investments in subsidiaries are carried at cost. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

*Associate*

An entity over which the Group exercises significant influence but not control is classified as an associate.

The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis. For the purpose of which financial position and results of operations of the associates are consistently considered on the basis of their unaudited financial statements for the period ended on the 30 September, 2008. Adjustments are made for significant transactions which took place between the reporting date of associates and the Parent Company.

The investments in associates are carried at cost in the Parent Company's separate financial statements.

*Investments held to maturity*

Investments which are held with a positive intent and ability to hold until maturity are classified as held to maturity. They are initially recognised at cost and subsequently re-measured at amortised cost.

*Investments at fair value through profit or loss*

These are the investments which management, if considers eligible, designates as fair value through profit and loss upon their initial recognition.

*Trading assets*

Trading assets are those assets and liabilities that the Group acquire or incur principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short term profit or position taking.

Trading assets are initially recognized including transaction cost and subsequently measured at fair value in the balance sheet. All changes in fair value are recognized as part of net trading income in profit or loss. Trading assets are not reclassified subsequent to their initial recognition.

*Investments available for sale*

Other investments are classified as available for sale. They are re-measured at fair value after initial recognition. Gains and losses on re-measurement are reported in the statement of changes in equity.

## Al Anwar Holdings SAOG

## Notes

*(forming part of the consolidated financial statements)*

**2 Significant accounting policies** *(continued)*

**c) Investments** *(continued)*

*Fair value measurement*

For investments actively traded in organized financial markets, fair value is generally determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. Unquoted investments are valued at fair value when they can be reliably measured; otherwise they are stated at cost.

*Dividend income*

Dividend income from investments is accounted when the right to receive payment is established. Interest income on investments available for sale is recognised when the entitlement arises.

*Gain on disposal of investments*

Gain on disposal of investments is determined by the difference between sales proceeds and cost or carrying value and is credited to the statement of income.

**d) Intangible assets**

*Goodwill*

Goodwill arising on acquisition of subsidiaries and associates is initially recognised at cost, being the excess of cost of business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is subsequently measured at cost less accumulated impairment losses. Negative goodwill is recognised immediately in the statement of income. Impairment losses, if any, in respect of goodwill arising on consolidation of subsidiaries and investment in associates are assessed on an annual basis.

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

**e) Leases**

Operating lease payments are recognised in the statement of income on a straight line basis.

**f) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Subsequent expenditure is capitalized only when it is probable that it will result in increased future economic benefits. All other expenditure is recognised in the statement of income as an expense as incurred.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful economic lives of items of property, plant and equipment. The estimated useful lives are as follows:

| | Years |
|---|---|
| Buildings on leasehold land | 20 |
| Plant, machinery and equipment | 4-15 |
| Motor vehicles | 3-5 |
| Furniture and fixtures | 3-8 |

Capital work in progress is not depreciated.

# Al Anwar Holdings SAOG

# Notes

*(forming part of the consolidated  financial statements)*

**2 Significant accounting policies** *(continued)*

**g) Investment properties**

Investment properties are initially measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment are included in the income statement in the year in which they arise.

Investment properties are derecognised when they have either been disposed off or when the investment properties are permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of investment properties are recognised in the income statement in the year of derecognition.

**h) Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. Cost of raw materials is based on the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Work in progress and finished goods includes material costs and, where applicable, an appropriate share of overheads based on normal operating capacity.

**i) Accounts and other receivables**

Accounts receivable originated by the Group, are measured at cost. Bad debts are written off or provided for as they arise and provision is made for doubtful receivables.

**j) Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents consists of cash and bank balances with maturity of three months from the balance sheet date.

**k) Impairment**

*Financial assets*

At each balance sheet date, the Group's management assesses if there is any objective evidence indicating impairment of the carrying value of financial assets or non-collectability of receivables.

Impairment losses are determined as differences between the carrying amounts and the recoverable amounts and are recognised in the statement of income. Any reversal of impairment losses are recognised as income in the statement of income. The recoverable amounts represent the present value of expected future cash flows discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted.

*Non financial assets*

Other than the goodwill arising on consolidation of subsidiaries and investment in associates [refer note (d) above] at each balance sheet date, the Group assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Group's management estimates the recoverable amount of the asset and recognises an impairment loss in the statement of income. Other than for goodwill, the Group's management also assesses if there is any indication that an impairment loss recognised in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognised immediately in the statement of income.

The recoverable amount adopted is the higher of net realisable value or market value and its value in use.

# Al Anwar Holdings SAOG

## Notes

*(forming part of the consolidated financial statements)*

**2 Significant accounting policies** *(continued)*

**l) Employees' end of service benefits**

Payment is made to Omani Government's Social Security Scheme in accordance with the Royal Decree Number 72/91 (as amended) for Omani employees. Provision is made for amounts payable under the Sultanate of Oman's labour law in accordance with Royal Decree number 35/2003 (as amended) applicable to expatriate employees' accumulated periods of service at the balance sheet date.

**m) Provisions**

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

**n) Accounts payable and accruals**

Liabilities are recognised for amounts to be paid for goods and service received, whether or not billed to the Group.

**o) Government term loans and deferred income**

*Carrying values*

The carrying values of the interest free and low interest Government term loans are determined as the present values of the loans adopting the interest rates that reflect the current cost of similar borrowing on similar loan terms from a commercial bank.

*Finance charge*

The effective interest charge arises as a result of accounting for the fair values of the government related term loans and therefore represents the actual interest incurred for the year plus an amount arising from movements in the carrying values of the loans in the year.

*Deferred income*

The amount of deferred income relating to the government term loans is released to the income statement in such a way as to spread the income over the effective interest charge to which it relates.

**p) Operating income**

Operating income represents the invoice value of goods sold during the year, net of discounts and returns, and is recognised in the statement of income, when the significant risks and rewards of ownership have been transferred to the buyer.

**q) Finance charges**

Finance charges comprise interest payable on term loans and bank borrowings, interest subsidy, and are net of interest receivable on bank deposits. Finance charges are recognised as an expense in the statement of income in the period in which they are incurred.

# Al Anwar Holdings SAOG

# Notes
*(forming part of the consolidated financial statements)*

## 2 Significant accounting policies *(continued)*

### r) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Current tax is provided in accordance with the Sultanate of Oman’s fiscal regulations. Deferred taxation is provided using the liability method on all temporary differences at the reporting date. It is calculated at the tax rates that are expected to apply to the period when it is anticipated the liabilities will be settled, and it is based on the rates (and laws) that have been enacted at the balance sheet date.

Deferred tax assets are recognised in relation to carry forward loses and unused tax credits to the extent that it is probable that future taxable profits will be achieved.

### s) Foreign currencies

Foreign currency transactions are translated into Omani Rials at the exchange rate prevailing on the transaction date. Foreign currency monetary assets and liabilities at the balance sheet date are translated at the rates of exchange prevailing at that date. Exchange differences that arise are recognised in the statement of income.

### t) Segment reporting

A segment is a distinguishable component of the Group engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

### u) Derivative financial instruments

The Group uses:

- futures commodity contracts to hedge its risk associated with fluctuations in metal prices relating to future sales to customers for which the company has firm commitments; and
- forward foreign exchange contracts to hedge its risk associated primarily with foreign currency fluctuations relating to purchases of inventory from overseas suppliers.

These derivative financial instruments, if considered material, are initially recognised at fair value on the date on which a contract is entered into and are subsequently re-measured at fair value. These are carried as assets included under ‘trade and other receivables’ when the fair value is positive and as liabilities included under ‘trade and other payables’ when the fair value is negative.

For hedges which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the income statement for the period.

Hedges which meet the strict criteria for hedge accounting are accounted as follows:

## Al Anwar Holdings SAOG

## Notes

*(forming part of the consolidated financial statements)*

**2 Significant accounting policies** *(continued)*

**u) Derivative financial instruments** *(continued)*

*Fair value hedges*

The changes in fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is recognised in profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. The change in fair value of a hedging derivative is recognised in the income statement.

*Cash flow hedge*

These are included in the balance sheet at fair value and any resultant gain or loss is recognised in the statement of changes in equity and subsequently adjusted against the value of inventory. The fair values of forward foreign exchange contracts are included in “accounts and other receivables” in case of favourable contracts and “accounts and other payables” in case of unfavourable contracts.

**v) Dividend**

The Board of Directors recommend to the shareholders the dividend to be paid out of Parent Company’s profits. The Board of Directors takes into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the dividend.

Dividend distribution to the Parent Company’s shareholders is recognized as a liability in the Group’s and Parent Company’s financial statements in the period in which the dividend is declared.

**w) Directors’ remuneration and meeting attendance fees**

The Company follows the Commercial Companies Law 1974 (as amended), and other latest relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors remuneration and sitting fee are charged to the statement of income in the year to which they relate.

**x) Estimates and judgements**

In preparing the consolidated financial statements, the Board of Directors is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgement based on historical experience and other factors are inherent in the formation of estimates. Actual results in the future could differ from such estimates. The Board of Directors test annually whether goodwill, investments in subsidiaries, associates and other financial assets have suffered any impairment which requires the use of estimates.

# Al Anwar Holdings SAOG

## Notes
*(Forming part of the consolidated financial statements)*

### 3 Property plant and equipment

| Group | Buildings RO '000 | Plant & Equipment RO '000 | Motor Vehicles RO '000 | Furniture & Fixtures/ RO '000 | Capital W.I.P. RO '000 | Total RO '000 |
|---|---|---|---|---|---|---|
| *Cost* | | | | | | |
| 1 April 2008 | 1,122 | 4,951 | 185 | 461 | 31 | 6,750 |
| Additions | 33 | 189 | 28 | 19 | 160 | 429 |
| Disposal of Subsidiary | (490) | (957) | (82) | (286) | - | (1,815) |
| Other Disposals | - | - | (7) | - | - | (7) |
| 31 December 2008 | 665 | 4,183 | 124 | 194 | 191 | 5,357 |
| *Depreciation* | | | | | | |
| 1 April 2008 | 432 | 2,152 | 95 | 365 | - | 3,044 |
| Charge for the year | 40 | 324 | 25 | 28 | - | 417 |
| Disposal of Subsidiary | (301) | (756) | (33) | (226) | - | (1,316) |
| On disposals | - | - | (7) | - | - | (7) |
| 31 December 2008 | 171 | 1,720 | 80 | 167 | - | 2,138 |
| *Net Book Value* | | | | | | |
| **31 December 2008** | **494** | **2,463** | **44** | **27** | **191** | **3,219** |
| 1st April 2008 | 690 | 2,799 | 90 | 96 | 31 | 3,706 |

| Parent Company | Motor Vehicles RO '000 | Furniture & Fixtures/ RO '000 | Total RO '000 |
|---|---|---|---|
| *Cost* | | | |
| 1 April 2008 | 29 | 68 | 97 |
| Additions | - | 3 | 3 |
| Other Disposals | - | - | - |
| 31 December 2008 | 29 | 71 | 100 |
| *Depreciation* | | | |
| 1 April 2008 | 13 | 66 | 79 |
| Charge for the year | 4 | 1 | 5 |
| On disposals | - | - | - |
| 31 December 2008 | 17 | 67 | 84 |
| *Net Book Value* | | | |
| **31 December 2008** | **12** | **4** | **16** |
| 1st April 2008 | 16 | 2 | 18 |

Certain of the property, plant and equipment relating to the subsidiaries are mortgaged as security for the term loans. (note 12)

# Al Anwar Holdings SAOG
# Notes
*(forming part of the consolidated financial statements)*

## 4 Intangible assets

It represents goodwill arising on acquisition of subsidiary as follows:

| Group | 2008 RO'000 | 2007 RO'000 |
|---|---|---|
| Voltamp Manufacturing Company LLC | **-** | 360 |
| Less: Provision for Impairment | **-** | (244) |
| | **-** | 116 |
| Sun Packaging Company LLC | **63** | 63 |
| NAPCO | **-** | 1,396 |
| Total | **63** | 1,575 |

Out of the total goodwill relating to Voltamp, an amount RO 0.058 million was derecognised during the year as a result of the disposal of 28.71% equity. Residual goodwill in the amount of RO 0.058 million has been classified as investment in associate. (note 5).

## 5 Investments

Investments in subsidiaries, associates and investments at fair value through profit or loss represent companies registered in the Sultanate of Oman, Kuwait, Saudi Arabia and India as follows:

| | **Ownership interest** | | |
|---|---|---|---|
| | **2008 %** | 2007 % | Status |
| ***Subsidiaries*** | | | |
| Voltamp Manufacturing Company LLC and its Subsidiary (now called Voltamp Energy SAOG)("VE") | **-** | 57.42 | Unquoted |
| Al Anwar International Investment LLC [Formerly Al Anwar Computer Services LLC ("AACS")] | **100.00** | 100.00 | Unquoted |
| Sun Packaging Company LLC ("SPC") | **62.50** | 62.50 | Unquoted |
| National Aluminium Products Company SAOG ("NAPCO") | **-** | 51.00 | Quoted |
| ***Associates*** | | | |
| Voltamp Energy SAOG & its Subsidiaries ('VE') | **28.71** | - | Quoted |
| National Aluminium Products Company SAOG ("NAPCO") | **20.00** | - | Quoted |
| Falcon Insurance Company SAOC ("FIC") | **40.56** | 40.56 | Unquoted |
| Al Maha Ceramics Company SAOC ("AMCC") | **32.00** | 32.00 | Unquoted |
| Al Anwar Blank Company SAOC ("AABCO") | **40.00** | 40.00 | Unquoted |
| Addax Securities, Saudi Arabia (under formation) | **25.00** | - | Unquoted |
| ***Investments at fair value through profit or loss*** | | | |
| Computer Stationery Industry SAOG ("CSI") | **0.11** | 0.11 | Quoted |
| Taageer Finance Company SAOG ('Taageer') | **17.91** | 13.55 | Quoted |
| Al Ritaj Investment Company, Kuwait | **0.40** | 0.40 | Unquoted |
| Almondz Global Securities Ltd, India | **12.21** | - | Quoted |

The Group's quoted investments are listed on the stock exchanges of Oman and India.

# Al Anwar Holdings SAOG
# Notes
*(forming part of the consolidated financial statements)*

**5 Investments** *(continued)*

Schedule of investments in the above concerns is as follows:

| | 2,008 | | | 2,007 | | |
|---|---|---|---|---|---|---|
| **Group** | Quoted | Unquoted | **Total** | Quoted | Unquoted | Total |
| | RO'000 | RO'000 | **RO'000** | RO'000 | RO'000 | **RO'000** |
| **Non-current assets** | | | | | | |
| Associates | 6,107 | 5,958 | **12,066** | - | 3,477 | **3,477** |
| Investments at fair value | 6,485 | 1,139 | **7,624** | 6,439 | 1,937 | **8,376** |
| | --------- | --------- | --------- | --------- | --------- | --------- |
| Carrying values | 12,592 | 7,097 | **19,689** | 6,439 | 5,414 | **11,853** |
| | --------- | --------- | --------- | --------- | --------- | --------- |
| **Current assets** | | | | | | |
| Associates | - | - | **-** | - | - | **-** |
| Held to maturity | 73 | - | **73** | 72 | - | **72** |
| Investment Held for Trading | 41 | - | **41** | 555 | - | **555** |
| | --------- | --------- | --------- | --------- | --------- | --------- |
| Carrying values | 114 | - | **114** | 627 | - | **627** |
| | --------- | --------- | --------- | --------- | --------- | --------- |
| Total carrying values | 12,706 | 7,097 | **19,804** | 7,066 | 5,414 | **12,480** |
| | ===== | ===== | ===== | ===== | ===== | ===== |

| | | | **2,008** | | | **2,007** |
|---|---|---|---|---|---|---|
| **Parent Company** | Quoted | Unquoted | **Total** | Quoted | Unquoted | **Total** |
| | RO'000 | RO'000 | **RO'000** | RO'000 | RO'000 | **RO'000** |
| **Non-current assets** | | | | | | |
| Subsidiaries | - | 1,041 | **1,041** | 4,477 | 1,655 | **6,132** |
| Associates | 2,230 | 5,709 | **7,939** | - | 3,911 | **3,911** |
| Investments at fair value | 6,299 | 1,139 | **7,438** | 6,378 | 1,937 | **8,315** |
| | --------- | --------- | --------- | --------- | --------- | --------- |
| Carrying values | 8,529 | 7,889 | **16,418** | 10,855 | 7,503 | **18,358** |
| | --------- | --------- | --------- | --------- | --------- | --------- |
| **Current assets** | | | | | | |
| Associates | - | - | **-** | - | - | **-** |
| Held to maturity | 73 | - | **73** | 72 | - | **72** |
| Investment Held for Trading | 41 | - | **41** | 285 | - | **285** |
| | --------- | --------- | --------- | --------- | --------- | --------- |
| Carrying values | 114 | - | **114** | 357 | - | **357** |
| | --------- | --------- | --------- | --------- | --------- | --------- |
| Total carrying values | 8,643 | 7,889 | **16,532** | 11,212 | 7,503 | **18,715** |
| | --------- | --------- | --------- | --------- | --------- | --------- |

# Al Anwar Holdings SAOG

## Notes

*(forming part of the consolidated financial statements)*

5 Investments *(continued)*

During the year, the Parent Company reduced its shareholding in the subsidiary, VE from 57.42% to 28.71% and has accordingly become an associate during the year. The carrying value of the investment at the balance sheet date amounted to RO 0.474 million (2007 – RO 0.664 million) in the Parent Company's financial statements and RO 4.123 million, including the goodwill of RO 0.058 million, in the consolidated financial statements under the equity method of accounting. Management believe that the carrying values of NAPCO's assets and liabilities on the date of divestment approximate to their fair values and accordingly no fair value adjustments are required to the acquired assets and liabilities.

During the year, the Parent Company increased its shareholding in Taageer, from 13.55% to 17.91%. The carrying value of the investment at the balance sheet date amounted to RO 5.359 million (2007 – RO 3.333 million).

Investments having a total carrying value of RO 1.314 million (2007 - RO 0.931 million) are registered in the name of Al-Anwar International Investment LLC for and on behalf of the Parent Company.

Share of profits (loss) in associates for the Group is as follows:

| | **2008<br>RO '000** | **2007<br>RO '000** |
|---|---|---|
| Voltamp Energy SAOG | 449 | - |
| National Aluminium Product Co. SAOG | 223 | - |
| Al Maha Ceramics SAOC | (162) | (25) |
| Al Anwar Blank Co. SAOC | (5) | (22) |
| Falcon Insurance Co. SAOC | 339 | (241) |
| **Share of Profits / (Losses)** | **843** | **(288)** |

NAPCO management reported a loss of RO 1.546 million in the post balance sheet period, which is subject to Audit and approval by the Board of NAPCO. The impact on our net profits and net assets will be to the tune of 20% of the actual loss ascertained by the Auditors and approved by the Board of NAPCO.

Sector-wise analysis of the Group's investment in quoted securities is as under:

| **Quoted investments** | **2008<br>%age** | **2007<br>%age** |
|---|---|---|
| Banking | 1% | 1% |
| Leasing | 68% | 30% |
| Financial Services | 4% | 24% |
| Industrial | 26% | 40% |
| Others | 0% | 5% |
| **Total** | **100%** | **100%** |

Group's investment in quoted securities having the market value of 10% or more of the Group's total investments in quotes securities is as follows:

| | Percentage of the overall portfolio | Number of securities | Market value RO'000 | Carrying value RO '000 |
|---|---|---|---|---|
| Taageer Finance | 62% | 14,102,459 | 5,359 | **5,359** |
| NAPCO | 17% | 6,713,170 | 1,484 | **1,988** |
| | ======== | ======== | ======== | ======== |

## Al Anwar Holdings SAOG

## Notes

*(forming part of the consolidated financial statements)*

**5 Investments** *(continued)*

On 3 July 2002, the Parent Company entered into an agreement for transferring it's 60% interest in Sun Plastics Company LLC to the minority shareholder. Up to the date of approval of these financial statements, the formal transfer of shares to the minority shareholder has not taken place and the Management believes that the transfer will be completed by 31 March 2009. Pursuant to the agreement, the Parent Company no longer exercises control over Sun Plastics Company LLC and accordingly the subsidiary has been excluded from consolidation from March 2004.

**6 Investment property**

Investment property represents 5,000 sqmt of land situated at Airport Heights with a permission of G + 6 Floor residential and commercial building. The land was purchased by the Parent Company intending to transfer it to the proposed real estate company towards capital contribution. Subsequently as the Board decided not to go ahead with formation of the company, the land is retained in the books of Parent company at its cost of RO 3,147,540 which equals to its fair value at the reporting date.

**7 Inventories**

| | **Group 2008 RO'000** | Group 2007 RO'000 | **Parent Company 2008 RO'000** | Parent Company 2007 RO'000 |
|---|---|---|---|---|
| Raw materials | **2,264** | 5,641 | **-** | - |
| Work in progress | **-** | 758 | **-** | - |
| Finished goods | **321** | 834 | **-** | - |
| Less: Provision for slow moving and obsolescence | **(6)** | (253) | **-** | - |
| | **---------** | --------- | **---------** | --------- |
| | **2,579** | 6,980 | **-** | - |
| | **=====** | ===== | **=====** | ===== |

Movement in the provision for slow moving and obsolescence is as follows:

| | **Group 2008** | Group 2007 | **Parent Company 2008** | Parent Company 2007 |
|---|---|---|---|---|
| 1 April | 164 | 164 | **-** | - |
| Effect of (disposal) acquisition of subsidiary | (191) | - | **-** | - |
| Provided during the year | 33 | 89 | **-** | - |
| Provision write-back | - | - | **-** | - |
| | -------- | -------- | **--------** | -------- |
| 31 December | **6** | 253 | **-** | - |
| | ===== | ===== | ===== | ===== |

# Al Anwar Holdings SAOG

## Notes

*(forming part of the consolidated financial statements)*

### 8 a Trade and other receivables

| | **Group 2008 RO'000** | Group 2007 RO'000 | **Parent Company 2008 RO'000** | Parent Company 2007 RO'000 |
|---|---|---|---|---|
| Trade receivables | **3,372** | 14,818 | **-** | - |
| Impairment provisions on accounts receivable | **(96)** | (183) | **-** | - |
| | **3,276** | 14,635 | **-** | - |
| Prepayments and other receivables | **14** | 307 | **15** | 24 |
| Amounts due from related parties [note 21] | **139** | 62 | **139** | 62 |
| | **3,429** | 15,004 | **154** | 86 |

a) Movement in impairment provision is as follows:

| | **Group 2008** | Group 2007 | **Parent Company 2008** | Parent Company 2007 |
|---|---|---|---|---|
| 1 April | **114** | 156 | - | - |
| Effect on (disposal) acquisition of subsidiary | **(30)** | - | - | - |
| Provided during the year | **14** | 27 | - | - |
| Write-back during the year | **(2)** | - | - | - |
| 31 March | **96** | 183 | - | - |

### 8 b Other Current Assets

| | **Group 2008** | Group 2007 |
|---|---|---|
| Prepaid and other advances | **481** | 142 |
| Spare parts & others | **112** | 850 |
| | **593** | 992 |

### 9 Cash and bank balances

| | **Group 2008** | Group 2007 | **Parent Company 2008** | Parent Company 2007 |
|---|---|---|---|---|
| Cash in hand | **2** | 5 | - | - |
| Cash at bank: | | | | |
| – Current & Call accounts | **372** | 840 | 354 | (40) |
| – Deposit accounts | **-** | 4 | - | - |
| | **374** | 849 | 354 | (40) |

Deposit accounts carry interest at the rate of 1.25% per annum (2007: 1.25% per annum).

# Al Anwar Holdings SAOG

## Notes
*(forming part of the consolidated financial statements)*

**10 Share capital and reserves**

**a) Share capital**

The authorised share capital of the Parent Company comprises 200,000,000 (2007 - 200,000,000) shares of 100 baisas (2007 – Bz 100) each. The issued and fully paid up share capital consists of 100,000,000 (2007 - 88,550,000) shares of 100 baisas (2007 – Bz. 100) each. Movement in number of shares during the year is as follws:

| | **2008** (No. of Shares) | 2007 (No. of Shares) |
|---|---|---|
| 1 April | **88,550,000** | 77,000,000 |
| Stock dividend | **11,450,000** | 11,550,000 |
| Share split | - | - |
| Right issue | **-** | - |
| 31 March | **100,000,000** | 88,550,000 |

At the balance sheet date, details of shareholders, who own 10% or more of the Parent Company's share capital, are as follows:

| | **2008** | | 2007 | |
|---|---|---|---|---|
| | **Number of shares held** | **(%)** | Number of shares held | (%) |
| Fincorp Investment Company LLC | **25,378,708** | **25.38** | 23,174,290 | 26.17 |
| Financial Services Company SAOG - Trust | **19,080,519** | **19.08** | 17,995,800 | 20.32 |

**b) Legal reserve**

As required by the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended), 10% of the net profit for the year of the individual companies (Parent and subsidiaries) are required to be transferred to the legal reserve until the amount of legal reserve equals one third of the individual companies' paid up share capital. The reserve is not available for distribution.

The balance at the end of the year represents the amounts relating to the Parent Company and its share of legal reserve of the subsidiaries since acquisition.

**c) Fair value reserve**

The Group has recognised its share of fair value reserve of the associates and a subsidiary.

**11 Minority interest**

Minority interest comprises share of results and net assets attributable to minority shareholders in the following subsidiaries:

| | **2008** | | **2007** | |
|---|---|---|---|---|
| | ***Results*** | **Net assets** | ***Results*** | **Net assets** |
| Voltamp Manufacturing Company LLC | 276 | - | 707 | 1,533 |
| Sun Packing Company LLC | 12 | 660 | 26 | 662 |
| National Aluminium Products Co. SAOG | - | - | 364 | 3,028 |
| **Total** | **289** | **660** | **1,097** | **5,223** |

# Al Anwar Holdings SAOG

## Notes

*(Forming part of the consolidated financial statements)*

### 12 Term loans

(RO ' 000)

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Bank Loans | 6,686 | 7,421 | 5,802 | 6,369 |
| Bank Over drafts | 4,241 | 8,826 | - | - |
| **Total Bank Liabilities** | **10,927** | **16,247** | **5,802** | **6,369** |
| Less: Current Maturities of Bank loans and bank over drafts | 4,999 | 9,510 | 583 | 275 |
| **Long term element of bank loans** | **5,928** | **6,737** | **5,219** | **6,094** |
| Other non current liabilities | 120 | 281 | 7 | - |
| **Total Long term liabilities** | **6,048** | **7,018** | **5,226** | **6,094** |
| Due within one year | 4,999 | 9,510 | 583 | 275 |
| Due after more than one year | 5,928 | 6,737 | 5,219 | 6,094 |
| **Total** | **10,927** | **16,247** | **5,802** | **6,369** |

Repayment schedule of the Group is as follows:

| **2008** | Total RO'000 | Within one year RO'000 | 1–2 years RO'000 | 2–7 years RO'000 |
|---|---|---|---|---|
| Commercial banks | **5,988** | **658** | **2,928** | **2,402** |
| Government | **698** | **100** | **300** | **298** |
| | **6,686** | **758** | **3,228** | **2,700** |
| 2007 | | | | |
| Commercial banks | 6,767 | 634 | 1,728 | 4,405 |
| Government | 660 | 50 | 250 | 360 |
| | 7,421 | 684 | 1,978 | 4,765 |

Repayment schedule of the Parent Company is as follows:

| **2008** | | | | |
|---|---|---|---|---|
| Commercial banks | **5,802** | **583** | **2,891** | **2,328** |
| 2007 | | | | |
| Commercial banks | 6,369 | 275 | 1,695 | 4,399 |

# Al Anwar Holdings SAOG

## Notes

*(Forming part of the consolidated financial statements)*

**12 Term loans** *(continued)*

Term loan obtained by a subsidiary company from Bank Dhofar (RO 0.45 million) is secured by a first commercial mortgage with insurance cover on specific assets acquired from the term loan, a second pari-passu charge over fixed and current assets and proportionate guarantee of the Members.

Term loans obtained by the Parent Company from Bank Muscat (RO 1.967 million), National Bank of Oman (RO 1.500 million) and Bank Dhofar (RO 2.335 million) are secured by pledge of the shares in subsidiaries, associates and other investments.

Government term loans are secured by joint insurance and a first charge on all assets of the subsidiary except specific assets mortgaged to Bank Dhofar. The total value of the Government term loan includes its carrying value as determined in accordance with the method described in note 2 o) to the financial statements. RO 582,168 (2007 – RO 551,324) including RO 115,384 (2007: RO 109,126) being the amount of unamortized deferred income.

The above loans carry interest rate ranging from 3% to 7.5% (2007 – 3% to 7%) per annum.

**13 Accounts and other payables**

| | **Group 2008 RO'000** | Group 2007 RO'000 | **Parent Company 2008 RO'000** | Parent Company 2007 RO'000 |
|---|---|---|---|---|
| Trade payables | **2,545** | 9,797 | **22** | 30 |
| Accruals and other payables | **246** | 1,495 | **95** | 5 |
| Amounts due to related parties (note 21) | **594** | 270 | **699** | 245 |
| | **3,385** | 11,562 | **816** | 280 |

**14 Short term bank borrowings**

The Parent Company has overdraft facilities of RO 350,000 (2007 – RO 50,000) from commercial banks. Interest rate is ranging from 6.75% & 7.5% per annum (2007:7.5% per annum).

The subsidiaries have overdraft, bill discounting and loan against trust receipt facilities at the balance sheet date in the aggregate amount of approximately RO 4.241 million (2007: RO 7.892 million). Interest is charged at rates ranging from 6% to 8% (2007 - 6% to 8%) per annum. These facilities are secured by:

- a second equal ranking charge on the related subsidiary's assets,
- an assignment of certain receivables in favour of commercial banks;
- proportionate guarantees of the Shareholders; and
- hypothecation of inventories.

# Al Anwar Holdings SAOG

## Notes

*(forming part of the consolidated financial statements)*

### 15 Net assets per share

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

| | **Group 2008** | Group 2007 | **Parent Company 2008** | Parent Company 2007 |
|---|---|---|---|---|
| Net assets attributable to the shareholders of the Parent Company (RO'000) | **18,117** | 13,797 | **13,579** | 12,230 |
| | ===== | ===== | ===== | ===== |
| Number of shares outstanding at 31 March ('000) | **100,000** | 88,550 | **100,000** | 88,550 |
| | ===== | ===== | ===== | ===== |
| Net assets per share (in Baisas) | **181** | 156 | **136** | 138 |
| | ===== | ===== | ===== | ===== |

### 16 Basic earnings per share

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

| | | | | |
|---|---|---|---|---|
| Net profit for the year attributable to equity shareholders of Parent Company (RO'000) | **3,847** | 2,794 | **1,401** | 1,803 |
| | ==== | ==== | ==== | ==== |
| Weighted average number of shares outstanding ('000) | **100,000** | 88,550 | **100,000** | 88,550 |
| | ===== | ===== | ===== | ===== |
| Basic earnings per share (in Baisas) | **38** | 32 | **14** | 21 |
| | ==== | ==== | ==== | ==== |

### 17 a Dividend Income

| | **Group 2008 RO'000** | Group 2007 RO'000 | **Parent Company 2008 RO'000** | Parent Company 2007 RO'000 |
|---|---|---|---|---|
| Sun Packaging LLC | **-** | - | **72** | - |
| Almondz Global Securities Ltd | **8** | - | **8** | - |
| Voltamp Manufacturing LLC | **-** | - | **-** | 115 |
| | ------- | ------- | ------- | ------- |
| | **8** | - | **80** | 115 |
| | ==== | ==== | ==== | ==== |

### 17 b Other income

| | **Group 2008 RO'000** | Group 2007 RO'000 | **Parent Company 2008 RO'000** | Parent Company 2007 RO'000 |
|---|---|---|---|---|
| Recovery from Majan Glass | **249** | - | **249** | - |
| Interest income | **30** | 46 | **12** | 14 |
| Miscellaneous income | **86** | 83 | **86** | 8 |
| | ------- | ------- | ------- | ------- |
| | **365** | 129 | **347** | 22 |
| | ==== | ==== | ==== | ==== |

# Al Anwar Holdings SAOG

## Notes

*(forming part of the consolidated financial statements)*

**18 Profit on disposal of 5,742,000 shares of VE, during the year 2008 is as follows:**

| | | RO '000 |
|---|---|---|
| | **Group** | **Parent Company** |
| Sale Proceeds @ RO 0.540 per share | 3,101 | 3,101 |
| Associated Carrying cost | (856) | (190) |
| | --------- | -------- |
| Realised gain on sale of investment | 2,245 | 2,911 |
| | ===== | ==== |

The realised gain on sale of investment of RO 569,885 during the year 2007 arose due to divestment of 22.67% stake in Oman Drilling Mud Products LLC during the year.

**19 Statements of Fair value changes of Investment in VE is as follows:**

***Computation of revised carrying amount in consolidated financial statements***

| | **RO** |
|---|---|
| Net worth of Voltamp Energy before IPO | 5,010,837 |
| Add: Increase in share capital (15 million shares at RO 0.540 a share) | 8,100,000 |
| Less: Excess of issue expenses over recovery | (313,490) |
| Net worth of Voltamp Energy after IPO | 12,797,347 |
| Revised carrying amount will be 28.71% of revised net worth of Voltamp Energy | |
| 12,797,347 X 28.71% | 3,674,118 |
| ***Computation of Fair value change in Strategic Investments*** | |
| Revised carrying amount | 3,674,118 |
| Current Carrying amount | 1,725,158 |
| **Fair Value Change in VE Investment in Group** | 1,948,960 |

**20 Taxation**

The Group, except for SPC (a subsidiary), is subject to income tax at the rate of 12% of taxable profits in excess of RO 30,000 in accordance with the income tax laws of the Sultanate of Oman. SPC is exempt from income tax for a period of five years up to 31 July 2008.

Temporary differences arising in subsidiaries in respect of depreciation, impairment provision and slow moving inventories have given rise to a net deferred tax liability of approximately RO 61,000 (2007: RO 54,000). The Parent Company's Board of Directors have not recognised a deferred tax asset arising due to accumulated carry forward tax losses as a matter of prudence.

The Parent Company's assessments for the tax years 2003 to 2007 and of subsidiaries for the years ranging from 2003 to 2006 have not yet been finalised. The Board of Directors believe that additional taxes, if any, on the finalisation of assessment for the above tax years would not be material to the Group's and Parent Company's financial position at the balance sheet date.

# Al Anwar Holdings SAOG

## Notes

*(Forming part of the consolidated financial statements)*

### 21 Related party transactions and balances

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

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

(RO ' 000)

| **a . Income** | **2008** | **2007** |
|---|---|---|
| Management & sitting fees | 11 | 8 |

| **b. Expenses** | **Nature of Expenses** | **2008** | **2007** |
|---|---|---|---|
| Premier Logistics | Services | 6 | 2 |
| Al Jizzi & Co. / Bausher Chemicals | Materials purchased | | 4 |
| Falacon Insurance Co. SAOC | Insurance Services | | 36 |
| **Total** | | **6** | **42** |

**c. Loans , Advance , Receivables , Payable , Provisions and Write Offs**

(RO ' 000)

| **Group** | **Nature of dues** | **2008** | **2007** |
|---|---|---|---|
| Al Anwar & Blank Co SAOC | Mgt fee & Expenses | 4 | 4 |
| Al Maha Ceramics | Project Expenses | 135 | 58 |
| **Total receivable from related party** | | **139** | **62** |
| Payable to related party | | | |
| Al Anwar Securities SAOC | Advances | 339 | - |
| Al Anwar Real Estate SAOC | Advances | 248 | - |
| Falacon Insurance Co. SAOC | Insurance Premium | - | 16 |
| Al Jizzi & Co. | Misc. Expenses | - | 1 |
| **Total payable to related party** | | **587** | **17** |

| **Parent Company** | **Nature of dues** | **2008** | **2007** |
|---|---|---|---|
| Receivable from related | | | |
| Al Anwar & Blank Co SAOC | Mgt fee & Expenses | 4 | 4 |
| Al Maha Ceramics | Project Expenses | 135 | 58 |
| **Total receivable from related party** | | **139** | **62** |
| Payable to related party | | | |
| Al Anwar Intl Investments* | Purchase of Shares | 112 | 245 |
| Al Anwar Securities SAOC | Advances | 339 | |
| Al Anwar Real Estate SAOC | Advances | 248 | |
| **Total Payable to related parties** | | **699** | **245** |

* Amount due to/from Al Anwar Intl Investment is knocked-off on group consolidation

The amounts due to and due from related parties are interest free, unsecured and are payable on demands.

# Al Anwar Holdings SAOG

## Notes

*(forming part of the consolidated financial statements)*

### 22 Employee related expenses

Total employee related expenses included in operating expenses comprise:

| | **Group 2008 RO'000** | Group 2007 RO'000 | **Parent Company 2008 RO'000** | Parent Company 2007 RO'000 |
|---|---|---|---|---|
| Salaries and wages | **743** | 1,538 | **203** | 89 |
| Other benefits | **111** | 375 | **3** | - |
| Contributions to defined contribution retirement plans for Omani employees | **12** | 36 | **1** | 1 |
| Cost of end of service benefits for expatriate | **32** | 44 | **4** | 3 |
| | **898** | 1,993 | **211** | 93 |

Movement in expatriate's end of service benefits liability recognised in the balance sheet are as follows:

| | **Group 2008 RO'000** | Group 2007 RO'000 | **Parent Company 2008 RO'000** | Parent Company 2007 RO'000 |
|---|---|---|---|---|
| 1 April | **114** | 277 | **3** | 1 |
| Effect of (disposal) acquisition of subsidiaries | **(57)** | (169) | **-** | - |
| Expenses recognised in the income statement | **14** | 51 | **4** | 2 |
| Paid during the year | **(11)** | (31) | **-** | - |
| 31 March | **60** | 128 | **7** | 3 |

### 23 Contingencies

| | **Group 2008 RO'000** | Group 2007 RO'000 | **Parent Company 2008 RO'000** | Parent Company 2007 RO'000 |
|---|---|---|---|---|
| Guarantees: | | | | |
| - Subsidiaries | **5,480** | 7,032 | **2,000** | 2,914 |
| - Associates | **2,320** | 2,064 | **2,320** | 2,064 |
| - Others | **7** | 7 | **7** | 7 |
| | **7,807** | 9,103 | **4,327** | 4,985 |
| Letters of credit by subsidiary companies | **313** | 648 | **-** | - |
| | **8,120** | 9,751 | **4,327** | 4,985 |

# Al Anwar Holdings SAOG

## Notes

*(forming part of the consolidated financial statements)*

**24 Commitments**

Operating lease commitments:

| **Group** | **2008** | 2007 |
|---|---|---|
| | **RO'000** | RO'000 |
| Less than one year | **-** | 18 |
| Between one to five years | **-** | 73 |
| More than 5 years | **-** | 26 |
| | **-** | 117 |

**25 Financial risk management**

**Overview**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Group exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and is responsible for developing and monitoring the Group's risk management policies

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities

*Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group does not require collateral in respect of financial assets. The Group seeks to control credit risk by monitoring credit exposures and continually assessing the creditworthiness of counter parties. Risk is considered minimal by the Group, as the payments are made by the customer as per contractual obligations. Credit risk on debtors is limited to their carrying values as the management regularly reviews these balances to assess recoverability and create provision for balances whose recoverability is in doubt.

# Al Anwar Holdings SAOG
## Notes
*(forming part of the consolidated financial statements)*

### 25 Financial risk management (*continued*)

The aging of consolidated trade receivables (including amount due from a related party) at the reporting date was:

| | **Gross** | **Impairment** | Gross | Impairment |
|---|---|---|---|---|
| | **2008** | **2008** | 2007 | 2007 |
| | **RO'000** | **RO'000** | RO'000 | RO'000 |
| Not past due | **2,470** | **1** | 10,605 | - |
| Past due 1 -90 days | **662** | **-** | 3,744 | - |
| Past due 91-365 days | **240** | **95** | 469 | 183 |
| | ----------- | ----------- | ----------- | ----------- |
| **Total** | **3,372** | **96** | 14,818 | 183 |
| | ====== | ====== | ====== | ====== |

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

| | Carrying amount | |
|---|---|---|
| | **2008** | 2007 |
| | **RO'000** | RO'000 |
| Sultanate of Oman and GCC countries | **1,288** | 11,405 |
| Others | **1,988** | 3,230 |
| | ------------- | ------------- |
| | **3,276** | 14,635 |
| | ======= | ======= |

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses local banks operating in the Sultanate of Oman to ensure that it has sufficient cash on demand to meet expected operational expenses and sufficient credit facilities to manage its liquidity risk. The Group has total credit facilities in the amount of RO 19 million from five banks. Short term loans and overdraft ranging are, on average, utilized for period of 15 to 30 days to bridge the gap between collections of receivables and settlement of product purchase bills during the middle of every month. The maturities of Group's undiscounted financial liabilities at reporting date is as below:

| **Liquidity risk** | Carrying amount | Contractual cash flows | Less than 6 months | 6 months to 1 year | Above 1 year |
|---|---|---|---|---|---|
| ***2008*** | | | | | |
| *Non-derivative financial liabilities* | | | | | |
| Term loans | 6,686 | 6,686 | 108 | 675 | 5,903 |
| Bank borrowings | 4,241 | 4,241 | 4,241 | | |
| Trade and other payables | 3,385 | 3,385 | 3,385 | | |
| Total | 14,312 | 14,312 | 7,734 | 675 | 5,903 |
| ***2007*** | | | | | |
| *Non-derivative financial liabilities* | | | | | |
| Term loan | 7,021 | 7,021 | 169 | 516 | 6,336 |
| Bank borrowings | 4,813 | 4,813 | 4,813 | | |
| Trade and other payables | 11,562 | 11,562 | 11,562 | | |
| Total | 23,396 | 23,396 | 16,544 | 516 | 6,336 |

# Al Anwar Holdings SAOG

## Notes

*(forming part of the consolidated financial statements)*

**25 Financial risk management** (*continued*)

**Market risk**

*Interest rate risk*

The Group manages its interest rate risk through using fixed rate debts and deposits. The Group does not have any interest bearing assets and liabilities with floating interest rate.

*Equity price risk*

Equity price risk arises from the Group's investments in equity securities. The Group mitigates this risk by making investments in diversified portfolio and geographical regions. Material investments within the portfolio are managed on an individual basis and all purchase and sell decisions are approved by the Board of Directors.

Se*nsitivity analysis – equity price risk*

The following table demonstrates the sensitivity of the Group's equity and profit or loss to a 5% change in the price of its equity holdings, assuming all other variables in particular foreign currency rates remain constant. Change of 5% in value of equity securities would impact results and equity by RO 0.432 million (2007: 0.560 million)

*Currency risk*

The Group's exposure to currency risk mainly relates to its investment in Almondz Global Securities, India in the amount equivalent to RO 0.380 million at the reporting date. Change of 10% in currency fluctuations would impact results and equity by RO 38,000.

**Capital management**

The capital of the Group comprises of paid up share capital, legal reserve, retained earnings and fair value reserve. Summary of quantitative data as to what the Group manages as the capital and any changes therein from the previous year are given in statement of changes in equity. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain further development of the business. The Board of Directors monitors the return on capital. The Board of Directors also monitors the level of dividends to ordinary shareholders.

**Fair value**

Management estimates that carrying value of the financial assets and liabilities approximate to their respective fair values at the balance sheet date.

# Al Anwar Holdings SAOG

# Notes
*(forming part of the consolidated financial statements*

**26 Segmental information**

**Primary reporting format – business segments**

The Group is organised in the Sultanate of Oman into two main business segments:-

a) Industrial segment, which is engaged in producing and distributing different industrial products such as transformers, aluminium products and printed packaging materials and

b) Investment segment, which is engaged in investment in projects and their management. Investment segment is the only business segment in the Parent Company, hence not been disclosed separately.

There are sales and other transactions between the business segments. Segment assets consist primarily of property, plant and equipment, inventories, receivables, operating cash, and investments. Segment liabilities comprise operating liabilities. Common costs are allocated between the segments on relevant bases such as time devoted, turnover and space occupied.

Financial information in respect of the segments is presented in Schedule I on page 31.

**Secondary reporting format - Geographical Segments**

The Group operates primarily from the Sultanate of Oman and there are no distinguishable geographical operating segments. However the geographical profile of sales revenue and trade accounts receivable (net of provisions) based on location of customers is shown below:-

| | **2008 Operating income RO'000** | 2007 Operating income RO'000 | **2008 Accounts receivable RO'000** | 2007 Accounts receivable RO'000 |
|---|---|---|---|---|
| Sultanate of Oman and GCC countries | **6,500** | 23,863 | **1,288** | 11,405 |
| Others | **4,275** | 8,730 | **1,988** | 3,230 |
| | **10,775** | 32,593 | **3,276** | 14,635 |

Accounts receivable for the year 2008 excludes receivables of VE which was considered Associate as at 31 December, 2008.

**27 Comparative figures**

Certain comparative information has been reclassified to conform to the presentation adopted in these financial statements.

# Al Anwar Holdings SAOG

## Schedule I – Segmental information

| | Industrial Group | | Investment Group | | Total Group | |
|---|---|---|---|---|---|---|
| | **31-Dec-08** | **31-Dec-07** | **31-Dec-08** | **31-Dec-07** | **31-Dec-08** | **31-Dec-07** |
| **Income** | | | | | | |
| Sales | 10,775 | 32,593 | - | - | 10,775 | 32,593 |
| Other Income | 19 | 107 | 354 | 22 | 373 | 129 |
| Share of profits of associates | 843 | (288) | - | - | 843 | (288) |
| **TOTAL INCOME** | **11,637** | **32,412** | **354** | **22** | **11,991** | **32,434** |
| **Expenses** | | | | | - | - |
| Cost of sales | 8,775 | 24,128 | - | - | 8,775 | 24,128 |
| Admin. and general expenses | 556 | 4,013 | 318 | 171 | 874 | 4,184 |
| Depreciation & Amortisation | 386 | 1,276 | 6 | 5 | 392 | 1,281 |
| Finance Charges | 302 | 470 | 337 | 139 | 639 | 609 |
| **TOTAL EXPENSES** | **10,019** | **29,887** | **661** | **315** | **10,680** | **30,202** |
| **Net Profit / (Loss) for the Period** | **1,618** | **2,525** | **(307)** | **(293)** | **1,311** | **2,232** |
| Realised gain on sale of investment | - | 18 | 2,245 | 552 | 2,245 | 570 |
| Unrealised gain on trading portfolio | | | (144) | 184 | (144) | 184 |
| Fair value change in strategic investment | | | 1,949 | | 1,949 | - |
| Fair value change in investment in property | | | - | | - | - |
| Unrealised gains on investments | - | | (1,132) | 1,245 | (1,132) | 1,245 |
| **Net Profit / (Loss) for the Period before Tax** | **1,618** | **2,543** | **2,611** | **1,688** | **4,229** | **4,231** |
| Taxation | 93 | 340 | - | - | 93 | 340 |
| **Net Profit / (Loss) for the Period** | **1,525** | **2,203** | **2,611** | **1,688** | **4,136** | **3,891** |
| Minority Interest | 289 | 1,097 | - | | 289 | 1,097 |
| **Profit attributable to shareholders of Parent company** | **1,236** | **1,106** | **2,611** | **1,688** | **3,847** | **2,794** |