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" as 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.

2 Significant accounting policies

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

a) Statement of compliance and basis of preparation

The consolidated and Parent Company 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 ("CMA").

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 which are stated at amortised cost.

The consolidated and Parent Company financial statements are presented in Rial Omani ("RO"), which the Board of Directors believes is the functional currency of the Parent Company. All financial information presented in RO has been rounded to the nearest thousand.

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.

The consolidated financial position incorporates the assets and liabilities of the Parent and its 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 audited financial statements for the year ended on the preceding 31 December. Adjustments are made for significant transactions which took place between the reporting date of subsidiaries and the Parent Company.

Al Anwar Holdings SAOG

Notes
(forming part of the consolidated financial statements)

2 Significant accounting policies *(continued)*

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 audited financial statements for the year ended on the preceding 31 December. 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 and subsequently measured at fair value in the financial position with transaction cost taken directly to the profit or loss. 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 financial position 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 profit or loss 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 profit or loss 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 financial position date.

k) Impairment

Financial assets

At each financial position 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 financial position 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 financial position date.

m) Provisions

A provision is recognized in the financial position 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) Trade and other payable

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 profit or loss 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 financial position 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 financial position date are translated at the rates of exchange prevailing at that date. Exchange differences that arise are recognised in the statement of income.

t) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

All operating segments' operating results are reviewed regularly by the Parent Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

u) Dividend

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.

v) 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.

w) Earnings and net assets per share

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

Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

Al Anwar Holdings SAOG

Notes

(forming part of the consolidated financial statements)

2 Significant accounting policies *(continued)*

x) Insurance operations

(i) Gross premiums

Premium on insurance contracts are recognized as revenue (earned premiums) proportionally over the period of coverage.

Reserve for unexpired risks / Unearned premium reserve

The reserve for unexpired risk represents the estimated portion of net premium income after deduction of the reinsurance share which relates to periods of insurance subsequent to the statement of financial position date.

The reserve is calculated in accordance with the Insurance Companies Law of the Sultanate of Oman at 45% of the net retained premium for the year, for all classes of general business. The reserve for unexpired risks for life business is created on the basis of actuarial valuation performed on an annual basis.

(ii) Commission earned and paid

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

(iii) Provision for outstanding claims

Provision for outstanding claims is recognized at the date the claims are known and covers the liability for loss and loss adjustment expenses based on loss reports from independent loss adjusters and management best estimate.

(iv) Insurance and other receivable balances

Insurance and other receivable are stated net of provision for impairment receivables.

(v) Reinsurer's share of claims

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more insurance contracts issued by the Group are classified as reinsurance contracts held by the Group. The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

y) New standards and interpretations not yet effective

A number of new relevant standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2011, and have not been applied in preparing these consolidated and Parent Company financial statements. Other than IFRS 9: 'Financial Instruments' published on 12 November 2009, none of these are expected to have an effect on the consolidated and Parent Company financial statements of the Group. The Group is in the process of evaluating the impact of the standard, which is effective on or after 1 January 2013, and has not early adopted.

Al Anwar Holdings SAOG

Notes
(forming part of the consolidated financial statements)

3 Property, plant and equipment

Group	Buildings on leasehold land	Plant, machinery and equipment	Motor vehicles	Furniture and fixtures	Capital work in progress	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cost						
1 April 2010	1,078	5,093	161	223	6	6,561
Additions during the year	22	374	9	53	11	469
Acquisition through business combination	-	-	46	239	-	285
Disposals during the year	-	-	(18)	(6)	-	(24)
31 March 2011	1,100	5,467	198	509	17	7,291
Depreciation						
1 April 2010	231	2,256	104	191	-	2,782
Charge for the year	54	444	25	43	-	566
Acquisition through business combination	-	-	33	176	-	209
Disposals during the year	-	-	(16)	(2)	-	(18)
31 March 2011	285	2,700	146	408	-	3,539
Net book value						
31 March 2011	**815**	**2,767**	**52**	**101**	**17**	**3,752**
31 March 2010	847	2,837	57	32	6	3,779

Certain of the property, plant and equipment relating to the subsidiary are mortgaged as security for the term loans (note 13).

Parent Company	Motor vehicles	Furniture and fixtures	Total
	RO'000	**RO'000**	**RO'000**
Cost			
1 April 2010	29	77	106
Additions during the year	-	6	6
Disposals during the year	-	(6)	(6)
31 March 2011	29	77	106
Depreciation			
1 April 2010	24	71	95
Charge for the year	3	2	5
Disposals during the year	-	(2)	(2)
31 March 2011	27	71	98
Net book values			
31 March 2011	**2**	**6**	**8**
31 March 2010	5	6	11

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:

	Customer portfolio RO '000	License RO '000	Goodwill RO '000	Total RO '000
Cost				
1 April 2010	-	-	63	63
Arising from acquisition of subsidiary	560	290	100	950
Arising from consolidation	-	-	393	393
31 March 2011	**560**	**290**	**556**	**1,406**
Amortisation				
1 April 2010	-	-	-	-
Arising from acquisition of subsidiary	271	68	-	339
Charge during the year	33	23	100	156
31 March 2011	**304**	**91**	**100**	**495**
Net book value				
At 31 March 2011	**256**	**199**	**456**	**911**
At 31 March 2010	-	-	63	63

5 Investments

	Group		Parent Company	
	2011 RO'000	2010 RO'000	**2011 RO'000**	2010 RO'000
Non-current assets				
Investments	**13,922**	18,265	**15,380**	16,486
Investment properties (*Note 6 & 16)*	**2,282**	-	**-**	-
Carrying value	**16,204**	18,265	**15,380**	16,486
Current assets				
Investments	**2,142**	398	**24**	398
Investments held for sale	**385**	-	**41**	-
Investment properties (*Note 6 & 16)*	**3,000**	3,148	**3,000**	3,148
Carrying value	**5,527**	3,546	**3,065**	3,546

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 having financial reporting periods ended on 31 December 2010 as follows:

	Ownership interest %		
	2011	2010	Status
Subsidiaries:			
Al Anwar International Investment LLC ("AAII")	**100.00**	100.00	Unquoted
[Formerly Al Anwar Computer Services LLC ("AACS")]			
Sun Packaging Company LLC ("SPC")	**62.50**	62.50	Unquoted
Al Anwar Securities SAOC ("AAS")	**100.00**	100.00	Quoted
Falcon Insurance Company SAOC ("FIC")	**51.00**	-	Unquoted

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

5 Investments *(continued)*

	Ownership interest %		
	2011	2010	Status
Associates:			
Voltamp Energy SAOG and its Subsidiary ("VE")	**28.19**	28.71	Quoted
Taageer Finance Company SAOG ("Taageer")	**22.67**	23.90	Quoted
FIC	**-**	40.56	Unquoted
Al Maha Ceramics Company SAOC ("AMCC")	**32.00**	32.00	Unquoted
ABI Precision Casting SAOC ("AABCO")	**40.00**	40.00	Unquoted
Investments at fair value through profit or loss:			
Computer Stationery Industry SAOG ("CSI")	**0.11**	0.11	Quoted
Addax Bank	**3.83**	3.83	Unquoted
Al Ritaj Investment Company, Kuwait ("Ritaj")	**0.40**	0.40	Unquoted
Almondz Global Securities Ltd, India ("AGSL")	**12.21**	12.21	Quoted
Investments held for sale:			
VE	**2.48**	-	Quoted

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

	2011			2010		
Group	**Quoted**	**Unquoted**	**Total**	Quoted	Unquoted	Total
	RO'000	**RO'000**	**RO'000**	RO'000	RO'000	RO'000
Non-current assets						
Associates	**11,399**	**943**	**12,342**	10,483	3,726	14,209
At fair value through profit and loss account	**826**	**518**	**1,344**	2,269	1787	4,056
Available for sale financial assets	**114**	**122**	**236**	-	-	-
Carrying values	**12,339**	**1,583**	**13,922**	12,752	5,513	18,265
Current assets						
Held for trading	**2,142**	**-**	**2,142**	398	-	398
Carrying values	**2,142**	**-**	**2,142**	398	-	398
Total carrying values	**14,481**	**1,583**	**16,064**	13,150	5,513	18,663
Parent Company						
Non-current assets						
Subsidiaries	**-**	**5,365**	**5,365**	-	2,041	2,041
Associates	**7,536**	**1,139**	**8,675**	6,980	3,592	10,572
At fair value through profit and loss account	**822**	**518**	**1,340**	2,086	1787	3,873
Carrying values	**8,358**	**7,022**	**15,380**	9,066	7,420	16,486
Current assets						
Held for trading	**24**	**-**	**24**	398	**-**	398
Carrying values	**24**	**-**	**24**	398	-	398
Total carrying values	**8,382**	**7,022**	**15,404**	9,464	7,420	16,884

Investments having a total carrying value of RO 1.4 million (2010: RO 2.7 million) are registered in the name of Al-Anwar International Investment LLC for and on behalf of the Parent Company.

Al Anwar Holdings SAOG

Notes

(forming part of the consolidated financial statements)

5 Investments *(continued)*

Investment at fair value through profit or loss

Sector-wise analysis of the Group's investment in financial asset at fair value through profit or loss is as follows:

	Group		Parent	
	2011	2010	**2011**	2010
	%	%	**%**	%
Banking	**36%**	2%	**5%**	2%
Leasing	**8%**	17%	**-**	13%
Financial Services	**33%**	71%	**90%**	74%
Industry	**18%**	1%	**3%**	2%
Others	**6%**	9%	**2%**	9%

Group's investment in investment at fair value through profit or loss having the market value of 10% or more of the Group's total quoted investments in quoted securities is as follows:

Parent	Percentage of the portfolio	Number of securities	Market value RO'000	Carrying value RO'000
2011				
Almondz Global Securities	**84%**	**3,091,500**	**745**	**745**
2010				
Taageer Finance Bonds	23%	5,603,608	571	571
Almondz Global Securities	56%	3,091,500	1,383	1,383
Group				
2011				
Muscat Finance Company SAOG	**19%**	**2,960,142**	**648**	**648**
Almondz Global Securities	**22%**	**3,091,500**	**745**	**745**
2010				
Taageer Finance Bonds	28%	7,393,407	752	752
Almondz Global Securities	52%	3,091,500	1,383	1,383

Investment in subsidiaries

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.

The Parent Company has not exercise any control over Sun Plastics Company LLC since 2002 and accordingly the subsidiary has been excluded from consolidation from March 2004. Further a legal opinion was also obtained clarifying that the Parent Company has no liabilities with respect to operations of Sun Plastics Company LLC, pursuant to the aforementioned agreement.

Al Anwar Holdings SAOG

Notes
(forming part of the consolidated financial statements)

5 Investments *(continued)*

Investment in associate

The Parent Company's Board of Directors reviewed the financial status of AABCO and based on prudence have made an impairment provision of RO 80,000 (2010: RO 220,000), in accordance with provisions of IAS and IFRS.

Summary of financial information for investment in associates not adjusted for the percentage held by the Parent Company:

31 March 2011	Shareholding percentage	Status	Total assets RO'000	Total liabilities RO'000	Total revenues RO'000	Profit or loss RO'000
Taageer	**22.67%**	**Quoted**	**80,287**	**59,679**	**8,778**	**2,465**
VE	**28.71%**	**Quoted**	**20,818**	**5,246**	**13,559**	**2,444**
AMCC	**32.00%**	**Unquoted**	**10,508**	**8,120**	**4,001**	**150**
AABCO	**40.00%**	**Unquoted**	**610**	**446**	**121**	**(36)**
			112,223	**73,491**	**26,459**	**5,023**
31 March 2010						
Taageer	23.90%	Quoted	75,931	57,108	8,785	2,202
VE	28.71%	Quoted	19,149	3,975	12,433	2,197
FIC	40.56%	Unquoted	17,169	10,760	1,041	47
AMCC	32.00%	Unquoted	10,815	8,577	3,600	(337)
AABCO	40.00%	Unquoted	721	521	360	(131)
			123,785	80,941	26,219	3,978

During the year, the Parent Company increased its shareholding in FIC accordingly it became subsidiary during the year.

The movement in carrying value of investments in associates, net of impairment, in group accounts is as follows:

	2011 RO'000	2010 RO'000
At 1 January	**14,209**	10,756
Additional investments/transfer	**1,330**	6,506
Disposal of investment/transfer	**(3,883)**	(3,470)
Dividends received	**(675)**	(665)
Impairment of investments	**(64)**	-
Share of profit after tax	**1,425**	1,068
Share of changes in fair value	**-**	14
At 31 December	**12,342**	14,209

Al Anwar Holdings SAOG

Notes

(forming part of the consolidated financial statements)

5 Investments *(continued)*

Investment in associate *(continued)*

Group's share of profits (loss) of associates for the year is as follows:

	2011	2010
	Group	Group
	RO'000	RO'000
VE	**702**	631
NAPCO	**-**	199
FIC	**118**	19
AABCO	**(14)**	(52)
AMCC	**48**	(108)
TFC	**571**	379
	1,425	1,068

6 Investment property

Parent Company

Investment property represents land purchased by the Parent Company intended for sale or development. The land is stated at its market value of RO 3 million. Investment property was valued by independent valuer.

FIC

Investment property in the amount of RO 2.282 million comprises land acquired during 2007, which is registered in the name of certain Directors, who are holding the property beneficially for and on behalf of FIC. In 2009 the FIC acquired an additional area of 623 square meters at the same location that form part of the existing location.

Investment property is valued by the independent valuer. The latest valuation of the land was conducted on 27 December 2009. Management believes that fair value as at 27 December 2009 equals to its fair value at the reporting date.

7 Net insurance liabilities

FIC became subsidiary from 1 June 2010, the insurance contract liabilities and reinsurance contract assets as at 31 December 2010 are consolidated and has been presented below:

	2010
	RO '000
Gross insurance contract liabilities	**6,314**
Due to reinsurance	**959**
Less: Reinsurers' share of insurance liabilities	**(3,624)**
Net insurance liabilities	**3,649**

Al Anwar Holdings SAOG

Notes

(forming part of the consolidated financial statements)

8 Inventories

	Group		Parent Company	
	2011	2010	**2011**	2010
	RO'000	RO'000	**RO'000**	RO'000
Raw materials	**2,128**	1,656	**-**	-
Work in progress	**761**	177	**-**	-
Finished goods	**88**	185	**-**	-
Less: Impairment allowance	**(38)**	(39)	**-**	-
	2,939	1,979	**-**	-
At 1 April	**39**	24	**-**	-
Provided during the year	**14**	15	**-**	-
Written-back during the year	**(15)**	-	**-**	-
At 31 March	**38**	39	**-**	-

9 Trade and other receivables

	Group		Parent Company	
	2011	2010	**2011**	2010
	RO'000	RO'000	**RO'000**	RO'000
Trade receivables	**2,800**	2,861	**-**	-
Premium receivable	**2,057**	-	**-**	-
Impairment allowance	**(155)**	(103)	**-**	-
	4,702	2,758	**-**	-
Insurance accounts receivable	**530**	-	**-**	-
Prepayments and other receivables	**335**	954	**77**	665
Amounts due from related parties (note 22)	**1,087**	184	**924**	330
	6,654	3,896	**1,001**	**995**

Movement in impairment allowance is as follows:

	Group 2011	Group 2010	Parent 2011	Parent 2010
At 1 April	**103**	203	-	-
Effect of acquisition of subsidiary	**55**	-	-	-
Provided during the year	**3**	21	-	-
Written back during the year	**(6)**	(121)	-	-
31 March	**155**	103	**-**	**-**

10 Cash and bank balances

	Group 2011	Group 2010	Parent 2011	Parent 2010
Cash in hand	**39**	3	**-**	-
Cash at bank:				
– current accounts	**520**	106	**18**	23
– deposit accounts	**-**	1,780	**-**	1,781
Cash and cash equivalent	**559**	1,889	**18**	1,804
Other short term deposits	**4,737**	**-**	**-**	**-**
Cash and bank balances	**5,296**	1,889	**18**	1,804

Al Anwar Holdings SAOG

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(forming part of the consolidated financial statements)

11 Share capital and reserves

a) Share capital

The authorised share capital of the Parent Company comprises 200,000,000 (2010: 200,000,000) shares of 100 baisas (2010: Bz 100) each. The issued and fully paid up share capital consists of 120,000,000 (2010: 110,000,000) shares of 100 baisas (2010: Bz. 100) each. Movement in number of shares during the year is as follows:

	2011	2010
1 April	**110,000,000**	100,000,000
Stock dividend	**10,000,000**	10,000,000
31 March	**120,000,000**	110,000,000

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

	Number of shares held	**2011 (%)**	Number of shares held	2010 (%)
Fincorp Investment Company LLC	**30,018,084**	**25.02%**	27,516,578	25.02%
Financial Services Company SAOG - Trust	**19,429,202**	**16.19%**	20,060,102	18.24%
Mohamed and Ahmed Al Khonji LLC	**6,040,613**	**5.03%**	5,537,229	5.03%

b) Legal reserve

As required by Article 106 of the Commercial Companies Law of the Sultanate of Oman, the Company and each of the Group entities incorporated in the Sultanate of Oman, transfer 10% of their profit for the year to such reserve until such time as the statutory reserve amounts to at least one third of the respective company's capital.

c) Other reserves

Other reserves comprise contingency reserve in the amount of RO 25,000 (2010: RO Nil) and fair value reserve in the amount of RO 7,000 (2010: RO 14,000).

Contingency reserve

In accordance with Article 20 (2) (c) amended by Royal Decree No. 35/95 of the Oman Insurance Companies Law 1979, 10% of the net outstanding claims for general insurance business at the statement of financial position date are transferred to a contingency reserve. For life insurance the reserve is calculated at the rate of 1% of gross written premium. FIC may discontinue such annual transfers when the reserve equals the paid up capital.

Total contingency reserve as of 31 December 2010 accounted for by FIC is in the amount of RO 483,387. However in consolidated financial statement contingency reserve is in the amount of RO 25,000, representing the Group's share of post acquisition portion.

Fair value reserve

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

12 Minority interest

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

	2011		2010	
	Results	**Net assets**	Results	Net assets
	RO'000	**RO'000**	RO'000	RO'000
FIC	**(222)**	**3,067**	-	-
SPC	**149**	**730**	145	725
	(73)	**3,797**	145	725

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13 Bank borrowings

	Group		Parent Company	
	2011	2010	**2011**	2010
Term loan	**RO'000**	RO'000	**RO'000**	RO'000
Non-current portion				
From commercial banks	**4,832**	4,250	**4,044**	4,250
From Government	**310**	331	**-**	-
Deferred Government Grant	**86**	93	**-**	-
	5,228	4,674	**4,044**	4,250
Current portion				
From commercial banks	**1,189**	1,134	**988**	1,101
From Government	**200**	133	**-**	-
Current portion of term loan	**1,389**	1,267	**988**	1,101
Short-term bank borrowing *(note 15)*	**2,781**	4,624	**19**	545
	4,170	5,891	**1,007**	1,646
	9,398	5,941	**5,051**	5,351

Repayment schedule of term loan of the Group is as follows:

31 March 2011	**Total RO'000**	**Within one year RO'000**	**1 to 2 years RO'000**	**2 to 7 years RO'000**
Commercial banks	**6,021**	**1,189**	**1,369**	**3,463**
Government	**596**	**200**	**100**	**296**
	6,617	**1,389**	**1,469**	**3,759**
31 March 2010				
Commercial banks	5,384	1,134	1,133	3,117
Government	557	133	151	273
	5,941	1,267	1,284	3,390

Repayment schedule of the Parent Company is as follows:

2011				
Commercial banks	**5,032**	**988**	**1,169**	**2,875**
2010				
Commercial banks	5,351	1,101	1,141	3,109

During the year a subsidiary company has restructured its working capital loan so as to part convert some of its existing working capital loan sanction from Bank Muscat SAOG into a long term loan of RO 1 million. The term loan along with the working capital loan is secured by second charge pari passu commercial mortgage on certain fixed assets of the Company along with insurance on the fixed assets of the Company in the joint name of the Company and the Bank. The term loan is repayable in 20 quarterly instalments of RO 20,000, each commencing on 1 February 2010.

Term loans obtained by the Parent Company from commercial banks 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 substantially all the assets of the subsidiary. Loan include un-amortized deferred government grant in the amount of RO 74,042 (2010: RO 85,267).

The above loans carry interest rate ranging from 3% to 6.5% (2010: 3% to 8%) per annum.

Al Anwar Holdings SAOG

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14 Trade and other payables

	Group **2011** **RO'000**	Group 2010 RO'000	**Parent Company** **2011** **RO'000**	Parent Company 2010 RO'000
Trade payables	**6,049**	1,865	**32**	36
Accruals and other payables	**266**	334	**32**	151
Provision for Income tax	**299**	236	**236**	236
Amounts due to related parties (note 22)	**-**	28	**1,024**	1,060
	6,614	2,463	**1,324**	1,483

15 Short term bank borrowings

The Parent Company has overdraft facilities of RO 600,000 (2010: RO 550,000) from two commercial banks. The interest on bank borrowings is charged at commercial rates.

The subsidiaries have overdraft, bill discounting and loan against trust receipt facilities at the financial position date in the aggregate amount of approximately RO 2.8 million (2010: RO 4.3 million). The interest on bank borrowings is charged at commercial rates. These facilities are secured by:

- commercial mortgage on subsidiaries assets;
- an assignment of certain receivables in favour of commercial banks;
- proportionate guarantees of the Shareholders; and
- joint insurance of certain assets.

16 Net investment (loss) income

	Group **2011** **RO'000**	Group 2010 RO'000	**Parent Company** **2011** **RO'000**	Parent Company 2010 RO'000
Dividend income	**61**	30	**955**	814
Unrealised gain /(loss) on re-measurement at fair value	**(1,911)**	870	**(1,917)**	866
Gain on disposal of investment (note 20)	**131**	1,696	**191**	1,615
Share of profit from associates (note 5)	**1,425**	1,068	**-**	-
Unrealised loss on re-measurement of investment properties	**(148)**	-	**(148)**	-
Provision for impairment on investments (note 5)	**(64)**	-	**(80)**	(220)
Other income	**41**	153	**32**	143
	(465)	3,817	**(967)**	3,218

Al Anwar Holdings SAOG

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17 Net assets per share and basic earnings per share

Net assets 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 2011	Group 2010	**Parent Company 2011**	Parent Company 2010
Net assets attributable to the shareholders of the Parent Company (RO'000)	**17,607**	19,475	**13,091**	15,451
Number of shares outstanding at 31 March ('000)	**120,000**	120,000	**120,000**	120,000
Net assets per share (in Baisas)	**147**	162	**109**	129

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:

	Group 2011	Group 2010	**Parent Company 2011**	Parent Company 2010
Net profit for the year attributable to equity shareholders of Parent Company (RO'000)	**(1,201)**	3,144	**(1,700)**	2,328
Weighted average number of shares outstanding ('000)	**120,000**	120,000	**120,000**	120,000
Basic earnings per share (in Baisas)	**(10)**	26	**(14)**	19

Weighted average number of shares for the comparative year has been restated to give effect of bonus shares issued during the year.

18 Proposed dividend

In view of losses, the Board of Director do not propose any dividend (2010: cash dividend 6 baiza per share and stock dividend of 9.09%).

19 Other non current liabilities

	Group		**Parent Company**	
	2011 RO'000	2010 RO'000	**2011 RO'000**	2010 RO'000
Employees' end of service benefits *(note 23)*	**155**	95	**6**	12
Deferred tax liability *(note 21)*	**63**	94	**-**	-
	218	189	**6**	12

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20 Gain on investments

a) Gain on disposal of investments

	Group 2011 RO'000	Group 2010 RO'000	Parent Company 2011 RO'000	Parent Company 2010 RO'000
Gain on disposal of investments	**111**	1585	**184**	1615
Realised gain on sale of held for trading investment	**7**	166	**7**	-
Loss on sale of investment at fair value through statement of comprehensive income	**13**	(55)	**-**	-
	131	1,696	**191**	1,615

b) Unrealised (loss) gain on re-measurement of investments

	Group 2011 RO'000	Group 2010 RO'000	Parent Company 2011 RO'000	Parent Company 2010 RO'000
Unrealised (loss) gain on re-measurement of quoted investments	**(642)**	1,023	**(648)**	1,019
Unrealised (loss) gain on re-measurement of unquoted investments	**(1,269)**	(153)	**(1,269)**	(153)
	(1,911)	870	**(1,917)**	866

Profit on disposal of 0.52% share of stake in VE.

	Group 2011 RO'000	Parent Company 2011 RO'000
Sale proceeds	**192**	**192**
Associated carrying value	**(81)**	**(8)**
Gain on disposal	**111**	**184**

21 Taxation

The Group 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 was exempt from income tax for a period of five years up to 31 July 2009.

	Group 2011 RO'000	Group 2010 RO'000	Parent Company 2011 RO'000	Parent Company 2010 RO'000
Current tax for the year	**62**	-	**-**	-
Deferred:				
- for the year	**(28)**	67	**-**	-
	34	67	**-**	-
Reconciliation is as follows:				
(Loss) profit before taxation	**(1,234)**	3,356	**(1,700)**	2,328
Tax charge at applicable rates	**(120)**	442	**(186)**	349
Expenses not deductible	**269**	102	**300**	35
Exempt incomes	**(140)**	(383)	**(136)**	(290)
Deferred tax asset not recognised during the year	**25**	(94)	**22**	(94)
Taxation charge	**34**	67	**-**	-

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(forming part of the consolidated financial statements)

21 Taxation *(continued)*

Details of unrecognised deferred tax asset in Parent Company are as follows:

	Parent Company	
	2011	2010
	RO'000	RO'000
Unrealised gain on unquoted investment	**229**	144
Tax losses	**81**	60
	310	204

The tax returns of the Company for the years 2007 to 2009 have not yet been agreed with the Secretariat General for Taxation at the Ministry of Finance. The Management is of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Company's financial position as at 31 March 2011.

22 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:

	2011	2010
Transactions entered into by the Parent Company	**RO'000**	RO'000
Remuneration and meeting attendance fees income	**14**	32
Project management fees	**-**	28
Transactions entered into by subsidiary companies:		
<u>SPC</u>		
Purchases	**4**	19
Other expenses	**6**	31
<u>FIC</u>		
Premiums written	**251**	-
Reinsurance premium paid	**27**	-
Reinsurance recovery on claims paid	**6**	-
Claims paid	**68**	-
Commission paid	**10**	-
Rent received	**3**	-
Others	**1**	-

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

	Group	Group	**Parent Company**	Parent Company
	2011	2010	**2011**	2010
	RO'000	RO'000	**RO'000**	RO'000
Short term employment benefits	**516**	269	**142**	236
End of service benefits	**45**	11	**5**	5
Directors' remuneration and sitting fees (note 19)	**103**	155	**48**	118
	664	435	**195**	359

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22 Related party transactions and balances *(continued)*

The Directors' sitting fees of RO 18,050 (2010: RO 15,500), travel expenses of RO 1,168 (2010: RO 1,596) and Directors' remuneration of RO 30,500 (2010: RO 102,500) paid by the Parent Company is subject to the approval of the shareholders at the Annual General Meeting.

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

	Group 2011 RO'000	Group 2010 RO'000	**Parent Company 2011 RO'000**	Parent Company 2010 RO'000
Due from related parties (note 9)				
ABI Precision Castings SAOC	**4**	4	**4**	4
Al-Maha Ceramics Company SAOC	**180**	180	**180**	180
VE	**495**	-	**495**	-
Taageer	**149**	-	**149**	-
Sun Packaging Company	**-**	-	**96**	146
In the Books of subsidiary : Falcon Insurance Co. SAOC	**259**	-	**-**	**-**
	1,087	184	**924**	330
Due to related parties (note 14)				
Al-Anwar International investment LLC	**-**	-	**74**	85
Al-Anwar Securities SAOC	**-**	-	**950**	975
Falcon Insurance Co. SAOC	**-**	28	**-**	-
	-	28	**1,024**	1,060

23 Employee related expenses

Total employee related expenses included in operating expenses comprise:

	Group 2011 RO'000	Group 2010 RO'000	**Parent Company 2011 RO'000**	Parent Company 2010 RO'000
Salaries and wages	**1,328**	732	**119**	197
Other benefits	**227**	166	**54**	78
Contributions to defined contribution retirement plans for Omani employees	**24**	18	**1**	1
Cost of end of service benefits for expatriate employees	**49**	32	**5**	4
	1,628	948	**179**	280

Movement in expatriate's end of service benefits liability recognised in the statement of financial position are as follows:

	Group 2011	Group 2010	**Parent Company 2011**	Parent Company 2010
1 April	**95**	78	**12**	8
Effect of acquisition of subsidiaries	**39**	-	**-**	-
Expenses recognised in the profit or loss	**42**	32	**5**	4
Paid during the year	**(21)**	(15)	**(11)**	-
31 March	**155**	95	**6**	12

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24 Contingencies

	Group	Group	**Parent Company**	Parent Company
	2011	2010	**2011**	2010
	RO'000	RO'000	**RO'000**	RO'000
Guarantees issued by Parent Company on behalf of:				
- Subsidiaries	**-**	3,524	**-**	3,524
- Associates	**2,258**	2,640	**2,258**	2,640
- Others	**-**	5	**5**	5
	2,258	6,169	**2,263**	6,169
Letters of credit by subsidiary companies	**896**	255	**-**	-
	3,154	6,424	**2,263**	6,169

FIC has a guarantee issued in favor of the Omani Unified Bureau for Orange Card SAOC for an amount of RO 50,000 and RO 56,583 issued for tender purpose from which it is anticipated that no material liabilities will arise.

25 Commitments

	2011	2010
	RO'000	RO'000
Group		
Less than one year	**6**	6
Between one to five years	**35**	35
More than 5 years	**81**	87
	122	128

26 Financial risk management

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

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Notes

(forming part of the consolidated financial statements)

26 Financial risk management *(continued)*

Credit risk *(continued)*

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.

The aging of consolidated trade receivables (including insurance premium receivable) at the reporting date was:

	2011		2010	
	Gross RO'000	**Impairment RO'000**	Gross RO'000	Impairment RO'000
Not past due	**1,834**	**-**	1,553	-
Past due 1 to 90 days	**2,433**	**-**	1,178	-
Past due 91 to 365 days	**1,023**	**(74)**	89	(103)
Past due >365 days	**97**	**(81)**	41	-
	5,387	**(155)**	2,861	(103)

The maximum exposure to credit risk for trade receivables, net of impairment provision at the reporting date by geographic region was:

	Carrying amount	
	2011 RO'000	2010 RO'000
Sultanate of Oman and other GCC countries	**4,146**	986
Others	**1,086**	1,772

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 maturities of Group's undiscounted consolidated financial liabilities at reporting date is as below:

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26 Financial risk management *(continued)*

Liquidity risk *(continued)*

31 March 2011	Carrying amount RO'000	Contractual cash flows RO'000	Less than 6 months RO'000	6 months to 1 year RO'000	Above 1 year RO'000
Non-derivative financial liabilities					
Term loans	**6,617**	**(6,617)**	**(497)**	**(892)**	**(5,228)**
Bank borrowings	**2,781**	**(2,781)**	**(2,781)**	**-**	**-**
Insurance funds	**6,314**	**(6,314)**	**(3,157)**	**(3,157)**	**-**
Trade and other payables	**6,315**	**(6,315)**	**(6,315)**	**-**	**-**
Due to reinsurance	**959**	**(959)**	**(959)**	**-**	**-**
	22,986	**(22,986)**	**(13,709)**	**(4,049)**	**(5,228)**
31 March 2010					
Non-derivative financial liabilities					
Term loan	5,941	(5,941)	(567)	(700)	(4,674)
Bank borrowings	4,624	(4,624)	(4,624)	-	-
Trade and other payables	2,227	(2,227)	(2,227)	-	-
	12,792	(12,792)	(7,418)	(700)	(4,674)

Market risk

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

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

The Group accounts for fixed rate financial assets and interest rates are contractually agreed and remain constant throughout the maturity period.

The Group's interest rate risk as at 31 March 2011 based on contractual arrangements were as follows:

	Up to 6 months RO'000	6 months to 1 year RO'000	1 year to 2 year RO'000	Total RO '000	Effective interest rate %
Bank deposits	**1,054**	**3,604**	**79**	**4,737**	**0.05 to 5.50%**

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26 Financial risk management *(continued)*

Equity price risk

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

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments.

S*ensitivity analysis – equity price risk*

The 5% change in value of equity securities would impact results and equity by RO 0.186 million (2010: RO 0.223 million)

Currency risk

The Group's exposure to currency risk mainly relates to its investment in Almondz Global Securities and Bank Muscat India fund, in the amount equivalent to RO 0.74 million (2010: RO 1.4 million) at the reporting date. Change of 10% in currency fluctuations would impact results and equity by RO 74,000 (2010: RO 140,000).

Fair value

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

Fair value hierarchy

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

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2011		2010	
	RO'000	**RO'000**	RO'000	RO'000
	Level 1	**Level 3**	Level 1	Level 3
Parent Company				
Financial assets at fair value through profit or loss	**846**	**518**	2,484	1,787
Group				
Available for sale financial assets	**114**	**122**	-	-
Financial assets at fair value through profit or loss	**2,968**	**518**	2,667	1,787
	3,082	**640**	2,667	1,787

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26 Financial risk management (*continued*)

	2011				
	Level 1		Level 3		
	Equity securities RO '000	Debt securities RO '000	Equity securities RO '000	Total RO '000	2010 RO '000
Parent Company					
Opening balance	**1,836**	**648**	**1,787**	**4,271**	6,541
Purchases/transfer from investments	**39**	**-**	**-**	**39**	2,552
Sales/transfer to investments	**(457)**	**(572)**	**-**	**(1,029)**	(5,688)
Unrealised gain on financial asset at fair value through profit or loss	**(646)**	**(2)**	**(1,269)**	**(1,917)**	866
	772	**74**	**518**	**1,364**	4,271
Group					
Opening balance	**1,838**	**828**	**1,787**	**4,453**	6,723
Arising from acquisition of subsidiary	**1,860**	**-**	**109**	**1,969**	-
Purchases/transfer from investments	**493**	**-**	**-**	**493**	2,552
Sales/transfer to investments	**(531)**	**(752)**	**-**	**(1,283)**	(5,692)
Unrealised gain on financial asset at fair value through profit or loss	**(652)**	**(2)**	**(1,256)**	**(1,910)**	870
	3,008	**74**	**640**	**3,722**	4,453

Operational risks

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

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

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

Governance framework

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

Capital management framework

The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole are exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

Externally imposed capital requirements are set and regulated by the Capital Market Authority and the other relevant regulators are put in place to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis.

The Group fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.

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26 Financial risk management (*continued*)

Regulatory framework

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

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

Insurance risk

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

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

The concentration of insurance risk exposure is mitigated by the implementation of the underwriting strategy of the Group, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

The Group principally issues general insurance which constitute mainly marine & aviation and fire & general risks and life assurance contracts.

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

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

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

The Group only deals with reinsures which are generally international securities that are rated by international rating agencies or other GCC securities.

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

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26 Financial risk management (*continued*)

Sensitivities

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

	Change in assumptions	**Impact on liabilities RO '000**	**Impact on net profit RO '000**
31 December 2010			
Incurred claims	**+10%**	**248**	**248**
Incurred claims	**-10%**	**(248)**	**(248)**

Claims development

The Group maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Key assumptions

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

Other key assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

27 Critical accounting estimate and judgements

In the process of preparing these financial statements, Management has made use of a number of judgments relating to the application of accounting policies which are described in note 2. Those which have the most significant effect on the reported amounts of assets, liabilities, income and expense are listed below.

These judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the following discussion addresses the accounting policies that require judgments.

Classification of investment

Quoted Securities could be classified either as available for sale or at fair value through profit or loss. The Group invests substantially on quoted securities either locally or overseas and management has primarily decided to account for them as held for trading and recognizes them at fair value through profit or loss.

Financial assets are classified as fair value through profit or loss where the assets are either held for trading or designated as at fair value through profit or loss.

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27 Critical accounting estimate and judgements *(continued)*

Impairment of financial assets

The Group determines whether available for sale equity financial assets are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgment. In making this judgment and to record whether impairment occurred, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- **Claims made under insurance contracts**

  Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual claims and the provisions made are included in the statement of comprehensive income in the year of settlement.

- **Impairment of Insurance and other receivables**

  An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired, entails the Group evaluating, the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during 2010 and feedback received from their legal department. The difference between the estimated collectible amount and the book amount is recognized as an expense in the statement of comprehensive income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the statement of comprehensive income at the time of collection.

- **Liability adequacy test**

  At each statement of financial position, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the statement of comprehensive incomes.

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28 Operating segments

Primary reporting format – business segments

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

a) Industrial segment, which is engaged in producing and distributing different industrial products such as 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 Group, hence not been disclosed separately.

c) Insurance segment, which is engaged in the underwriting of general insurance and group & individual life insurance business within the Sultanate of Oman.

There are sales and other transactions between the business segments. Segment assets consist primarily of property, plant and equipment, Insurance assets, 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 36.

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 based on location of customers is shown below:

	2011	2010	**2011**	2010
	Operating income	Operating income	**Trade receivable**	Trade receivable
	RO'000	RO'000	**RO'000**	RO'000
Sultanate of Oman and GCC countries	**4,943**	4,073	**4,301**	986
Others	**5,150**	5,181	**1,086**	1,875
	10,093	9,254	**5,387**	2,861

Trade receivable for the year 2010 excludes receivables of VE which was considered Associate as at 31 March 2010.

29 Comparative figures

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

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Schedule I – Operating segments

	Industrial segment		Investment segment		Insurance segment	Group	Group
	2011	2010	**2011**	2010	**2011**	**2011**	2010
	RO’000	RO’000	**RO’000**	RO’000	**RO’000**	**RO’000**	RO’000
Income							
Operating income	**9,662**	9,254	**-**	-	**-**	**9,662**	9,254
Dividend income	**-**	-	**61**	30	**-**	**61**	30
Share of profits of associates	**-**	**-**	**1,425**	1,068	**-**	**1,425**	1,068
Profit on sale of investment	**-**	**-**	**131**	1,696	**-**	**131**	1,696
Other income	**35**	136	**41**	153	**122**	**198**	289
Gross premium	**-**	-	**-**	-	**5,565**	**5,565**	-
Reinsurer's share	**-**	-	**-**	-	**(3,917)**	**(3,917)**	-
	9,697	9,390	**1,658**	2,947	**1,770**	**13,125**	12,337
Expenses							
Cost of sales	**(8,015)**	(7,718)	**-**	-	**-**	**(8,015)**	(7,718)
Gross claims incurred	**-**	-	**-**	-	**(3,721)**	**(3,721)**	-
Reinsurance and other recoveries	**-**	-	**-**	-	**2,443**	**2,443**	-
Unrealised loss on investment properties	**-**	**-**	**(148)**	-	**-**	**(148)**	
Unrealised (loss) gain on investment	**-**	**-**	**(1,911)**	870	**-**	**(1,911)**	870
Provision for impairment on investment	**-**		**(64)**	-	**-**	**(64)**	-
Others	**-**	-	**-**	-	**(198)**	**(198)**	-
	(8,015)	(7,718)	**(2,123)**	870	**(1,476)**	**(11,614)**	(6,848)
		-					
Net income	**1,682**	1,672	**(465)**	3,817	**294**	**1,511**	5,489
Other operating expenses	**(841)**	(857)	**(378)**	(547)	**(799)**	**(2,018)**	(1,404)
Finance charges	**(374)**	(360)	**(357)**	(369)	**(2)**	**(733)**	(729)
Profit (loss) before income tax	**467**	455	**(1,200)**	2,901	**(507)**	**(1,240)**	3,356
Taxation	**(69)**	(67)	**-**	-	**35**	**(34)**	(67)
Net profit (loss) for the year	**398**	388	**(1,200)**	2,901	**(472)**	**(1,274)**	3,289
Total assets	**9,435**	8,820	**14,894**	24,597	**16,954**	**41,283**	33,417
Total liabilities	**7,489**	6,885	**1,696**	6,332	**10,694**	**19,879**	13,217