

## **Al Anwar Holdings SAOG**

### **Directors' Report for the year ended 31<sup>st</sup> March, 2011**

Dear Shareholders,

On behalf of the Board of Directors, I have great pleasure in welcoming you to the Seventeenth Annual General Meeting of Al Anwar Holdings SAOG (AAH). I take this opportunity to place before you the Annual Report on the activities and performance of your company for the financial year ending 31<sup>st</sup> March 2011.

#### **General Economic Environment:**

The performance of the global economy during the financial year, while not uniformly so, was broadly encouraging, with growth seen in several important economic regions in industrial output, recovering consumption levels, and a general improvement in business and consumer sentiment. Emerging markets, particularly China, India and Brazil have experienced strong domestic demand growth supported by broadly accommodative monetary policy and an improving external environment. Global GDP growth is estimated at about 4.6%, substantially from a resurgence in global trade which was seen returning too pre-2009 patterns.

By registering a positive growth of 4.7 per cent, at constant prices in 2010, Oman's national economy showed resilience to the effects of global economic slowdown. Proactive measures by the Central Bank of Oman (CBO) helped the banking and financial sectors to tide over the difficult situation.

During the year ending as on 31<sup>st</sup> March, 2011, the bench mark MSM 30 index of the Muscat Securities Market, recorded a drop of 7.9% at 6,167.9 points as on 31<sup>st</sup> March, 2011 as against 6697.51 points as on 1<sup>st</sup> April, 2010.

#### **The Year in Retrospect:**

The year was characterized by mixed environment for growth in some investments and for drop in other investments. As a result, whereas investments in Oman in industrial sector contributed positively, it needed to account for losses on account of fair valuation of its investment in Bahrain and India.

Further as the investment climate was not very conducive, no divestment deal could be materialized during the year, which used to contribute majority of profits over the years.

The uncertainties in investment markets also forced the management to follow conservative approach in new investments and as such, the new investments were only restricted to the existing companies namely Falcon Insurance Company SAOC and Taageer Finance Company SAOG.

During the year the Chief Executive Officer had resigned and the process to appoint new Chief Executive Officer is in an advanced stage.

#### **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 for the year ended as on 31<sup>st</sup> December, 2010 by its subsidiaries namely:
  - a) Falcon Insurance Company SAOC, became subsidiary during the year w.e.f 1<sup>st</sup> June, 2010,
  - b) Sun Packaging Co. LLC (SPC),
  - c) Al Anwar International Investment LLC, 100% subsidiary of AAH, primarily being used as investment arm for AAH, and
  - d) Al Anwar Securities SAOC, 100% subsidiary of AAH

2. The Share of Profit / (Loss) achieved by Associate Companies for the year ended as on 31<sup>st</sup> December, 2010 in which Al Anwar owns between 20% and 50% of share capital.
3. Dividends from other investments,
4. Realised and un-realised gains / losses from other listed securities.

I regret to report that, your company has posted a consolidated loss attributable to the shareholders of the parent company of RO 1.201 million during the year as compared with profit of RO 3.144 million during the year 2009-10 in consolidated Group Accounts and a loss of RO 1.700 million during the year as compared with profit of RO 2.328 million during the year 2009-10 in Parent Company Accounts.

The loss was mainly on account of booking a fair value losses on its investments in Bahrain and India which were heavily hit by political and economic environment of their respective countries.

I am pleased to inform that the Share-of-profits from Associates increased significantly during the year to RO 1.425 million as against RO 1.068 million in the previous Year, as a result of effective monitoring of investments.

During the year 2010-11, the company has increased its share capital from RO 11.000 million to RO 12.000 million through stock dividend.

The Earning / (loss) per share (EPS) was (10) Baizas in 2011 as against 26 Baizas in 2010 on the increased capital base.

Net asset, as on 31<sup>st</sup> March, 2011, of the company was 147 Baizas per share as against 162 Baizas per share as on 31<sup>st</sup> March, 2010, on the increased capital base.

In view of losses, the Board of Directors did not recommended any dividend for the current year (Previous Year: 6% cash dividend and 9.09% stock dividend). The Board has recommended Directors Remuneration of RO 30,500 (Previous year: RO 102,500). Directors' Remuneration is subject to approval by the shareholders.

#### **Performance of Al Anwar Investments:**

##### **Subsidiaries:**

1. **Falcon Insurance Company SAOC (Falcon):** Falcon became subsidiary during the year, as the company increased its stake in Falcon up to 51%. Therefore, the Statement of financial income and Statement of Financial positions were consolidated with group accounts for the period beginning from 1<sup>st</sup> June, 2010.

As Oman experienced two cyclones in a short period, the cost of re-insurance increased, whereas, the competition in market did not allow increasing the premiums to offset the increased cost. As a result, the insurance industry as a whole, reported reduction in profits in general. Falcon was not an exception to the trend and therefore it adopted a cautious approach in writing risks very selectively. As a result, the company reported a drop of 4% in gross premium written and reported loss as against profit in last year.

2. **Sun Packaging Company LLC (SPC):** After completing the backward integration in previous year, the Company is consolidating its capacity and emphasizing on value added products and markets. Due to above strategy, the company reported a growth of 4% in revenue and 7% in net profit after tax.

Subsequent to the Balance Sheet the company started negotiating the divestment of 51% stake out of its 62.5% stake in the company, and as a result SPC will cease to be subsidiary from the year 2011-12 if the deal is completed satisfactorily.

3. **Al Anwar International Investments Co. LLC (AAII):** The company is an investment arm for Al Anwar Holding and is 100% subsidiary of AAH. The company is holding various investments for and on behalf of the company.
4. **Al Anwar Securities SAOC (AAS):** The company is 100% subsidiary incorporated during the year 2008 with an objective to carry out various financial services in Oman. However, as the volatility in financial services sector continued, the Board decided to not to commence operation in the company.

#### **Associates:**

1. **Voltamp Energy SAOG ( previously called Voltamp Manufacturing LLC)(and its subsidiary):**

As the infrastructure sector in Oman witnessed continued government support, Voltamp Energy (VE) was benefited due to its long standing position in market. VE reported a growth of 9% during the year in its revenue and 11% growth in net profit attributable to shareholders of parent company (VE).

2. **Taageer Finance Company SAOG (Taageer):**

Taageer was focusing during the year on maintaining its revenue stream and at the same time to improve the quality of its lending. As a result, Taageer reported 12% increase in net profits after tax whereas the revenue remained at the same level of last year.

3. **Al Maha Ceramics Company SAOC(AMC):**

With the focus of the Board and the new management team, AMC started improving its production & sales volumes, revenue and operational efficiency leading to reduction in the cost of operations. As a result, AMC reported 11% increase in revenue and reported profit as against loss in last year. The company is expected to improve its performance during the current year.

#### **Other Investments:**

1. **Almondz Global Securities Limited (India)(AGSL):** AGSL was able to maintain its profits despite a drop in revenue. However, the share price dropped during second half of the year after gaining momentum in first half, due to concerns rose on the financial services sector in general. As a result, AAH booked loss on account of fair valuation of this investment.
2. **Addax Bank Bahrain (Addax Bank):** The global meltdown and subsequent political unrest in Bahrain affected the Addax Bank severely. The Board of AAH decided to book the losses on account of fair valuation of the Bank to reflect the investments at its net assets value.

#### **Trading Portfolio:**

In view of uncertainties in the markets, the Board decided to stop the trading portfolio operations of the company and restrict this mean only for utilizing excess cash balance, if any as part of treasury operation.

#### **The Year Ahead & Future Projects:**

The overall economic outlook for 2011 remains positive with the real GDP growth expected to gain momentum due to sustained oil demand and accommodative government policies. Oman's real GDP growth is forecast to accelerate further to 4.1 per cent in 2011.

The increased expenditure by the Government will not only boost directly the demand but also have collateral effect on the private sector, which will lead to further growth in demand for products and services. The group companies are well poised to take this opportunity during the year and will definitely be benefited.

AAH is well poised for making best use of any opportunity provided by the growth prospects in the region. However, it will continue adopting cautious approach on new investments. The area of future investments would encompass Industry, financial & other services sector.

**Omanisation:**

Al Anwar as a company and as a group has always been fully committed of recruiting and training Omani employees in large numbers. Present Omanisation in the parent company is 33.3% while as a group it is 39.8%.

**Corporate Governance:**

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

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

**Thanks and Appreciation:**

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

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

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

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

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

**Masoud bin Humaid Al Harthy  
Chairman**