

# **Al Anwar Holdings SAOG**

## **Directors' Report for the year ended 31<sup>st</sup> March 2019**

Dear Shareholders,

On behalf of the Board of Directors, I have great pleasure in welcoming you to the 25th 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 2019.

### **The year in retrospect**

This year, we are presenting the consolidated financial statements only as the accounting policy for the separate parent company is now changed for subsidiaries and associates from cost basis to equity basis and the figures for the separate and consolidated financial statements are now similar. Due to such change in accounting policy, the prior year legal reserve has increased by approximately OMR 865,000.

Furthermore, in accordance with the requirement of the IFRS, the prior year profit has been restated to reflect the final Purchase Price accounting for an associate acquired during the prior year. As such, the prior year reported profit has increased by approximately OMR 613,000. The comparative figures presented are restated to reflect these changes.

The consolidated profit for the year ended 31<sup>st</sup> March 2019 was OMR 611,291 compared to OMR 4,478,938 (restated) for the previous year. The profitability for the year ended 31 March 2019 was lower mainly due to absence of any major transaction in our investment portfolio, reduction of profits in some of our Associates, and the negative impact of all our marked to market investments in MSM. The MSM index was 15.2% down during the year 2018, it declined by 7.9% during the first quarter of 2019.

Our shareholders equity at 31<sup>st</sup> March 2019 was OMR 34 million and our Debt/ Equity ratio was a healthy 0.57:1.

The Earning per Share was 3 baizas for the year ended 31<sup>st</sup> March 2019 as against 22 baizas (restated) in the previous year.

Net assets per share as at 31<sup>st</sup> March 2019 was 173 baizas per share as against 183 baizas (restated) for the previous year.

Our share price at 31<sup>st</sup> March was 98 baizas, and was trading at 43 % below the book value.

Mr. Khalid Ansari was appointed as CEO from 1<sup>st</sup> October, 23019. He has 32 years of extensive business experience in Oman. Towards the end of December, 2018, the Board and the management had a strategy meeting, and the Company has formulated our road map for growth over the next three years. Al Anwar will continue to focus on three main business clusters, i.e. industrial, financial services and education in addition to other investments. Our objective is to ensure that each of these clusters grow their profitability and consequently the shareholders value. We will actively look at investing in businesses in our chosen sectors or on opportunity basis. We will continue to manage our cash flows to ensure that we do not exceed our debt equity ratio beyond our Board approved threshold of 1:1.

### **Dividends**

Our retained earnings at 31<sup>st</sup> March 2019 was OMR 10,187,881 the Board of Directors are pleased to recommend a 10% cash dividend (last year: 12.50%).

## **Financial statements**

The audited consolidated financial statements presented includes the following:

1. The results of Subsidiary Companies for the year ended 31<sup>st</sup> December, 2018 of the following:
  - a) Al Anwar International Investment LLC, 100% subsidiary;
  - b) Al Anwar Development LLC, 100% subsidiary; and
  - c) Al Anwar Hospitality SAOC, 100% subsidiary, a Hospitality activity.
2. The share of profit (loss) of Associate Companies for the year ended 31<sup>st</sup> December, 2018 (Al Ruwad International Education Services SAOC up to 31st January 2019) in which AAH owns between 20% and 50% of share capital or has significant influence.
3. Dividends from other investments.
4. Realized and unrealized gains / losses from other listed/unlisted securities.

## **Performance of Investments**

### **Subsidiaries**

#### **1. Al Anwar International Investments LLC(AAI)**

AAI owns investments of OMR 6,800,090 at 31<sup>st</sup> March 2019.

#### **2. Al Anwar Development LLC (AAD)**

AAD owns investments of OMR 490,675 at 31<sup>st</sup> March 2019.

#### **3. Al Anwar Hospitality SAOC (AAHS)**

We have entered into a Hotel Management Agreement with Accor Hotels for developing a 4 Star Business Hotel – NOVOTEL Muscat – Azaiba, near Airport., on a freehold land owned by us. Total development cost of the project is estimated to be around OMR 11.5mn to be funded by an optimum mix of debt and equity. We have now received all regulatory permissions and the project is expected have ground breaking in October 2019.

### **Associates**

#### **1. Al Maha Ceramics SAOG (AMC)**

AMC reported revenue of OMR 8.437 million for the year ended 31st December 2018, as compared to OMR 8.657 million for previous year, a decline of 2.5%, due to lower demand and increase in competition. Net profit after tax for the year was OMR 1.203 million as compared to OMR 1.506 million of previous year, a decline of 20.1%. The construction industry is facing acute competition from cheaper imports from China and India, which has severely impacted the profitability of AMC and its competitors. In addition the cost power has also increased significantly. However, by focusing of value addition and effective utilisation of its production capacity, AMC was in a position to better control the decline in its profitability compared to its competitors.

#### **2. Voltamp Energy SAOG Group (VE)**

VE reported revenues of OMR 39.764 million and a net profit of OMR 31,067 for the year ended 31<sup>st</sup> December 2018. Revenue declined by 7.6% and net profit declined by 99% as compared to the previous year. Company's revenue and profitability were impacted due to significant reduction in market

demand in Oman, entry of new competitors and decrease in demand of company's high yielding products. Management is taking appropriate actions to deal with the current market situation. VE has appointed new CEO during the month of January 2019 to lead the company on its agreed strategy.

### **3. Arabia Falcon Insurance Company SAOC (AFIC)**

In accordance the requirements of Royal Decree 39/2014 dated 17<sup>th</sup> August 2014, the Company converted to a General Omani Joint Stock Company (SAOG) and the shares were listed in the MSM on 16th May 2018.

For the year ended 31<sup>st</sup> December 2018, AFIC achieved Gross Premium Written of OMR 16.065 million compared to OMR 17.065 million in the previous year and net profit of OMR 1.041 million compared to OMR 0.847 million in the previous year. AFIC is now embarked on a growth strategy to paly a significant role in the insurance sector.

### **4. Al Ruwad International Education Services SAOC(ARIE)**

For the half year ended on 31<sup>st</sup> Jan'19, ARIE has registered growth in revenue and profit. ARIE also exhibited healthy growth in the student intake. Phase 2 of the expansion project has been completed and is available for student intake for the academic year 2019-20. The expanded capacity will provide facility of segregated schooling for Boys and Girls. The school will be implementing IB curriculum.

### **5. National Biscuits Industries Ltd. SAOG(NABIL)**

NABIL was classified as an associate during the year ended 31<sup>st</sup> Mrach 2019. NABIL reported revenues of OMR 6.512 million and net profit of OMR 335,620 for the six months ended 31<sup>st</sup> December 2018, a growth of 11.7% and 13.3% on revenues and net profit respectively over the same period last year. NABIL is investing in brand development of the profitable product portfolio and strengthening its presence in all markets to grow the revenue and profits in the medium term.

### **6. National Detergent Co. SAOG (NDC)**

NDC reported revenues of OMR 21.355 million and net profit of OMR 883,680 for the year ended 31<sup>st</sup> December 2018, a growth of 4.3% on net profit and decline of 2.1% on revenue over the same period last year. Despite the rising material cost, the company has achieved a higher profit during the year compared to last year. NDC's efforts to introduce higher value products and to raise prices, wherever possible, has delivered this positive result.

### **7. Oman Chlorine SAOG (OC)**

OC was classified as an Associate at 31<sup>st</sup> March 2019. OC reported revenues of OMR 12.541 million and net profit after tax of OMR 1.376 million for the year ended 31<sup>st</sup> December 2018, a growth of 57.1% and 136% on revenues and net profit respectively over the same period last year. The higher sales volume and shipment to regional markets, by the parent company, helped offset the impact of downward price revision during previous year.

Union Chlorine LLC, UAE, a 60% subsidiary of OC, commenced the commercial production of the main plant in September 2017. Phase 2, the Calcium Chloride unit, is under advanced stage of completion and is expected to commence the commercial production during the first quarter of 2019. Union Chlorine posted loss of RO 157,000 during the period ended 31 December 2018.

Gulf Chlorine WLL, Qatar, a subsidiary 51%of OC, is expected to commence commercial operations during first quarter of 2019. The Calcium Chloride unit is at advanced stage of completion and expected to commence commercial operations during second quarter of 2019. Gulf Chlorine posted loss of RO 313,000 during the period ended 31<sup>st</sup> December 2018.

## **Other significant investments**

### **1. Ominvest perpetual bonds**

We have investment of OMR 13 million in Ominvest perpetual bonds with an interest rate of 7.75% per annum payable twice a year in June and December. The rate is guaranteed for 5 year and after wards will be reset based on a agreed formula. At 31<sup>st</sup> March 2019, the accrued interest not recorded amounted to approximately OMR 323,000. The amount will be recorded on receipts in June 2019, in accordance with the terms of the bonds.

### **2. Dhofar International Development and Investment Co SAOG (DIDIC)**

We have an equity stake of 8.03% in DIDIC and at 31 March 2019 the investment was carried at market value of OMR 6,226,770.

## **Omanization**

AAH Group has always been fully committed of recruiting and training Omani employees and developing and promoting the local talent. AAH Omanization level is currently 45%.

## **The year ahead**

We foresee a challenging year ahead. Our Group is well diversified and resilient and we are cautiously optimistic of a satisfactory performance in the coming year. We are confident to implement our three-year growth strategy.

## **Acknowledgement**

On behalf of the Board, I would like to extend good wishes to His Majesty Sultan Qaboos Bin Said and to convey our loyalty and gratitude. We extremely thankful and appreciative of His Majesty's Government for incentives and support for all round sustainable development in the Sultanate.

The Board records its sincere appreciation to the Ministry of Commerce and Industry, Capital Market Authority, Oman Chamber of Commerce and Industries, customers, bankers and Auditors for their continued support to the Al Anwar Group.

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

I would also like to convey my sincere thanks to the shareholders of Al Anwar Holdings 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**

