

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL ANWAR HOLDINGS SAOG**

### **Report on the audit of the consolidated and separate financial statements**

#### ***Opinion***

We have audited the consolidated and separate financial statements (the "financial statements") of Al Anwar Holdings SAOG (the "Company" or the "Parent Company") and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group and separate financial position of the Company as at 31 March 2018 and their respective financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Other matter***

The financial statements of the Company and the Group for the year ended 31 March 2017 were audited by another auditor, who expressed an unmodified opinion on those statements on 4 June 2017.

#### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
AL ANWAR HOLDINGS SAOG (CONTINUED)**

**Key audit matters (continued)**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matters</b>
<p><b>Fair valuation of available-for-sale investment in the consolidated and separate financial statements</b></p> <p>Available-for-sale investment is measured at fair value with the corresponding fair value change recognised in other comprehensive income. The Group has utilised level 3 technique to determine the fair value of the available-for-sale investment after considering the limited trading volume of the script on the Muscat Securities Market.</p> <p>The level 3 valuation technique is inherently subjective, since it uses inputs that are not based on observable market data. Key inputs used in the valuation of the level 3 investment are expected cash flows and discount rates. In addition, the Group determines whether objective evidence of impairment exists for available-for-sale investment.</p> <p>Given the inherent subjectivity in assessing the fair value of an investment which does not trade in an active market, and in the valuation of level 3 available-for-sale investments, we determined this to be a significant item for our audit.</p> <p>The accounting policies relating to investment securities and the related disclosures are set out in notes 2.6.1 (a), 5 (a), 14 and 26 to the financial statements.</p>	<p>For valuation of available-for-sale investment, we have performed the following procedures:</p> <ul style="list-style-type: none"> <li>- Obtained an understanding of the process surrounding the fair valuation of the investment and performed the test on a sample of transaction to confirm our understanding of design and implementation;</li> <li>- Checked the fair valuation at initial recognition in accordance with the requirements of IAS 39 and accounting for the related difference between fair value at initial recognition and the transaction price.</li> <li>- Evaluated the appropriateness of the management judgment that the investment is not traded in an active market by analysing the reasons for a significant decrease in the trading volume.</li> <li>- Assessed the methodology and the appropriateness of the valuation model and inputs used to value investments available-for-sale with the assistance of the valuation specialist.</li> <li>- Assessed the accuracy of the key inputs used in the valuation such as the expected cash flows and discount rates by benchmarking them with external data.</li> <li>- Evaluated the Group's assessment whether objective evidence of impairment exists for the investment.</li> <li>- Assessed the appropriateness of the related disclosures in the financial statements in accordance with IFRS.</li> </ul>

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
AL ANWAR HOLDINGS SAOG (CONTINUED)**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matters</b>
<p><b>Accounting for acquisitions of investment in associates in the consolidated financial statements</b></p> <p>During the year, the Group completed two acquisitions that have resulted in the Parent Company gaining significant influence in National Detergent Company SAOG ("NDC") and Alruwad International for Education Services SAOC ("School") and accordingly, the investment were classified as associates.</p> <p>We considered the audit of accounting for these acquisitions to be a key audit matter as these were significant transactions during the year. These acquisitions were accounted for using the acquisition method where the Group performed a provisional purchase price allocation ("PPA") exercise as disclosed in notes 5 and 13 to the financial statements.</p> <p>The accounting policies relating to acquisitions of investment in associates and the related disclosures are set out in notes 2.2 (d), 5 (b) and 13 to the financial statements.</p>	<p>For accounting for acquisition of investment in associates, we have performed the following procedures:</p> <ul style="list-style-type: none"> <li>- Read the sales and purchase agreement and related supporting documentation in relation to these acquisitions to obtain an understanding of the transactions and the key terms;</li> <li>- Assessed whether the appropriate accounting treatment has been applied to these transactions;</li> <li>- Assessed the valuation for the considerations paid and traced share issuance to the share register;</li> <li>- Tested the identification and fair valuation of the major acquired assets based on reading the valuation reports for the plots of land, preliminary purchase price allocation reports, discussion with management and understanding of the business of NDC and the School;</li> <li>- Checked the calculations of share of the net provisional fair value of the investee's identifiable assets and liabilities; and</li> <li>- Assessed the adequacy of the related disclosures in the financial statements regarding these acquisitions.</li> </ul>

**Other information included in the Group's 2018 Annual Report**

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Group's 2018 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2018 Annual Report after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL ANWAR HOLDINGS SAOG (CONTINUED)**

### ***Other information included in the Group's 2018 Annual Report (continued)***

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of management and those charged with governance for the financial statements***

Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law of 1974, as amended, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### ***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL ANWAR HOLDINGS SAOG (CONTINUED)

### *Auditor's responsibilities for the audit of the financial statements (continued)*

- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on other legal and regulatory requirements**

In our opinion, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 1974, as amended, and the CMA of the Sultanate of Oman.

*Ernst & Young LLC*

*Sanjay*

Sanjay Kawatra  
Muscat  
28 May 2018

