

**Report to the Shareholders of Voltamp Energy SAOG (“the Company”) of Factual Findings in connection with the Corporate Governance Report of the Company and application of the Corporate Governance practices in accordance with Capital Market Authority Code of Corporate Governance**

We have performed the procedures prescribed in the Capital Market Authority (“CMA”) Circular No. 16/2003 dated 29 December 2003 with respect to the Corporate Governance Report of the Entity (“the Report”) and its application of the Corporate Governance practices in accordance with the CMA Code of Corporate Governance (“the Code”) issued under Circular No. 11/2002 dated 3 June 2002 and the CMA Rules and Guidelines on disclosure, issued under CMA Administrative Decision 5/2007, dated 27 June 2007. The Report is set out on pages 1 to 7.

Our engagement was undertaken in accordance with the International Standards on Auditing applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the Report.

We found the Report reflects, in all material respects, the Company’s application of the provisions of the Code and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing, we do not express any assurance on the Company’s Corporate Governance Report. Had we performed additional procedures or had we performed an audit or review of this Report in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

This report is solely for the purpose set forth in the second paragraph above, and for inclusion, with the Report, in the Company’s annual report, and is not to be used for any other purpose. This report relates only to the Report included in the Company’s annual report for the year ended 31 December 2008 and does not extend to the financial statements or any other reports of Voltamp Energy SAOG, taken as a whole.

25<sup>th</sup> February 2009

*KPMG*

# **REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF VOLTAMP ENERGY SAOG**

## **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Voltamp Energy SAOG and its subsidiaries ("the Group") set out on pages 2 to 21, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2008 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

In our opinion, the consolidated financial statements of the Group as at and for the year ended 31 December 2008, in all material respects, comply with:

- the relevant disclosure requirements of the Capital Market Authority and
- Commercial Companies Law of 1974, as amended.

# VOLTAMP ENERGY SAOG

## Consolidated balance sheet

as at 31 December

	Note	2008 RO	2007 RO
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,963,329	521,201
Investments	20	201,249	666,704
Technology transfer fee	21	141,140	-
Deferred tax asset	15	28,882	15,472
<b>Total non-current assets</b>		<u>2,334,600</u>	<u>1,203,377</u>
<b>Current assets</b>			
Inventories	6	3,391,974	2,564,161
Trade and other receivables	7	5,513,892	3,452,146
Amount due from related parties	17	1,485	900
Cash in hand and at banks	8	6,848,121	86,699
<b>Total current assets</b>		<u>15,755,472</u>	<u>6,103,906</u>
<b>Total assets</b>		<u>18,090,072</u>	<u>7,307,283</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	11(a)	5,000,000	3,500,000
Share premium	11(b)	6,286,345	-
Legal reserve	12	874,898	848,395
Retained earnings		2,231,177	13,876
<b>Total equity attributable to equity holders of the Company</b>		<u>14,392,420</u>	<u>4,362,271</u>
<b>Minority interest</b>		<u>371,321</u>	-
<b>Total equity including the minority interest</b>		<u>14,763,741</u>	<u>4,362,271</u>
<b>Liabilities</b>			
<b>Non current liabilities</b>			
Long term loan	13	785,476	20,833
<b>Total Non current liabilities</b>		<u>785,476</u>	<u>20,833</u>
<b>Current liabilities</b>			
Trade and other payables	14	2,174,199	1,539,306
Bank borrowings	13	327,531	1,249,223
Amount due to related parties	17	6,397	10,650
Current portion of long term loan	13	32,728	125,000
<b>Total current liabilities</b>		<u>2,540,855</u>	<u>2,924,179</u>
<b>Total liabilities</b>		<u>3,326,331</u>	<u>2,945,012</u>
<b>Equity and liabilities</b>		<u>18,090,072</u>	<u>7,307,283</u>
<b>Net assets per share</b>	19	<u>0.288</u>	<u>0.125</u>

The notes on pages 6 to 21 form an integral part of these financial statements.

The report of the Auditors is set forth on page 1.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 25<sup>th</sup> February 2009 and signed on their behalf by:

\_\_\_\_\_  
**Qais Bin Mohamed Al Yousef**  
*Chairman*

\_\_\_\_\_  
**Abdulredha Bin Mustafa Sultan**  
*Director*

\_\_\_\_\_  
**Alok Bhargava**  
*Chief Executive Officer*

**VOLTAMP ENERGY SAOG**  
**Consolidated cash flow statement**  
*For the year ended 31 December*

	2008	2007
	RO	RO
<b>Cash flows from operating activities</b>		
Cash receipts from customers	12,078,302	10,470,558
Cash paid to suppliers and employees	<u>(11,639,677)</u>	<u>(8,045,184)</u>
Cash generated from operations	438,625	2,425,374
Interest paid	(152,902)	(201,600)
Taxation paid	<u>(332,059)</u>	<u>(120,787)</u>
Net cash flows (used in) from operating activities	<u>(46,336)</u>	<u>2,102,987</u>
<b>Cash flows from investing activities</b>		
Fixed deposit	(3,999,000)	-
Purchase of property, plant and equipment	(1,581,295)	(76,333)
Proceeds from sale of property, plant and equipment	2,365	12,558
Technology transfer fee	(141,140)	-
Investments	<u>420,002</u>	<u>(632,072)</u>
Net cash flows used in investing activities	<u>(5,299,068)</u>	<u>(695, 847)</u>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	8,100,000	-
Term loan received	1,138,610	250,000
Share issue expenses	(313,655)	-
Repayment of term loans	(145,833)	(104,167)
Minority interest	570,801	-
Dividend paid	<u>-</u>	<u>(200,000)</u>
Net cash flow from (used in) financing activities	<u>9,349,923</u>	<u>(54,167)</u>
<b>Increase in cash and cash equivalents during the year</b>	<b>4,004,519</b>	<b>1,352,973</b>
Cash and cash equivalents at the beginning of the year	<u>(1,162,524)</u>	<u>(2,515,497)</u>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,841,995</b>	<b>(1,162,524)</b>
<b>Cash and cash equivalents comprise:</b>		
Cash in hand and at banks*	2,849,121	86,699
Short term borrowings	<u>(7,126)</u>	<u>(1,249,223)</u>
	<u>2,841,995</u>	<u>(1,162,524)</u>

\*Excludes deposits with banks in the amount of RO 3,999,000 (2007: Nil) with original maturity greater than three months.

The notes on pages 6 to 21 form an integral part of these financial statements.

The report of the Auditors is set forth on page 1.

## VOLTAMP ENERGY SAOG

### Consolidated statement of changes in equity

For the year ended 31, December 2008

#### Attributable to equity holders of the Company

	Share capital RO	Share Premium RO	Legal reserve RO	General Reserve RO	Dividend payable / (paid) RO	Retained Earnings RO	Total RO	Minority interest RO	Total RO
1 January 2007	1,100,000	-	369,330	50,000	200,000	420,726	2,140,056	-	2,140,056
Net profit for the year	-	-	-	-	-	2,422,215	2,422,215	-	2,422,215
Transfer to share Capital	400,000	-	-	-	-	(400,000)	-	-	-
Share capital under Registration	2,000,000	-	-	(50,000)	-	(1,950,000)	-	-	-
Dividend paid during the year	-	-	-	-	(200,000)	-	(200,000)	-	(200,000)
Transfer to legal Reserve	-	-	479,065	-	-	(479,065)	-	-	-
<b>31 December 2007</b>	<b>3,500,000</b>	<b>-</b>	<b>848,395</b>	<b>-</b>	<b>-</b>	<b>13,876</b>	<b>4,362,271</b>	<b>-</b>	<b>4,362,271</b>
<b>1 January 2008</b>	<b>3,500,000</b>	<b>-</b>	<b>848,395</b>	<b>-</b>	<b>-</b>	<b>13,876</b>	<b>4,362,271</b>	<b>-</b>	<b>4,362,271</b>
Net profit for the year	-	-	-	-	-	2,243,804	2,243,804	(199,480)	2,044,324
Issue of ordinary Shares	1,500,000	6,600,000	-	-	-	-	8,100,000	-	8,100,000
Share issue expenses	-	(313,655)	-	-	-	-	(313,655)	-	(313,655)
Minority interest	-	-	-	-	-	-	-	570,801	570,801
Transfer to legal Reserve	-	-	26,503	-	-	(26,503)	-	-	-
<b>31 December 2008</b>	<b>5,000,000</b>	<b>6,286,345</b>	<b>874,898</b>	<b>-</b>	<b>-</b>	<b>2,231,177</b>	<b>14,392,420</b>	<b>371,321</b>	<b>14,763,741</b>

The notes on pages 6 to 21 form an integral part of these financial statements.

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# Voltamp Energy SAOG

## Report on Corporate Governance for the year ended December 31, 2008

### 1. Company philosophy

During the year 2008, the Company entered the capital markets through an Initial Public offering (IPO) and thereby enhancing its paid up capital to RO 5 Million. The Constitutive General Meeting of the Shareholders which approved the transformation of Voltamp Energy from a Limited Liability Company (LLC) to a publicly traded Omani Company (SAOG) was held on 24th July 2008. The commercial registration certificate of the Company as SAOG issued by Ministry of Commerce & Industry was received on 6<sup>th</sup> August 2008. The shares of the Company were listed and trading started on Muscat Securities Market on 17<sup>th</sup> June 2008.

The philosophy of Voltamp Energy SAOG in respect to corporate governance is to observe, in letter and spirit, the rules and regulations framed by the Capital Markets Authority (CMA). These rules and regulations for companies listed in the Muscat Securities Market for the best management of the company aim to improve performance of the company and increase its efficiency in order to maximize the profits and value of the shareholders in the long run. The corporate governance seeks to control relations and strike a balance in interests amongst the stakeholders of the company on the basis of co-operation, responsibility and accountability. The company believes that corporate governance generates trust, respect and investment support from stakeholders and shareholders.

We follow the prescriptions of the "International Financial Reporting Standards (IFRS)" in the preparation of accounts and financial statements.

### 2. Composition of the Board of Directors

The first Board of Directors duly elected by the Constitutive General Meeting of the Shareholders on 24<sup>th</sup> July 2008 comprises of seven members for three years.

All the members of the Board are Independent & Non-Executive Directors. None of them are whole time directors drawing any fixed monthly or annual salary from the Company. The Members of the Board are having professional and practical experience in their respective corporate fields ensuring proper direction and control of company's activities.

Name of Director	Position	Category	Representing
Mr. Qais bin Mohamed Al Yousef	Chairman	Independent/ Non- Executive	Self
Sayyid Aymen bin Hamad Al Bu Saidi	Vice Chairman	Independent/ Non- Executive	Self
Mr. Abdulredha bin Mustafa Sultan	Director	Independent/ Non- Executive	Self
Eng Mubarak Salim AL-Busaidi	Director	Independent/ Non- Executive	Self
Mr. Krishna Kumar Gupta	Director	Independent/ Non- Executive	Al Anwar Holdings SAOG
Mr. Saibal Sen	Director	Independent/ Non- Executive	SABCO LLC
Mr. Sebastian Manavalan	Director	Independent/ Non- Executive	Self

The details of the present Directors' directorship in other public companies in Oman are as follows:

Name of Director	Details of Directorship in Other SAOG Companies in Oman
Mr. Qais bin Mohamed Al Yousef	1. Al Anwar Holdings SAOG 2. Muscat Finance Company SAOG
Sayyid Aymen bin Hamad Al Bu Saidi	1. National Mineral Water Co. SAOG 2. ONIC Holding Co. SAOG
Mr. Abdulredha bin Mustafa Sultan	1. Al Anwar Holdings SAOG 2. Al Jazeera Services Co. SAOG
Eng Mubarak Salim AL-Busaidi	NIL
Mr. Krishna Kumar Gupta	1. National Aluminium Products Company SAOG 2. Taageer Finance Company SAOG
Mr. Saibal Sen	1. National Mineral Water Co. SAOG
Mr. Sebastian Manavalan	NIL

## 2.1 Board Meetings:

During the period from the date of election of the Board of Directors on 24<sup>th</sup> July, 2008 up to the end of the Fiscal year 2008, the Board met four times. The following table shows details of the meetings and attendance of the Members:

SI #	Name	CGM				
		24/07/08	24/07/08	24/09/08	20/10/08	17/12/08
1	Mr. Qais bin Mohamed Al Yousef	Yes	Yes	Yes	Yes	Yes
2	Sayyid Aymen bin Hamad Al Bu Saidi	Yes	Yes	Yes	Yes	Yes
3	Mr. Abdulredha bin Mustafa Sultan	Yes	Yes	Yes	Yes	Yes
4	Eng Mubarak Salim AL-Busaidi	No	No	Yes	Yes	Yes
5	Mr. Krishna Kumar Gupta	No	No	Yes	Yes	Yes
6	Mr. Saibal Sen	Yes	Yes	No	Yes	Yes
7	Mr. Sebastian Manavalan	Yes	Yes	Yes	Yes	Yes

The Board approved following sitting fees to its members in the meeting held on 24<sup>th</sup> July 2008 subject to approval of the shareholders in the forthcoming meeting.

(i) Chairman – RO 400/- (ii) Other Members – RO 300/-

## 2.2 Board Secretary

Mr. Basant Bhageria, Finance Controller of the Company, was appointed as secretary of the Board in the first Board Meeting of the Directors on 24<sup>th</sup> July 2008. The secretary records minutes of the Board meetings as well as the resolutions passed. He handles liaison works between the Board, Board committees and follows-up on actions to be taken.

**2.3 Audit Committee:** The Board has established the Audit Committee (AC), a sub-committee of the Board, in its first Board Meeting on 24<sup>th</sup> July 2008 comprising of the following four Directors:

- |      |                                   |             |
|------|-----------------------------------|-------------|
| i.   | Mr. Abdulredha bin Mustafa Sultan | AC Chairman |
| ii.  | Mr. Krishna Kumar Gupta           | AC Member   |
| iii. | Mr. Saibal Sen                    | AC Member   |
| iv.  | Mr. Sebastian Manavalan           | AC Member   |

The Meeting attendance fees payable to the members for each meeting attended is RO 250/- for AC Chairman and RO 200/- for AC Member (The Board approved the sitting fees subject to shareholders' approval).

The Audit Committee met two times after its' formation till 31.12.08. The Full particulars of the dates of the meetings and attendance of members are mentioned below.

Name of Director		
	16/09/08	19/10/08
Mr. Abdulredha bin Mustafa Sultan	Yes	Yes
Mr. Krishna Kumar Gupta	Yes	No
Mr. Saibal Sen	Yes	Yes
Mr. Sebastian Manavalan	No	Yes

All the members are experienced and have fundamental knowledge of accounts and finance.

The terms of reference of the Audit Committee are in accordance with the guidelines given by CMA. The major areas covered by the Audit Committee are matters concerning:

- (i) Consideration and recommendations for appointment of Internal and Statutory Auditors,
- (ii) Reviewing of audit plans and audit reports;
- (iii) Oversight of internal audit functions outsourced to BDO Jawad Habib to comply with all the requirements of internal audit as per Code of Corporate Governance and oversight of adequacy of internal control systems and financial statements,
- (iv) Checking financial frauds,
- (v) Reviewing annual and quarterly statements and qualifications, if any, before issuing,
- (vi) Critical review of non-compliance of IAS and disclosure requirements prescribed by CMA,
- (vii) Reviewing risk management policies and related party transactions and
- (viii) Serving a channel between internal and external auditors and the Board.

**2.4 Project Committee:** The Board has established the Project Committee (PC), a sub-committee of the Board, in its Board Meeting on 24<sup>th</sup> September 2008 comprising of the following four Directors to monitor the progress of 132 kV Power Transformer project at Sohar and timely implementation:

- |      |                                   |             |
|------|-----------------------------------|-------------|
| i)   | Eng. Mubarak bin Salim Al-Busaidi | PC Chairman |
| ii)  | Mr. Krishna Kumar Gupta           | PC Member   |
| iii) | Mr. Saibal Sen                    | PC Member   |
| iv)  | Mr. Sebastian Manavalan           | PC Member   |

The Meeting attendance fees payable to the members for each meeting attended is RO 250/- for PC Chairman and RO 200/- for PC Member (The Board approved the sitting fees subject to shareholders' approval).

The Project Committee met four times after its' formation till 31.12.08. The Full particulars of the dates of the meetings and attendance of members are mentioned below.

<b>Name of Director</b>	18/10/08	01/11/08	06/12/08	13/12/08
Eng. Mubarak bin Salim Al-Busaidi	Yes	Yes	Yes	Yes
Mr. Krishna Kumar Gupta	No	Yes	Yes	Yes
Mr. Saibal Sen	Yes	Yes	No	Yes
Mr. Sebastian Manavalan	Yes	Yes	Yes	Yes

### 3. **Process of nomination of the Directors**

In nomination of candidates, the Board looks for professionalism, integrity and leadership skills. Proven track record, industry knowledge and strategic vision are the key characteristics. The company follows the provisions of the Commercial Companies Law in respect of nomination of the members of the Board of Directors.

### 4. **Management**

The members of the management of the Company are appointed with proper contracts clearly defining the terms of reference. The Chief Executive Officer, under the supervision, direction and control of the Board, manages the Company.

### 5. **Related party transactions**

No transactions where the management has personal interest are carried out in the Company. The company has a system in vogue, for prior approval by the Board for such type of transactions if any arises in the normal course of business. All the related party transactions, if any, are carried out at arm's length basis in the normal course of business. No special method of evaluation is followed for these transactions. All related parties transactions are disclosed in the accounts.

### 6. **Means of communication with the Shareholders and investors**

(a) The notice to the Shareholders for the Annual General Meeting containing the details of the related party transactions is filed with CMA and mailed to shareholders along with Directors' report and audited accounts.

(b) The Quarterly results of the company as per CMA format are prepared by the management for every quarter, reviewed by the Audit Committee, approved by the Board are uploaded on the website of Muscat Securities Market (MSM) and also published in the Newspapers as per the directives of CMA.

(c) Important Board decisions are disclosed to the investors through MSM from time to time. The company has its official website, [www.voltampoman.com](http://www.voltampoman.com) for its investors. The website is updated from time to time.

(d) The Management Discussion and Analysis Report forms part of the Annual Report.

## 7. Remuneration matters

### i. Remuneration to Directors:

The Board of Directors have been paid /provided a total amount of RO 91,700 comprising of RO 76,100 as Remuneration and RO 15,600 as Sitting Fees as per details listed below:

Sl. No.	Name of Director	Position	Sitting Fees paid for Board Meetings for 2008 , Pre-IPO	Sitting Fees paid for Board & Sub-committees' Meetings for 2008 , Post-IPO	Remuneration already paid, Pre- IPO	Remuneration proposed post IPO	Total (RO)
1	Mr. Qais bin Mohamed Al Yousef	Chairman	750	1,600	8,668	8,600	19,618
2	Sayyid Aymen bin Hamad Al Bu Saidi	Vice- Chairman	-	1,450	-	6,250	7,700
3	Mr. Abdulredha bin Mustafa Sultan	Director	400	1,700	5,333	6,250	13,683
4	Eng Mubarak bin Salim Al-Busaidi	Director	-	2,100	-	6,250	8,350
5	Mr. Krishna Kumar Gupta	Director	600	1,900	5,333	6,250	14,083
6	Mr. Saibal Sen	Director	400	1,900	5,333	6,250	13,883
7	Mr. Sebastian Manavalan	Director	600	2,200	5,333	6,250	14,383
	Total		2,750	12,850	30,000	46,100	91,700

Notes:

- 1 Pre-IPO Sitting Fees and Remuneration were already approved by the then shareholders
- 2 Sitting Fees also includes Sitting Fee paid to HR Task Force
- 3 Post IPO Remuneration and Sitting Fees are subject to approval of the Shareholders in forthcoming AGM

### ii. Remuneration to Management:

The remuneration of the employees is, after critical evaluation, fixed by the Board, based on qualification, expertise and efficiency of the executives. The total remuneration of the Top four employees for the year 2008 was RO 188,634.

## 8. Compliance with Rules and Regulations

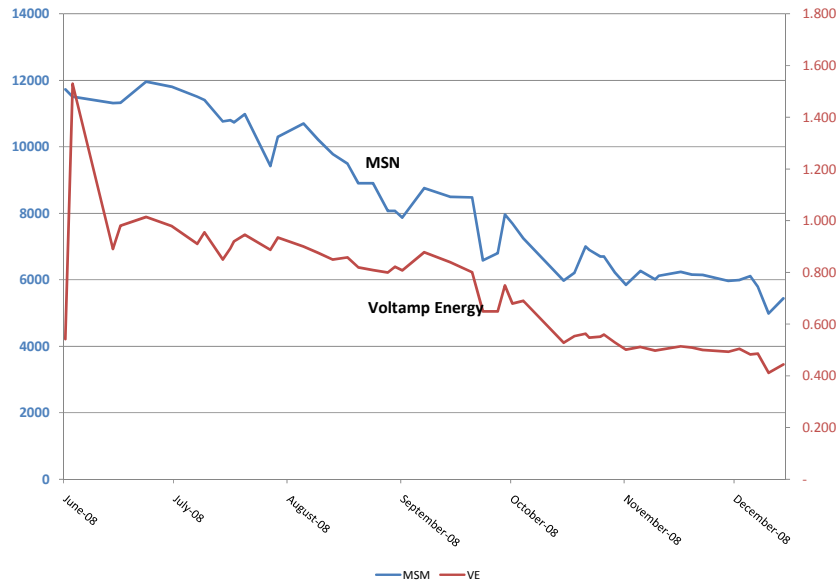
The Company has been compliant with all the applicable rules and regulations issued by MSM, CMA and that provided for in the Commercial Companies Law 1974 as amended. No penalties have been imposed by CMA or MSM or any other statutory bodies on the Company.

## 9. Market price data

The monthly high and low share price of the Company during the period after listing on 17<sup>th</sup> June till 31<sup>st</sup> December 2008 was as under:

Month	High – RO	Low – RO
June 2008	1.529	0.872
July 2008	1.014	0.850
August 2008	0.945	0.844
September 2008	0.890	0.751
October 2008	0.830	0.510
November 2008	0.572	0.490
December 2008	0.518	0.412

## Comparison of Voltamp Energy's share index v/s MSN 30 Index



### 10. Distribution of Shares

The share holding pattern as on 31<sup>st</sup> December 2008 is as given below:

Distribution	No. of Shares Holders	No. of Share	% on total shares
Above 5,000,000 (10%)	2	19,677,500	39.36%
2,500,000 – 4,999,999 (5% - 10%)	1	2,768,832	5.54%
500,000 – 2,499,999 (1% - 5%)	6	7,132,432	14.26%
Below 500,000 (Less than 1%)	33,564	20,421,236	40.84%
<b>Grand Total</b>	<b>33,573</b>	<b>50,000,000</b>	<b>100.00%</b>

The Company does not have any foreign Global Depository Receipts (GDR) / American Depository Receipts (ADR) / Warrants or any other instrument of any type issued to public or institutional investors or any other class of investors.

### 11. Professional profile of the statutory auditor

KPMG is a global network of professional firms providing Audit, Tax, and Advisory services. They operate in 144 countries and have more than 137,000 professionals working in member firms around the world.

KPMG is one of the leading accredited accounting firms in Oman and has more than 100 employees including 3 Partners, 2 Directors, and 15 Managers. KPMG has many years of experience in the Middle East. They have a reputation for providing quality professional services to well-diversified client portfolio, both in public and private sectors.

Details of professional fees are as follows:

Audit of financial statements for the year ended 31 December 2008	2,500
Review of Compliance with Code of Corporate Governance	700
<b>Total</b>	<b>3,200</b>

The fees in respect of Audit of subsidiaries are RO 6,110

**12. Specific areas of non-compliance with the provisions of corporate governance and reasons**

This report is prepared in compliance with the Code of Corporate Governance and covers all the items specified in Annexure 1 & 4 of the Code.

**13. Acknowledgement by Board of Directors**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the applicable standards and rules

There are no material things that effect the continuation of the Company and its ability to continue its production operations during the next financial year.

The Board of Directors, through the Audit Committee's consideration of the results of the internal audit work and discussions with the external auditors, together with their examination of periodic management information and discussions with the management, have reviewed the operation of internal controls during the year ended 31 December 2008. The Board of Directors has concluded based on this that internal controls operated effectively throughout the year.

Qais bin Mohamed Al Yousef  
Chairman

Abdulredha bin Mustafa Sultan  
Chairman – Audit Committee

## **DIRECTORS' REPORT**

Dear Shareholders,

On behalf of the Board of Directors, I have great pleasure in welcoming you to the first Annual General Meeting of Voltamp Energy as a SAOG Company and to present the Annual Report for the year ended 31<sup>st</sup> December 2008.

As you are aware during the year Voltamp made a very successful Initial Public Offering and the shares were listed at Muscat Securities Market on 17<sup>th</sup> June 2008. I thank you all for your support to the Public Issue and for affirming your confidence in the Company.

### **GENERAL ECONOMIC ENVIRONMENT:**

The rapid industrial growth witnessed from 2006, continued for most part of 2008. The sudden negative trend from September 08, and its worldwide reach, was unexpected. It is however, expected that the GCC will remain among the least affected Regions globally.

The Omani Government has clearly stated its commitment to ongoing Government expenditure programmes, especially in the infrastructure sector. Therefore, we believe that the local market for our products will be not be seriously impacted.

We hope that other Governments in the GCC Region will also continue to support investments in the utility and infrastructure sectors to counter the effect of the global economic slowdown.

We continue to believe that the medium and long term outlooks for these sectors in our markets remain very positive.

### **REVIEW OF OPERATIONS:**

The summary of the performance of the Company (including Subsidiaries) is as follows:

Particulars	In RO Million		
	2008	2007	% Increase
Total Revenue	13,695,057	10,852,610	26.19
Total Expenditure	11,313,092	8,081,921	40.00
Profit Before Tax	2,381,965	2,770,689	-14.02
Profit After Tax	2,044,324	2,422,215	-15.60
Minority Interest	(199,480)	NIL	NA
Profit for Shareholders of Voltamp Energy SAOG after adjusting for Minority Interest.	2,243,804	2,422,215	-7.37

Basic Earnings per share for the year 2008 is RO.0.052 on the face value of RO.0.100.

The Profits were lower on account of the following:

- i. Pre-operative expenses of Voltamp Manufacturing Company Qatar RO 407,100 (Previous Year NIL), share of Voltamp Energy SAOG RO 207,621
- ii. Pre-operative Expenses of Voltamp Power LLC RO 47,084 (Previous Year: NA)
- iii. The gross profit margins have come down during 2008 as compared to 2007 due to slow down in world economy in the later half of the year, which increased competition in Oman and other GCC countries.

Minority Interest is on account of Voltamp Manufacturing Company, Qatar (VMCQ) attributable to minority shareholders who hold 49% in VMCQ

## **SUBSIDIARIES:**

1. Voltamp Transformers Oman LLC, a 100% subsidiary of the Company has shown constant healthy growth in its operations. During the year 2008, the company improved its turnover by 28%. Despite pressure on the operating margins due to slowdown in the world economy during Q4 of the year which resulted in increased competition, the Company improved its net profits by 4% as compared to last year. The Company has a healthy order book as on 31.12.08 and expects good orders to follow based on current trend.
2. Voltamp Power LLC has been set-up during the year 2008 as a 100% subsidiary for setting-up 132 kV Power Transformer Project in Sohar with a paid-up capital of RO 4 M.

The power transformers will be manufactured under a technology transfer arrangement with Tatung, Taiwan. Tatung is a large Taiwanese company, with 2008 Sales of NT\$ 43.07 billion (RO 492 M), manufacturing a wide range of products. They have been manufacturing transformers since 1964.

PEIE had offered land for the Project in Sohar Industrial Area, Phase VII. However, this land was not found suitable with respect to time frame for availability of infrastructure. Alternative land, also in Phase VII, has been offered by PEIE and accepted by Voltamp. With this development, Voltamp can now proceed with construction of the factory.

Due to delay in the allotment of suitable land, delay in project implementation is expected. However, the Project Committee is taking all necessary steps to overcome the delay experienced so far.

The Company incurred pre-operative expenses of RO 47,084 during the year which has been consolidated in the results of Voltamp Energy SAOG.

3. Voltamp Manufacturing Company, Qatar (VMCQ) is a 51% subsidiary of the Company. During the year, the Company incurred a loss of RO 407,100 (Voltamp Energy share being RO 207,621) which is mainly on account of pre-operative expenses cumulative as on 31.12.2008. The Company commenced its initial production during December 08. However, due to certain factors beyond control, the full implementation of the project is delayed. The Management of VMCQ has taken necessary steps to complete the full implementation of the project at the earliest.

## **OMANISATION:**

It is the policy of Voltamp to recruit and train Omanis to the maximum extent. Present Omanisation in the parent company is 35%.

## **CORPORATE GOVERNANCE:**

Your Company's Board and Management believe 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 to ensure that there is an effective system of checks and balances in place. Furthermore, all systems and procedures will be constantly upgraded and strengthened, which will ensure efficiency and transparency.

## **DIVIDEND POLICY:**

The Company proposes to follow a stable dividend policy based on Company's need for retained earnings to support growth, dividend pay out and overall value creation to the shareholders. In the prospectus to the IPO, dividend at 35% for 2008 on the face value of the share was indicated.

The Board has pleasure in recommending a dividend of 35 baisas for each 100 baisa share (35% on the face value) for the year ended 31st December 2008.

## **OUTLOOK:**

The impact of prolonged global slowdown may have negative impact on order bookings, margins and overall financial results due to the delay or cancellation of projects in the Company's market segments. However, the Company shares the general industry views and hopes that the effect of the global economic situation would be short term at least in Oman and the GCC, the main markets for the Company's products.

In any case, due to the Omani Government's decision to go ahead with its planned investments, we do not believe that the local market for our products will be seriously impacted.

However, the Company foresees greater competition from regional and global manufacturers.

The Company's Management is fully aware and is taking suitable actions to ensure budgeted growth and profitability are achieved.

The medium and long term prospects remain highly positive. Therefore, the Company plans to go ahead with its proposed investments in Oman and Qatar. The Company also hopes to benefit from the current price levels during implementation of these projects.

## **THANKS AND APPRECIATION:**

I would like to convey our extreme thanks and appreciation to His Majesty Sultan Qaboos Bin Said and 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, Muscat Securities Market and Muscat Depository & Security Registration Company.

I also thank our Customers and Bankers for their continued support to the Company and its Group.

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.

Finally, I would like to thank all the Staff and the Management of the Company for their excellent performance.

**For & on behalf of the Board of Directors of  
Voltamp Energy SAOG**

**Qais bin Mohamed Al Yousef  
Chairman**

# VOLTAMP ENERGY SAOG

## Consolidated income statement

for the year ended 31 December 2008

	Note	2008 RO	2007 RO
Revenue		13,474,961	10,693,597
Cost of sales	10	<u>(9,501,451)</u>	<u>(7,002,719)</u>
<b>Gross profit</b>		<b>3,973,510</b>	3,690,878
Fair value (loss) gain on investment		(45,453)	34,635
Other income	22	146,469	124,025
Selling, administrative and general expenses	9	<u>(1,613,286)</u>	<u>(877,602)</u>
<b>Profit from operations</b>		<b>2,461,240</b>	2,971,936
Finance income	8	73,627	353
Finance cost	13	<u>(152,902)</u>	<u>(201,600)</u>
<b>Profit for the year before taxation</b>		<b>2,381,965</b>	2,770,689
Taxation	15	<u>(337,641)</u>	<u>(348,474)</u>
<b>Net profit for the year</b>		<b><u>2,044,324</u></b>	<b><u>2,422,215</u></b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		2,243,804	-
Minority interest		<u>(199,480)</u>	<u>-</u>
		<b><u>2,044,324</u></b>	<b><u>-</u></b>
<b>Basic earnings per share</b>	18	<b><u>0.052</u></b>	<b><u>0.069</u></b>

The notes on pages 6 to 21 form an integral part of these financial statements.

The report of the Auditors is set forth on page 1.

## **Management's Discussion and Analysis**

### **Overview**

The Company manufactures a wide range of transformers, LV Switchgear and packaged switchyards through its three manufacturing units in Rusayl Industrial Area and a joint venture company, Voltamp Manufacturing Company in Qatar. In addition, the Company also has a well recognized service capability for these products.

The Company has a commanding position in Oman for its transformers and is among the leaders in the switchgear business. It enjoys international acceptance and is a preferred source for its products and services by utility sector and industries throughout the MENA Region.

The Company is on a well planned growth path and is implementing a new facility at Sohar for manufacturing transformers of higher ratings and capacities. In addition, the existing manufacturing facility at Rusayl is being expanded.

The Company transformed into a SAOG Company from an LLC company during the year after a very successful public issue.

### **Industry Structure**

Transformers can be classified based on usage (for example Power or Distribution transformers) and on basis of construction (for example multi-tap designs). The Company manufactures power and distribution transformers upto 15 MVA, 33kV class. In addition, it manufactures a large range of special multi-tap transformers for the Oil & Gas industry.

There are limited manufacturers of transformers in Oman but several companies in the GCC, including some multinationals, manufacture a wide range of this product. However, there are very few manufacturers having the technology for the specialized multi-tap designs.

The Company has been successful in defending its leadership position on the basis of its technology and cost structure.

For the switchgear products, there are several manufacturers in Oman and the GCC. The Company has successfully retained its position backed by a strong in-house design team and technology from its global technology partner.

Several companies offer packaged switchyards but in-house manufacturing of two of the key components, transformers and switchgear, places Voltamp in a strong competitive position in this segment.

### **Business Scenario and Outlook**

Voltamp products find their applications in a wide range of industries including oil & gas, public electricity and water supply utilities, construction companies, general industries and trading houses.

Pre-dominant share of the business is from the new projects market. Therefore, the main demand driver for the Company's products is the growth in these industries. Replacement and after-sales services market also provides growth potential.

It is expected that the demand for electricity and consequent investments by utility companies will continue to increase. Government spending on infrastructure projects is also expected to increase. In addition, new projects have been announced by oil & gas companies and general industries in the GCC region.

Several new projects, in the power transmission and distribution areas, are also being announced in some non-GCC countries in MENA region providing opportunities for increasing exports.

Due to the wide applications, and in view of the investment plans announced by the public utilities and the oil & gas companies in Oman and the GCC, the aggregate demand for Voltamp products is expected to grow.

### **Risks and mitigation strategy**

The Company expects that the market for its products in MENA Region will continue to increase. However, the global credit problems and shrinking of certain economies will result in more manufacturers entering MENA and, in particular Oman. The Company expects intense competition for all its products. In addition, the Company also expects lower 'per unit' realizations.

Firstly, the Company, as with the general Industry, is cautiously optimistic that the impact of the global crisis will be minimal and short term, at least in the MENA Region, in particularly Oman. Secondly, the Company is well prepared to face this situation on the strength of its large global sourcing base, in-house technology and internal cost control measures.

Therefore, the Company maintains a positive business outlook for the forthcoming year. It foresees continuous growth in the medium and long term.

### **Expansion Projects**

The Company aims to be prepared for meeting the increased product requirements foreseen in the medium and long term.

The Company has decided to go ahead with its expansion plans. These comprise the new factory at Sohar to manufacture large power transformers, expansion of the current facilities at Rusayl and full production at the Doha joint venture factory.

The Sohar facility will manufacture large power transformers upto 315 mVA, 133 kV Class in technical collaboration with Tatung of Taiwan. The Project envisages a constructed factory area of over 24,000 sq.m.

The Doha plant will replicate the current product range catering primarily to the Qatar and Bahrain markets. Production from this facility has already commenced.

The Company is also expanding its manufacturing facilities at Rusayl to increase its range of power transformers to 20 mVA.

The Company is of the view that the current economic situation, credit problems and lower costs in several countries will benefit the Company during procurement of capital goods for these expansions.

### **Internal Systems and Continuous Improvement**

The Company has well established systems of internal controls and major processes defined in respective manuals and guidelines. Internal audit functions are currently outsourced. In addition, its operations are audited by external statutory financial and process auditors. The Management ensures that the auditors' observations are acted upon.

Standard Operating Procedures are available for major manufacturing processes. Systems are in place for customer feedbacks.

The control systems and processes are continuously refined based on feedback received.

The Company is committed to give its customers products of enduring quality and is constantly striving to upgrade its capabilities in order to serve its customer even better. Technical product improvements are achieved through a competent in-house design team. This has resulted in retaining the leadership position it currently enjoys for its products.

**Discussions on financial and operational performance:**

The Company achieved consolidated revenue of RO 13.695 M, an increase of 26% over the previous year. Due to increased competition, the gross profits margins were lower in 2008 as compared to 2007. In addition, the consolidated net profit after tax for the year was RO 2.244 M, which is 7% lower than 2007 mainly on account of pre-operative expenses of Voltamp Manufacturing Company, Qatar and Voltamp Power LLC, Oman.

In spite of slow down in the world economy which adversely affected companies in Oman during Q4, Voltamp could still come close to its prospectus projections of RO 2.402 M (net profit after tax) for 2008.

**Conclusion**

Voltamp Energy is committed to retain its current market leadership position in Oman and the GCC for its products, contributing significantly for the development of the region's power and industrial sectors. The Company remains optimistic in its forecasts and plans to go ahead with investments in new facilities. At the same time, it is well prepared for the current market challenges.

**Alok Bhargava**  
Chief Executive Officer

# VOLTAMP ENERGY SAOG

## Notes

(forming part of the consolidated financial statements)

### 1 Legal status and principal activities

Voltamp Energy SAOG (formerly known as “Voltamp Manufacturing Company LLC”) (“the Parent Company”) is registered in the Sultanate of Oman as a Joint stock Company. The Company, originally registered as a limited liability company was converted to a joint stock company with effect from 6 August 2008. The company’s share were listed on Muscat Securities Market on 17 June 2008. Voltamp Transformers Oman LLC (“the Subsidiary”), registered in the Sultanate of Oman, is a wholly-owned subsidiary of the Company. Voltamp Manufacturing Company WLL (VMCQ), registered in Qatar, is 51% owned subsidiary of the Company. Voltamp Power LLC (“the Subsidiary”) is a wholly owned subsidiary of the Company.

The principal activities of the Company and its Subsidiaries (“the Group”) are manufacture, sale and distribution of transformers, Low Voltage Switchgears and panels.

### 2 Basis of preparation

#### a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended.

#### b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis expect for:

- forward commodity contracts are measured at fair value
- investments at fair value through profit or loss which are measured at fair value.

#### c) Functional currency

These consolidated financial statements are presented in Rial Omani, which is the Group’s functional currency.

#### d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, estimates that involve uncertainties and judgments which have a significant effect on the financial statements include provisions for impairment of receivables, inventories and useful lives of property, plant and equipment.

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### a) 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 benefit from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases.

Intragroup balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

# VOLTAMP ENERGY SAOG

## Notes

(forming part of the consolidated financial statements)

### 3 Significant accounting policies (continued)

#### b) Foreign currencies

Transactions in foreign currencies are translated to Rials Omani at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Rials Omani at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. The foreign currency gain or loss on monetary items is the difference between amortised costs in Rials Omani at the beginning of the period, adjusted for effective interest and payments during the period and the amortised costs in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on the retranslation are recognised in the income statement.

#### c) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost includes any other cost that directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located,

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

##### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the income statement as incurred.

##### (iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of the property, plant and equipment. Assets under construction are not depreciated. The estimated useful lives for the current and comparative periods are as follows:

	Years
Leasehold buildings	20
Plant and equipment	4 – 10
Motor vehicles	3 – 4
Furniture, fixtures and office equipment	4 – 8

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

#### d) 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 the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work in progress, cost includes raw material cost only.

## VOLTAMP ENERGY SAOG

### Notes

(forming part of the consolidated financial statements)

#### 3 Significant accounting policies (continued)

##### e) Impairment

##### (i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risks characteristics.

All impairment losses are recognized in income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in income statement.

##### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

##### f) Employee benefits

Payment is made to Omani Government Social Security Scheme under Royal Decree number 72/91 for Omani employees. Provision is made for amounts payable under the Oman Labour Law applicable to non-Omani employees for accumulated periods of service at the balance sheet date.

##### g) Provisions

A provision is recognized if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

## VOLTAMP ENERGY SAOG

### Notes

(forming part of the consolidated financial statements)

#### 3 Significant accounting policies (continued)

##### h) Revenue

Revenue from sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

##### i) Leases

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

##### j) Income tax

Income tax on the results of the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income of the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect to previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

##### k) Earnings per share

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

##### l) Provision for warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

##### m) Dividends

Dividends are recognized as a liability in the period in which they are declared.

##### n) Investments

Investments are designated at fair value through profit or loss, if the Group manages such investments and makes purchases and sales decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. These are initially recognized at cost and subsequently measured at fair value. All related realized and unrealized gains and losses, and dividend received are included in the income statement.

# VOLTAMP ENERGY SAOG

## Notes

(forming part of the consolidated financial statements)

### 3 Significant accounting policies (continued)

#### *o) Trade and other payables*

Trade and other payables are stated at amortised cost.

#### *p) Financing income and expenses*

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Dividend income is recognised in profit or loss on the date that the Parent Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

#### *q) Financial Instruments*

##### *(i) Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, receivables from related parties, cash and cash equivalents, loans and borrowings, and trade and other payables. Cash and cash equivalents comprise cash balances and call deposits and term deposits with original maturity not greater than three months.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

##### *Held-to-maturity investments*

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Available-for-sale financial assets*

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

##### *Financial assets at fair value through profit or loss*

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

# VOLTAMP ENERGY SAOG

## Notes

(forming part of the consolidated financial statements)

### 3 Significant accounting policies (continued)

#### q) Financial Instruments (continued)

##### Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

##### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as deduction from equity, net of any tax effects.

#### (ii) Derivative financial instruments

The Group holds derivatives financial instruments to hedge its foreign commodity risk exposures. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in cost of raw materials.

#### r) Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segmental reporting is based on the business segment.

#### s) New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements:

- Revised IAS 1 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the consolidated Group's 2009 financial statements, is not expected to have a significant impact on the presentation of the financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 financial statements.
- *Revised IAS 23 Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 financial statements is not expected to have any significant impact on the consolidated financial statements.
- *IFRIC 13 Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 financial statements, is not expected to have any significant impact on the consolidated financial statements.
- *IFRS 8 Operating Segments* introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Company's Chief Operating Decision maker in order to assess each segment's performance and to allocate resources to them. The Group operates primarily in one business segment of manufacture, sale and distribution of transformers and accordingly it is not expected that IFRS 8 will have any significant impact on the consolidated financial statements.

# VOLTAMP ENERGY SAOG

## Notes

(forming part of the consolidated financial statements)

### 4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined on the following basis:

(i) *Property, plant and equipment*

The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(ii) *Inventory*

The fair value of inventory is determined based on its estimated selling price in the ordinary course of the business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(iii) *Trade and other receivables*

The fair value of trade and other receivables is estimated as the present value of the future cash flow, discounted at the market rate of interest at the reporting date.

(iv) *Forward commodity contracts*

The fair value of the forward commodity contracts is based on the listed market price.

### 5 Property, plant and equipment

Details of property, plant and equipment are set out in Schedule I on page 21.

### 6 Inventories and work in progress

	2008 RO	2007 RO
Raw materials	2,556,297	2,246,255
Work in progress	583,180	228,803
Finished goods	412,551	247,149
	<u>3,552,028</u>	<u>2,722,207</u>
Provision for slow moving stock	(160,054)	(158,046)
	<u>3,391,974</u>	<u>2,564,161</u>

### 7 Trade and other receivables

Trade receivables	4,944,390	3,330,586
Less: provision for impairment	(33,445)	(28,580)
	<u>4,910,945</u>	<u>3,302,006</u>
Advances, deposits and prepayments	602,947	150,140
	<u>5,513,892</u>	<u>3,452,146</u>

#### Movement in provision for impairment

1 January	28,580	43,991
Add: Provided during the year	6,885	10,890
Less: Written off during the year	-	(20,224)
Less: Recovery during the year	(2,020)	(6,077)
31 December	<u>33,445</u>	<u>28,580</u>

## VOLTAMP ENERGY SAOG

### Notes

(forming part of the consolidated financial statements)

<b>8</b>	<b>Cash in hand and at banks</b>	<b>2008</b>	<b>2007</b>
		<b>RO</b>	<b>RO</b>
	Cash in hand	5,174	1,621
	Cash at bank :		
	Current account	107,997	62,519
	Deposit account	6,531,826	20
	Call deposit (copper trading account)	203,124	22,539
		<u>6,848,121</u>	<u>86,699</u>

The fixed deposits are denominated in local currency and are at effective interest rate of 1.25% to 6.5% per annum.

### 9 Selling, administrative and general expenses

Employee costs	945,835	549,991
Depreciation	79,527	54,900
Communication costs	20,276	23,931
Feasibility study fee	34,818	-
Traveling expenses	87,698	59,587
Legal and professional charges	86,854	37,920
Vehicle running expenses	16,955	12,115
Provision for impairment on trade receivables	6,885	10,320
Advertisement and promotion expenses	14,256	3,745
Repairs and maintenance expenses	7,502	9,905
Insurance expenses	12,032	6,722
Printing and stationery expenses	13,952	4,927
Other expenses	286,696	103,539
	<u>1,613,286</u>	<u>877,602</u>

### 10 Cost of sales

Cost of raw materials	8,598,975	6,381,086
Employee costs	627,742	379,701
Depreciation	59,640	58,575
Other manufacturing expenses	215,094	183,357
	<u>9,501,451</u>	<u>7,002,719</u>

### 11(a) Share capital

At 31 December 2008, the Parent Company's authorized, subscribed and paid-up share capital comprises 50,000,000 (2007: 35,000,000 ordinary shares) of RO 0.100 each. During the year, the Parent Company has issued 15,000,000 ordinary shares of RO 0.100 each at a premium (note 11(b)). The nominal value of the shares was split from a nominal value of RO 1 each to a nominal value of RO 0.100 each on May 2008.

Members of the Parent Company who own 10% or more of the shares, whether in their name or through a nominee account, are as follows:

	Holding %		Number of shares held	
	2008	2007	2008	2007
Al Anwar Holdings SAOG	28.71	57.42	14,355,000	20,097,000
SABCO LLC	10.65	21.29	5,322,500	7,451,500

## VOLTAMP ENERGY SAOG

### Notes

(forming part of the consolidated financial statements)

#### 11(b) Share premium

During the year 2008, the Parent Company issued 15,000,000 ordinary shares of RO 0.542 each which includes RO 0.440 as share premium and RO 0.002 as issue expenses. The total share premium collected was RO 6,600,000 against which the net amount collected towards issue expenses amounted to RO 313,655; the net amount of RO 6,286,345 is carried in equity as share premium.

#### 12 Legal reserve

Article 106 of the Commercial Company's Law of 1974 requires that 10% of a company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to one third of the company's issued share capital. The legal reserve in these consolidated financial statements also include the transfer to legal reserve in the subsidiaries.

#### 13 Bank borrowings

	2008 RO	2007 RO
Bank overdraft	7,126	552,600
Loans against trust receipts	-	696,623
Short term loan	<u>320,405</u>	-
	<u>327,531</u>	<u>1,249,223</u>
<i>Term loan</i>	<b>818,204</b>	145,833
Repayment due with in 12 months included in current liability	<u>(32,728)</u>	<u>(125,000)</u>
	<u><b>785,476</b></u>	<u>20,833</u>

The Parent Company has borrowing facilities in the amount of RO 1.85 million which are secured against the property, plant and equipment. The borrowing facilities carry interest rate ranging between 6.5% and 7% per annum.

The Subsidiary has borrowing facility in the amount of RO 7.99 million which are secured against property, plant and equipment of the Subsidiary and corporate guarantee of the Parent Company. The borrowing facility carries interest rate ranging from 5% to 7% per annum.

#### 14 Trade and other payables

Trade payables	1,005,720	738,213
Other payables – fair value loss on forward commodity contracts (note 23)	24,492	62,138
Accrued expenses	699,153	406,896
Advances from the customers	93,783	-
Provision for income tax	<u>351,051</u>	<u>332,059</u>
	<u><b>2,174,199</b></u>	<u>1,539,306</u>

The Group has provided for warranties mainly in respect of sale of transformers, LV Switchgears and panels, and repair jobs in the amount of RO 105,709 (2007: RO 87,738) and RO 31,340 (2007 RO 20,919) respectively. The provision included in accruals is established on estimates based on historical warranty data associated with similar products and services. The Group expects to incur the liability over the next one year.

## VOLTAMP ENERGY SAOG

### Notes

(forming part of the consolidated financial statements)

#### 15 Income tax

The tax rate applicable to the Group's taxable profit is 12% (2007: 12%) on taxable profit in excess of RO 30,000. The determination of taxable income for the year takes into account adjustments for tax purposes, which include items relating to both income and expense and which are based on the current understanding of the existing tax laws, regulations and practices.

	<b>2008</b>	2007
	<b>RO</b>	RO
Current tax	<b>351,051</b>	332,059
Deferred tax	<b>(13,410)</b>	(4,372)
Prior year tax	-	20,787
	<b><u>337,641</u></b>	<u>348,474</u>

The deferred tax asset has been computed at the tax rate of 12%. Deferred tax asset arises on accounting of timing difference of depreciation and the provisions for bad debts and slow moving inventory and the movement is as follows:

Opening balance	<b>15,472</b>	11,100
Movement during the year	<b><u>13,410</u></b>	<u>4,372</u>
Closing balance	<b><u>28,882</u></b>	<u>15,472</u>

#### Reconciliation of effective tax rate

Profit before tax	<b><u>2,381,965</u></b>	<u>2,770,689</u>
Income tax as per rates mentioned above	<b>282,236</b>	328,883
Non deductible expenses	<b>5,515</b>	-
Tax exempt revenue	<b>(127)</b>	(4,123)
Tax losses of subsidiaries	<b>59,102</b>	-
Effect of minimum tax exemption limit of subsidiary	<b>(3,600)</b>	(3,600)
Excess (short) provision for tax		
Current tax	-	25,539
Deferred tax	<b>(5,485)</b>	1,775
Tax expense for the year	<b><u>337,641</u></b>	<u>348,474</u>

In the case of the Parent Company, the assessments for the tax years ended 2004 to 2007 has not been finalized with the Secretariat General for Taxation at the Ministry of Finance. In the case of the Subsidiary, the income tax assessments up to the year 2002 have been finalized. The income tax assessment for the years 2003 to 2007 has not been finalized. The Management considers that additional tax liability, if any, in respect of open tax years would not be material to the financial position of the Group as at 31 December 2008.

#### 16 Employee costs

Employee costs (see notes 9 and 10) are as follows:

Wages and salaries	<b>1,128,720</b>	662,127
Other benefits	<b>390,448</b>	221,614
Contribution to defined retirement plan	<b>17,503</b>	14,572
Increase in liability for unfunded defined benefit retirement plan	<b>36,906</b>	31,379
	<b><u>1,573,577</u></b>	<u>929,692</u>

## VOLTAMP ENERGY SAOG

### Notes

(forming part of the consolidated financial statements)

#### 17 Related party transactions

During the year the Group has entered into transactions with entities over which certain Directors are able to exercise significant influence. The Group also entered into transactions with the ultimate Holding Company and its associates. In the ordinary course of business, such related parties provide goods and render services to the Group. The Group also provides goods and renders services to such related parties. These transactions are entered into at mutually agreed terms. The details are as follows:

	<b>2008</b>	2007
	<b>RO</b>	RO
Purchases	<b>45,079</b>	34,501
Revenue	<b>1,150</b>	211,549
Other income	<u>-</u>	<u>77,380</u>

#### Key management compensation

	<b>2008</b>	2007
	<b>RO</b>	RO
Basic salaries and allowances	<b>117,694</b>	82,260
Short term employment benefits	<b>68,598</b>	16,400
End of service benefits	<b>2,342</b>	-
	<u><b>188,634</b></u>	<u>98,660</u>

#### Director's sitting fee and remuneration

	<u><b>91,700</b></u>	<u>22,563</u>
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During the year 2008, the Company's subsidiary – Voltamp Transformers Oman LLC has entered into sales transactions with Stream Industrial and Engineering WLL, Qatar ("SIE"). Sales made to SIE during the year 2008 were in the amount of RO 2,368,363 and receivables from SIE as at 31 December 2008 amounted to RO 2,183,365 (included under Trade receivables – Note 7). SIE is a wholly owned subsidiary of Al-Salam International Investment Company LLC who holds 34% shares in Voltamp Manufacturing Company WLL, Qatar ("VMCQ"). VMCQ is a 51% owned subsidiary of the Company.

#### 18 Basic earnings per share

Basic earning per share is calculated by dividing the net profit of the Group for the year by the weighted average number of shares outstanding during at the year as follows:

	<b>2008</b>	2007
Net profit for the year (RO)	<u><b>2,243,804</b></u>	<u>2,422,215</u>
Weighted average number of shares outstanding during the year (Nos.)	<u><b>43,114,754</b></u>	<u>35,000,000</u>
Basic earnings per share (RO)	<u><b>0.052</b></u>	<u>0.069</u>

#### 19 Net assets per share

Net assets per share are calculated by dividing the net assets at the balance sheet date by the number of shares outstanding as follows:

	<b>2008</b>	2007
Net assets attributable to the equity holders of the Company (RO)	<u><b>14,392,420</b></u>	<u>4,362,271</u>
Number of shares in issue at the year end (Nos.)	<u><b>50,000,000</b></u>	<u>35,000,000</u>
Net assets per share (RO)	<u><b>0.288</b></u>	<u>0.125</u>

# VOLTAMP ENERGY SAOG

## Notes

(forming part of the consolidated financial statements)

### 20 Investments

	2008 RO	2007 RO
<i>At fair value through profit or loss</i>		
Portfolio investment	189,082	234,632
Other quoted Investment	12,167	-
	<u>201,249</u>	<u>234,632</u>
<i>Investments in subsidiary</i>		
Voltamp Manufacturing Company WLL, Qatar	-	432,072
	<u>201,249</u>	<u>666,704</u>

The Parent Company holds 51% of the equity of the VMCQ. During the year 2007, VMCQ had not commenced its operations, and accordingly was not consolidated. During the year 2008, VMCQ, has been consolidated and its expenses for the period 28 February 2007 to 31 December 2008 have been included in the respective expense heads.

### 21 Technology transfer fee

The Company's Subsidiary Voltamp Power LLC has entered into an agreement, dated 31 March 2008 ("Effective date"), for the transfer of Power Transformer technology and related services with the Tatung Company, Taiwan ("the Agreement"). This Agreement shall become effective on Effective date and shall continue in effect for 7 years there from. Further extension of Agreement shall be discussed and mutually agreed by both parties before expiration of this Agreement. The technology transfer fee is payable as follows:

- Initial fee for technical information USD 339,000 (RO 130,685)  
(within 60 days from Effective date of the Agreement)
- Fee for supply of technical information
  - Within 30 days from completion of first stage USD 423,750 (RO 163,356)
  - Within 30 days from completion of second stage USD 339,000 (RO 130,685)
  - Within 30 days from completion of third stage or  
36 months from Effective date of this Agreement, which ever is earlier USD 169,500 (RO 65,342)
- Fee for completion of training services USD 254,250 (RO 98,013)  
(Within 30 days from completion of third stage or  
36 months from Effective date of this Agreement, which ever is earlier)
- Fee for completion of test of the first contract products USD 169,500 (RO 65,342)
- Royalty is payable at an amount equal to 3% of "Net Selling Price" of all the contract products, sold, leased or internally transferred during the term of this Agreement shall be paid by the Company.
- Additionally, withholding tax is payable at the rate of 10% on all payments made. (80% is borne by the Company's Subsidiary, Voltamp Power LLC and remaining 20% is collected from Tatung Company, Taiwan).
- All amount payable under this Agreement shall, when overdue, bear the interest at the rate of 8% per annum until paid.

### 22 Other income

	2008 RO	2007 RO
Scrap sale	51,922	13,581
Foreign currency exchange gain	68,220	18,380
Miscellaneous income	26,327	92,064
	<u>146,469</u>	<u>124,025</u>

# VOLTAMP ENERGY SAOG

## Notes

(forming part of the consolidated financial statements)

### 23 Contingencies and Commitments

Outstanding guarantees and letter of credits with banks relating to contractual performance in the ordinary course of business amounted to RO 2,028,124 (2007: RO 2,017,826). At 31 December 2008, the Group, had capital commitments amounting to RO 573,341.

#### *Forward commodity contracts*

Forward commodity contracts were entered into to manage exposure to fluctuations in Copper price. The settlement dates on open contracts were within one year from the balance sheet date. The aggregate equivalent local currency amount was RO 136,311 (2007: 1,090,331) having a fair value of RO 111,819 (2007: RO 1,028,193).

### 24 Proposed dividend

At the forthcoming Annual General Meeting, a cash dividend in respect of the year 2008 of RO 0.035 per share amounting to a total dividend of RO 1,750,000 is to be proposed. These financial statements do not reflect this dividend payable, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2009.

### 25 Financial instruments and financial risk management

Financial instruments carried on the balance sheet comprise cash and bank balances, amount due from related parties, investments, trade and other receivables, bank borrowings, trade and other payables and amount due to related parties.

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

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

#### *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 receivables from customers. The Group has a credit policy and management monitors exposure to credit risk on an ongoing basis, assesses recoverability, and makes provision for balances whose recoverability is in doubt. The maximum exposure to credit risk on trade and other receivables, amount due from related parties and investments is limited to their carrying values at the reporting date.

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

	<b>Carrying amount</b>	
	<b>2008</b>	2007
	<b>RO</b>	RO
Domestic	<b>2,713,580</b>	1,884,460
GCC Countries	<b>2,197,365</b>	1,417,546
Total	<b><u>4,910,945</u></b>	<u>3,302,006</u>

The Group's most significant customers account for RO 2,553,154 of the trade receivables carrying amount at 31 December 2008 (2007: RO 1,282,626)

#### *Impairment losses*

The aging of trade receivables at the reporting date was:

	<b>Gross 2008</b>	<b>Impairment 2008</b>	Gross 2007	Impairment 2007
Not past due	<b>3,988,600</b>	-	2,581,350	1,450
Past due 1-90 days	<b>903,659</b>	-	714,257	-
Past due 91-365 days	<b>52,131</b>	<b>33,445</b>	34,979	27,130
	<b><u>4,944,390</u></b>	<b><u>33,445</u></b>	<u>3,330,586</u>	<u>28,580</u>

# VOLTAMP ENERGY SAOG

## Notes

(forming part of the consolidated financial statements)

### 25 Financial instruments and financial risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group uses local banks operating in the Sultanate of Oman to ensure that it has sufficient cash on demand to meet expected operational expenses and sufficient credit facilities to manage its liquidity risk.

The Group has total credit facilities in the amount of totaling of RO 9.985 million from three banks. Short term loans and overdraft ranging are, on average, utilized for period of 15 to 30 days to bridge the gap between collections of receivables and settlement of product purchase bills during the middle of every month. The subsidiary's term loan is to be repaid within 7 years.

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

31 December 2008	Carrying amount RO	Contractual cash flows RO	less than 6 months RO	6 months to 1 year RO	1 year to 2 years RO
<i>Non-derivative financial liabilities</i>					
Long term loan	818,204	(818,204)	-	(32,728)	(785,476)
Bank borrowings	327,531	(327,531)	(160,175)	(167,356)	-
Trade and other payables	1,798,656	(1,798,656)	(1,798,656)	-	-
Due to related parties	6,397	(6,397)	(6,397)		
<i>Derivative financial liabilities</i>					
Forward commodity contracts					
- outflow	24,492	(136,311)	(136,311)	-	-
- inflow	-	111,819	111,819	-	-
	<b>2,975,280</b>	<b>(2,975,280)</b>	<b>(1,989,720)</b>	<b>(200,084)</b>	<b>(785,476)</b>
<i>31 December 2007</i>					
	Carrying amount RO	Contractual cash flows RO	less than 6 months RO	6 months to 1 year RO	1 year to 2 years RO
<i>Non-derivative financial liabilities</i>					
Long term loan	145,833	(152,669)	(66,992)	(64,648)	(21,029)
Bank borrowings	1,249,223	(1,257,951)	(1,257,951)	-	-
Trade and other payables	1,145,109	(1,145,109)	(1,145,109)	-	-
Due to related parties	10,650	(10,650)	(10,650)		
<i>Derivative financial liabilities</i>					
Forward commodity contracts					
- outflow	62,318	(1,090,331)	(1,090,331)	-	-
- inflow	-	1,028,193	1,028,193	-	-
	<b>2,613,133</b>	<b>(2,628,517)</b>	<b>(2,542,840)</b>	<b>(64,648)</b>	<b>(21,029)</b>

## VOLTAMP ENERGY SAOG

### Notes

(forming part of the consolidated financial statements)

#### 25 Financial instruments and financial risk management (continued)

##### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, equity prices and commodity price risk (Copper) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. In respect of commodity price risk the Group manages its exposure by entering into forward contracts to mitigate such risks.

##### *Currency risk*

The Group is exposed to currency risk on sales, purchases, receivables and payables that are denominated in a currency other than the functional currency of the Group. The Group's sales transactions and receivables are denominated in US Dollars (USD) and GCC currencies on which the Group is not exposed to the currency risk as the Rial Omani (RO) and GCC currencies are effectively pegged to the USD. The purchases and payables are primarily denominated in Euro.

Trade payables in the amount of RO 148,518 are denominated in Euro (2007: RO 86,030).

##### *Interest rate risk*

The Group manages its exposure to interest rate risk on bank deposit and short term borrowings by ensuring that they are on fixed rate basis.

##### *Fair value estimation*

The fair value of portfolio investment is determined by reference to Stock Exchange quoted market prices at the close of business on the balance sheet date. The fair value of forward commodity contracts is determined using forward commodity market rates at the balance sheet date.

The carrying amounts of the other financial assets and liabilities approximately equal to their fair values.

##### *Capital management*

The Group's policy is to maintain an optimum capital base to maintain investor, creditor and market confidence to sustain future growth of business as well as return on capital.

#### 26 Segmental information

##### *Class of business*

The Group operates primarily in one business segment of manufacture, sale and distribution of transformers. All the relevant information relating to the primary segment is disclosed in the balance sheet, income statement and notes to the financial statements.

##### *Geographical segment*

The Group sells all of its products in the Middle East countries, including Oman.

#### 27 Comparatives

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

## VOLTAMP ENERGY SAOG

### Notes

(forming part of the consolidated financial statements)

#### Schedule – I

	Lease hold land RO	Factory building RO	Plant and equipment RO	Capital work in progress RO	Motor vehicles RO	Furniture, fixture and office equipment RO	Total RO
<i>Cost</i>							
1 January 2008	47,022	442,517	941,656	-	67,325	276,596	1,775,116
Additions	22,309	297,168	467,828	677,514	56,625	59,851	1,581,295
Disposals	-	-	-	-	(6,950)	-	(6,950)
Transfers	-	562,032	-	(562,032)	-	-	-
<b>31 December 2008</b>	<b>69,331</b>	<b>1,301,717</b>	<b>1,409,484</b>	<b>115,482</b>	<b>117,000</b>	<b>336,447</b>	<b>3,349,461</b>
<i>Depreciation</i>							
1 January 2008	45,349	243,229	720,490	-	30,589	214,258	1,253,915
Charge for the year	414	25,724	64,988	-	22,383	25,658	139,167
Disposals	-	-	-	-	(6,950)	-	(6,950)
<b>31 December 2008</b>	<b>45,763</b>	<b>268,953</b>	<b>785,478</b>	<b>-</b>	<b>46,022</b>	<b>239,916</b>	<b>1,386,132</b>
<i>Net book values</i>							
<b>31 December 2008</b>	<b>23,568</b>	<b>1,032,764</b>	<b>624,006</b>	<b>115,482</b>	<b>70,978</b>	<b>96,531</b>	<b>1,963,329</b>
<i>31 December 2007</i>	1,673	199,288	221,166	-	36,736	62,338	521,201