

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

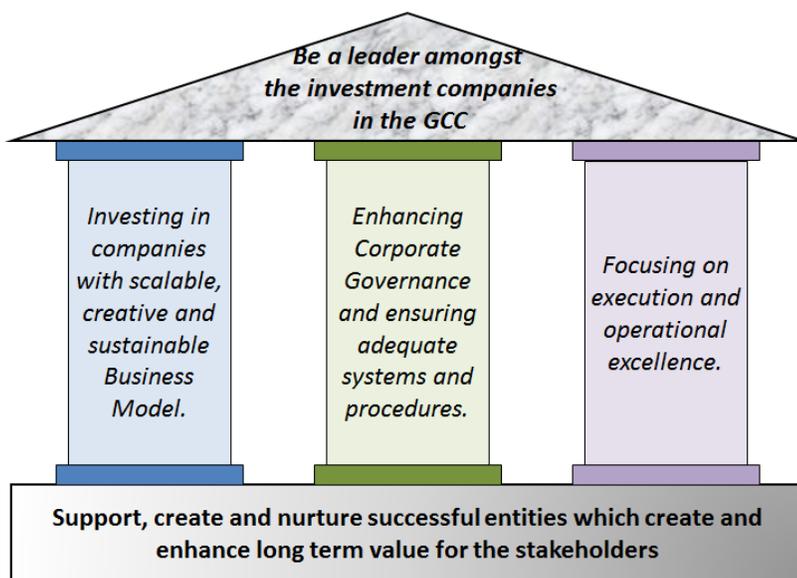
Al Anwar Holdings SAOG was incorporated on 20th December, 1994 as a publically traded company on Muscat Securities Market (MSM). Over the last twentythree years, we have built successful companies and exited some of them through stake sales or flotation.

Investment Strategy: Clear, Differentiated and Proven

Private-Equity & Private Investment in Public Enterprises (PIPE) model of owning and investing in private companies with the intention of growing them and improving their business performance forms the core of Al Anwar's investing framework.

At Al Anwar, we, crave for efficiency and to achieve our goals, we follow an approach emphasizing investing in businesses run by cost-conscious and efficient managers.

After the investment, our role is to create an environment in which our entrusted CEOs can maximize both their managerial effectiveness and generate value for shareholders.



Our flexibility in capital allocation and willingness to carry out bolt on acquisitions, gives us a significant edge in the market. We are judicious in having ownership stakes with respect to getting a controlling/non-controlling/significant minority stakes in businesses, depending on the nature of opportunity at hand.

GCC Economic Landscape:



- OPEC and non-OPEC members decided for an oil production cut from beginning of 2017, which resulted in the oil prices rallying by c.20% by the end of 2016 which could improve the fiscal position for GCC countries as the increase in oil prices effectively offsets the decrease brought about by overall lower oil volumes.
- All GCC markets witnessed extreme volatility during 2016 as they were largely influenced by the oil prices. After the initial plunge in 1Q, talks of an oil output agreement supported markets in the following quarters.

Market Index Performance	Abu Dhabi	Bahrain	Dubai	Kuwait	Oman	Qatar	Saudi Arabia
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2016	5.55%	0.37%	12.06%	2.37%	6.96%	0.07%	4.32%
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- In terms of trading activity, total value traded on the GCC exchanges for 2016 was at five year lows at \$388.2bn.
- Economic pressures from lower oil prices and fiscal strain have provided further impetus for regional governments to focus on economic diversification with the help of an active private sector, leading to job creation among the local populations and consequently improved general economic growth.
- Further economic reforms are expected as we move ahead in 2017 as the countries rationalize spending and make sincere attempts to diversify the economy away from the oil sector and build a sustainable non-oil economy. Expo 2020 and FIFA 2022 to augur well for the GCC growth.

Oman Economy and Outlook:

Overall, the year, 2016 was challenging at different levels, wherein the Government expenditure had a direct impact in the recovery of all the economic activities and raising the levels of the consumption sector. During 2016, Oman's gross domestic product (GDP) at market price decreased by 5.0% to touch RO25.49 billion, against RO26.80 billion for the year 2015

After a challenging 2016, Oman faces an improved economic environment in 2017 with relatively higher oil prices and continued progress on Vision 2020. The total budgeted revenues for 2017 at RO 8.7bn are 1.16% higher than 2016 budgeted figures and 4% down compared to the actual. The budget is built on an estimated \$45 a barrel with 990,000 barrels per day worth of oil production,

Total expenditure budgeted for 2017 at RO 11.7bn is marginally down by 1.68% YoY, with current expenditure constituting 73% at RO 8.5bn. While subsidies have been lowered by RO 5mn to RO 395mn, the budgeted deficit is estimated at RO 3.0bn, 12.% of the country's estimated GDP for 2017.

Government debt is still relatively low, estimated at 29% of GDP in 2016, and the Government successfully completed its entire foreign borrowing plan for 2017 in a single issue of USD5bn of international bonds carried in March 2017.



Moody's maintained Oman's Baa1 rating with a stable outlook in March 2017 and expects 2017 fiscal deficit to narrow substantially to OMR3.1 billion (\$8.1 billion, 11.4% of GDP) from an estimated OMR5.0 billion (\$13.0 billion, 20.1% of GDP) in 2016, and fiscal deficits will continue to decline gradually over the following years.

The Ninth-Five Year Plan (2016-2020), which is the last of the Oman Vision-2020 and will lay the foundation for Oman Vision-2040, targets to achieve an average annual growth rate of 3% and total investments of RO 8.2 billion annually with an average growth rate of 5%.

In continuation of 9th Five Year Plan, the Government launched Tanfeedh - the National Program for Enhancing Economic Diversification to achieve financial and economic stability, diversifying the economic base and sources of national income, altering the role played by government in the Sultanate's economy, expanding the participation of the private sector.

Performance Overview of Muscat Securities Market (MSM):

The MSM displayed resilience in 2016 and turned out to be the second best performing market in the GCC region with increase of 6.9%.

Summary of MSM Performance Market Capitalization by Sector Indices (Fig. in RO Billions)

Description	Mar-15	Mar-16	Mar-17	YOY Change	Q1'17 Change
Banking and Investments	3.92	3.48	3.78	8.6%	-2.6%
Services	3.64	3.68	3.39	-7.9%	-5.1%
Industry	1.61	1.35	1.43	5.9%	-3.2%
Total Market capitalization	9.17	8.51	8.60	1.1%	-3.7%

Change in the Index movement

Description	General Index	Industry	Banking and Investments	Services	Change in General Index
Mar 2017	5,550.60	7,800.85	7,834.31	2,885.54	1.51%
Mar 2016	5,467.42	6,661.86	6,906.71	3,101.77	-12.35%
Mar 2015	6,238.00	8,158.29	7,704.64	3,425.86	-9.04%
Mar 2014	6,858.89	10,534.23	8,140.76	3,696.57	14.51%
Mar 2013	5,989.68	8,155.30	7,271.57	3,150.72	5.27%
Mar 2012	5,690.07	6,347.56	6,642.69	2,639.81	-0.09%
Dec 2011	5,695.12	5,958.75	6,385.67	2,567.28	-15.69%
Dec 2010	6,754.92	7,306.48	8,319.73	2,705.72	6.06%
Dec 2009	6,368.80	7,446.79	9,374.73	2,701.95	17.05%
Dec 2008	5,441.12	4,321.64	6,620.92	2,527.87	-39.78%
No. of Stocks Included in the Indices	30	7	13	10	

(Source: MSM Investors Guides)

The trading activity on MSM Index was subdued with a 31.0% fall in average daily traded value for 2016 at RO 3.90 million as compared to RO 5.60 million in 2015.

OPPORTUNITIES

While Al Anwar continued to prosper in 2016-17, the company's Board and management remain cautious on the regional and global macro-economic outlook and the potential for continued volatility in securities markets. The company places a strong emphasis on risk management and mitigation, and employs stringent processes at the corporate level and across the investment teams.

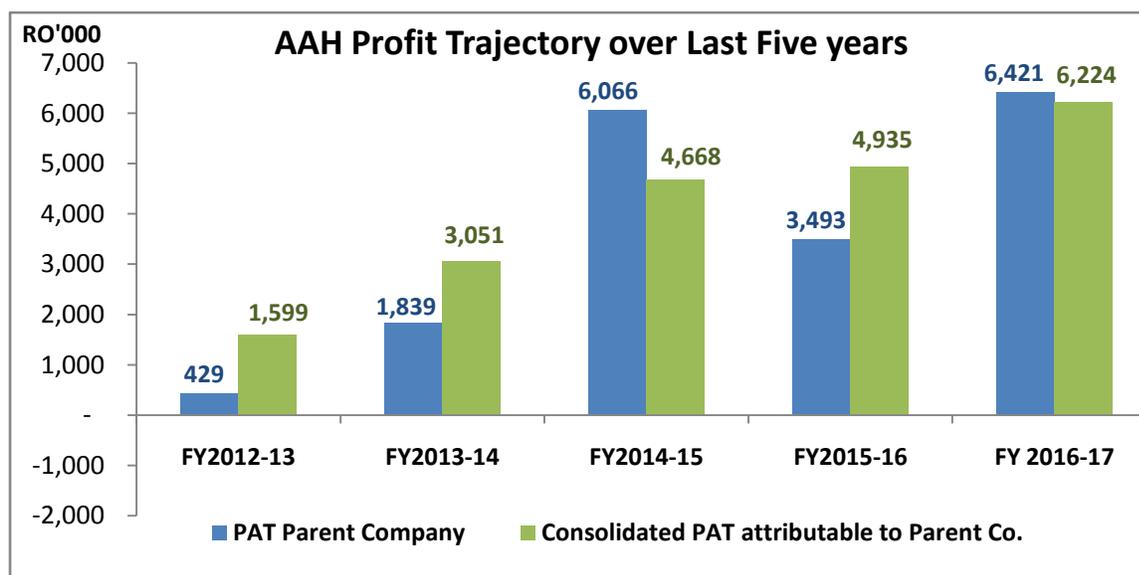
We are aware that the current environment may represent an opportune time to deploy capital. As a nimble company with a strong balance sheet, we believe that Al Anwar is in an excellent position to take advantage of attractive opportunities.

We as an Investment holding company have always looked for growth businesses with a penchant for value investments. The business model of our company has been tested regularly with market developments and outlook.

We have a fully engaged board, an exceptional management team and a strong corporate culture. Challenges still exist, and there's always room for improvement, but as we head into 2017, we remain proud of these accomplishments and are optimistic about the future.

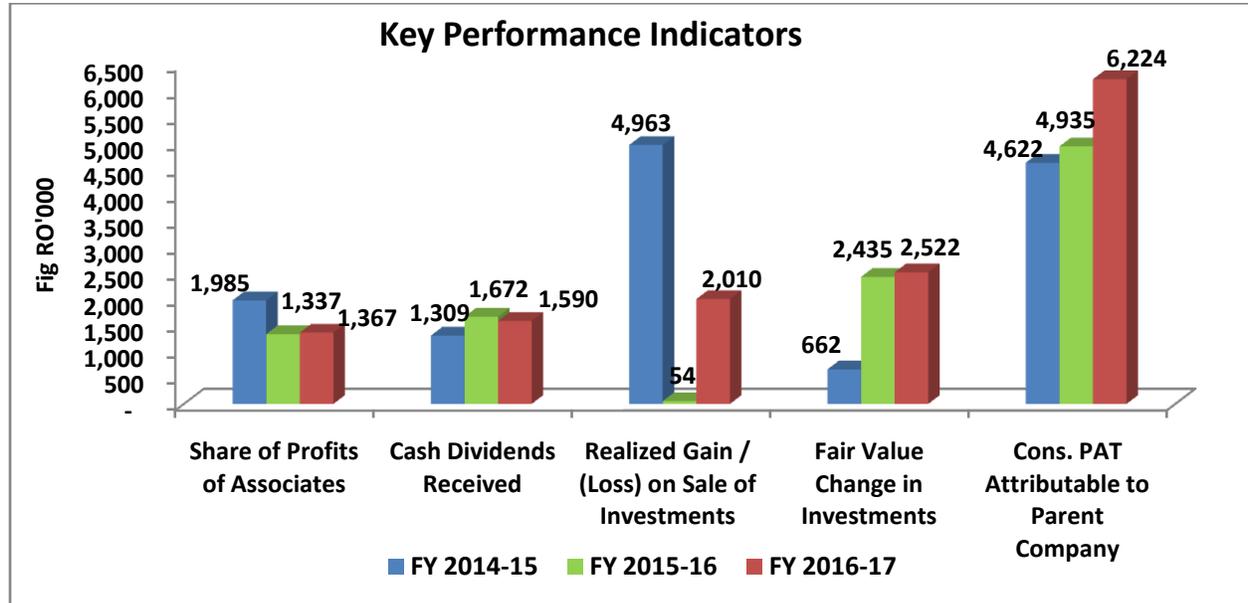
PERFORMANCE ANALYSIS

For FY2016-17, Al Anwar Holdings has continued to be on the growth and profitability trajectory as exhibited in the following charts.



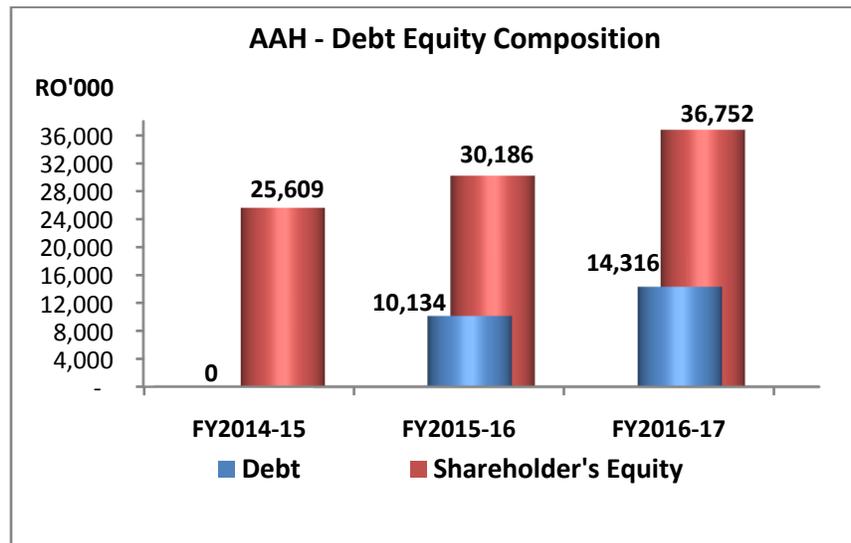
Over the last five years, Al Anwar has exhibited a steady growth in profits. We have earned record profits of RO 5.85mn in FY 2016-17, surpassing the last year's record of RO 4.93mn.

Al Anwar maintains a cautiously optimistic approach with the core focus on financial services and industrials and continue to deliver on business simplification, regulatory requirements, controls, expense discipline and capital requirements. Going forward, in continuance of prudent policy framework, we will align the growth strategies accordingly.



*Realised Gain/(Loss) and Fair Value changes are for the Parent Company.

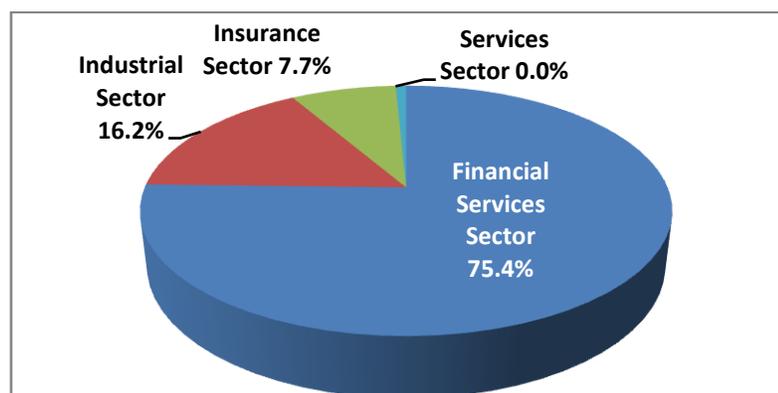
Growth in our investment portfolio has been achieved whilst maintaining a conservative leverage position. As of 31st March 2017 our Debt/ Equity ratio was maintained at 0.39.



The sectorial composition of the investment book is as under:(Fig. in RO'000)

Investment Sector	FY2015-16	FY2016-17
Financial Services Sector	27,384	36,233
Industrial Sector	6,409	7,775
Insurance Sector	5,107	3,682
Services Sector	533	0
Cash & Bank Deposits	119	367
Total	39,552	48,057

AAH Investment Portfolio as at 31st March 2017: RO48.06mn



KEYDEVELOPMENTS:

FY2016-17 was yet another excellent year for the company as it continued to evolve and make its mark on the investment landscape of Oman and recorded its best-ever profit numbers in its history. These results are a direct consequence of prudent implementation of Company's business strategies and its commitment to a sustainable business model in the interest of all its counterparties and stakeholders.

Key transactions during the year are summarized as under: -

1. Part Divestment of Falcon Insurance and Merger with Oman Branch of Arabia Insurance:

During the year, we completed Part Divestment of AAH Stake in Falcon Insurance at a P/BV of 1.20X and merger of Arabia Insurance Oman Branch to Falcon Insurance at P/BV of 1.20X through issue of new shares of Falcon Insurance. AAH retains 19.0% stake in the merged entity (Arabia Falcon Insurance SAOC) with two Board seats out of seven and thus classifying the investment under Associate category.

2. Commercial Development of Company Land:

Capitalizing on the current subdued markets, we purchased a plot of land held in our subsidiary Falcon Insurance at the carrying value of RO 1.90mn and are under process to monetize it by commercial development.

3. Success in legal case with Addax Bank – Bahrain:

During the year the company received partial claim amount from Addax Bank – Bahrain towards the legal judgement amounting to RO 1.169 million (net), which was adjusted against the carrying value of investment in Addax Bank amounting to RO 0.256 million and as such booked a gain of RO 0.912 million during FY 2016-17. As per the Court judgment, we are hopeful of receiving balance of the claim amount (approximately RO 0.7 million) during the next year as the honourable court has ordered Addax Bank to pay rest of the amount in monthly instalments.

RISKS AND CONCERNS

There are various financial risks mentioned in the Note 26 of the consolidated financial statement. These are broadly Credit Risks, Liquidity Risks and Market Risks.

By and large, the risks which the investee companies are exposed to are a concern to Al Anwar too. Broadly, the risks take the form of increasing costs/ decreasing margins, competition from other sources of supply and shifts in customer preference for other solutions.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal controls commensurate with the size and nature of operations. A manual of financial authorities approved by the Board is in place, which specifies authority levels for various day to day operations.

The system of internal control is monitored regularly by the Board, its Committees, Management and Internal Audit. The Group's business is conducted with a developed control framework, underpinned by policy statements, written procedures and control manuals. The Board has established a management structure which clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

As stipulated by Capital Market Authorities, the company has a fully functional in-house Internal Audit Unit. The unit is being staffed by a qualified and experienced Manager, who is reporting to the Chairman Audit Committee.

The business performance of the Group is reported regularly by its management to the Board. Performance trends, forecasts as well as actual performance against budgets and prior periods are closely monitored. Financial information is prepared using appropriate accounting policies which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls also

include the segregation of duties, the regular reconciliation of accounts and the valuation of assets and positions.

DISCUSSION ON FINANCIAL AND OPERATIONAL PERFORMANCE

The company posted a consolidated profit attributable to the shareholders of the parent company of RO 6.224million during the year as compared to RO 4.935million during the year 2015-16, a growth of 26.1%, in consolidated Group Accounts and a profit of RO6.421million during the year as compared with profit of RO 3.493million during the year 2015-16 in Parent Company Accounts.

The Earning per Share (EPS) for the Group was 36bz in FY2016-17 as against 28bz in FY2015-16.

Net asset per share of the company was 215bz on 31st March, 2017, as against 172Bzas on 31st March, 2016.

Our financial results reflected strong underlying performance across virtually all our businesses.

Financial Year ended 31 st March	2015	2016	2017
PAT (RO'000)	4,668	4,935	6,224
*EPS (RO per Share)	0.026	0.028	0.036
*NAV (RO per Share)	0.146	0.172	0.215

** Historical adjusted for stock dividends.*

In view of available profit, the Board of Directors is pleased to recommend a 10.0% cash dividend (last year 10%) and a 14.3% stock dividend (last year 16.61%).

We acknowledge the Board of Directors for their wisdom and guidance which has helped us in successful implementation of our strategies. Further, we humbly appreciate the confidence entrusted by our shareholders and support extended by our Banking partners.

Kind Regards,

Sanjay Tiwari
Acting Chief Executive Officer