

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors I am pleased to present the un-audited consolidated results of Al Anwar Holdings SAOG (AAH) for the three months ended 30th June, 2016.

Financial Overview of Al Anwar Group:

The unaudited consolidated financial statements presented are an outcome of the following:

1. The revenues generated and the costs incurred up to 31st March, 2016 by its subsidiaries namely:
 - i. Falcon Insurance Company SAOC, 51.04% subsidiary of AAH, engaged in Insurance activities in Oman,
 - ii. Al Anwar International Investment LLC, 100% subsidiary of AAH, primarily being used as an investment arm, and
 - iii. Al Anwar Development LLC, 100% subsidiary of AAH.
2. The Share of Profit / (Loss) achieved by Associate Companies up to 31st March, 2016 in which AAH owns between 20% and 50% of their share capital or where AAH has significant influence on the Board of Directors of the company,
3. Dividends from investments,
4. Realized gains made from divestments,
5. Realised and un-realised gains / losses from other listed & unlisted securities.

Your company has achieved a consolidated group net profit, after tax, attributable to shareholders of parent company, of RO 4.274 million for three months ended 30th June, 2016 as against RO 2.625 million for three months ended 30th June, 2015. About 84% of this profit is arising out of fair value gains on investment in OMINVEST and predictions or projections for future should be dealt with caution.

During the period the company also received partial claim amount from Addax Bank towards the legal judgement amounting to RO 0.630 million, net of expenses, which was adjusted against the carrying value of investment in Addax Bank amounting to RO 0.256 million and as such booked a profit of RO 0.374 million, during the quarter. And, as per the Court judgment, we are hopeful of receiving balance of the claim amount (approximately RO 1 million) during the next two year as the honourable court has ordered Addax Bank to pay rest of the amount in monthly instalments.

The earning per share (EPS) was 98 Baisa (annualised) as on 30th June, 2016 as against EPS of 60 Baisa (annualised) as on 30th June, 2015, adjusted for the stock dividend declared in 2016.

Net asset per share of the group is 210 Baisa per share as on 30th June, 2016, on the increased capital due to stock dividend, as against 179 Baisa per share as on 30th June, 2015.

Updates on Investments

- i. **Falcon Insurance Company SAOC:** Falcon reported a decline of 39% in gross premium written. Accordingly, the underwriting results declined by 37%. Such decline in performance was attributable to market competition and regulatory changes with regards to group credit life policies being issued by banks. However, the management have taken actions to reduce the impact by acquiring new businesses in both life and non-life segments.

Refer our disclosure dated 10 May 2016 regarding partial divestment of our stake in Falcon Insurance, the consultants were appointed by both parties to carryout due diligences and the consultants are in the process of carrying out the same. A decision with regard to the divestment and merger is expected soon.

- ii. **Al Maha Ceramics SAOG:** Al Maha reported a minor reduction of 4% in the revenue during the period. However, Al Maha was able to maintain the net profit in line with the same period last year. Al Maha is facing stiff competition, but was able to maintain its profitability by launching new value added products to its portfolio.
- iii. **Voltamp Energy SAOG (VE):** VE reported a growth in its revenue of 13% and a growth of 32.4% in net profit for the period, mainly due to lower losses in power transformer division and better performance of other divisions.
- iv. **Oman International Development and Investment Co. SAOG (OMINVEST):** As at end of the quarter, AAH held 9.739% stake in OMINVEST and recorded a total fair value gain of RO 7.329 million on its entire holding during the period. Part of the fair value gain i.e. RO 3.582 million is recorded as Investment Income under comprehensive income and RO 3.747 is recorded as Changes in Fair value on available for sale investments under other comprehensive income.

Outlook:

In line with the regional GCC economies, Oman's economy is re-aligning to the impact of sharp fall in crude oil prices during 2015 which although has slightly recovered in 2016, is still below the government's fiscal break-even price levels. Government Budget for 2016 suggests austere approach to public spending whilst cautiously implementing measures to increase government income by diversification.

Al Anwar has maintained a prudent and pro-active approach towards managing its investments. Business lines of our group companies are seeking stability in the present challenging market environment.

We are confident that AAH will play a pivotal role in Oman's economic growth, create job opportunities for Omani nationals, and attract investments in our country.

Thanks and Appreciation:

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

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

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

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

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

**Masoud Humaid Al Harthy
Chairman**

Date: 19.07.2016