

Al Anwar Holdings SAOG

Directors' Report for the year ended 31st March, 2016

Dear Shareholders,

On behalf of the Board of Directors, I have great pleasure in welcoming you to the Twenty Second Annual General Meeting of Al Anwar Holdings SAOG (AAH). I take this opportunity to place before you the Annual Report on the activities and performance of your company for the financial year ending 31st March 2016

General Economic Environment:

The sharp plunge of over 70% in the global crude oil prices starting from July 2014 till December, 2015 had its effects on the overall macro environment of Oman and the GCC region. The reserves built over last few years and diversification efforts provide some buffer to cope with the challenging economic conditions. Government of Oman has rightly embarked upon structural reforms such as increase in taxation and subsidy cuts, and has started raising debt so as to finance its deficit. Oman's Budget 2016, witnessed steps to improve the fiscal discipline and prioritize the spending. The 2016 budget presents a cautiously optimistic picture.

On the backdrop of expected margin pressures on corporate earnings and macro headwinds in the GCC region from depressed oil prices, the bench mark MSM 30 index of the Muscat Securities Market, recorded a decline of 12.36% at 5,467 points as on 31st March, 2016 as against 6,238 points as on 1st April, 2015.

Oman has reviewed goals and foundations of the Ninth Five-Year Development Plan (2016-2020) in light of what has been achieved through the previous plans, and the Oman economic outlook, 2020. The plan comes in an important period of development march which seeks to boost a number of economic, social and developmental sectors benefiting from multiple opportunities and investment potentials.

The Year in Retrospect:

The year 2015-16 was very eventful for Al Anwar Holdings and the Company recorded its best-ever profit numbers in its history. Our investments in Oman contributed positively by way of share of profits and we successful carried out opportunistic value buying in the listed equities on the MSM and capitalized on the price-value mismatch.

We as an Investment holding company have always scouted for growth business with a penchant for turnaround stories. At the same time we have balanced our portfolio with regular income generating assets.

Financial Overview of Al Anwar Group:

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

1. The revenues generated and the costs incurred for the year ended as on 31st December, 2015 by its subsidiaries namely:
 - a) Falcon Insurance Company SAOC, 51% subsidiary of AAH engaged in Insurance activities in Oman
 - b) Al Anwar International Investment LLC, 100% subsidiary of AAH, primarily being used as investment arm for AAH, and
 - c) Al Anwar Development LLC, 100% subsidiary of AAH
2. The Share of Profit / (Loss) achieved by Associate Companies for the year ended as on 31st December, 2015 in which Al Anwar Holdings owns between 20% and 50% of share capital.

3. Dividends from other investments.
4. Realized and unrealized gains / losses from other listed/unlisted securities.

I am pleased to report that, your company has posted a consolidated profit attributable to the shareholders of the parent company of RO 4,935,219 for the year ended 31 March 2016 as compared with profit of RO 4,667,598 for the year ended 31 March 2015 in consolidated Group Accounts, a growth of 6%, and a profit of RO 3,493,300 for the year ended 31 March 2016 as compared with profit of RO 6,066,121 for the year ended 31 March 2015, an exceptional profit arising out of divestment of Taageer Finance and IPO of Al Maha Ceramics, in parent company Accounts, a 42% decline.

The Earning per Share (EPS) for the Group was 33 Baizas in 2015-16 as against 31 Baizas in 2014-15.

Net assets, as on 31st March, 2016, of the company was 201 Baizas per share as against 171 Baizas per share as on 31st March, 2015.

Dividends recommended:

In view of available profit, the Board of Directors are pleased to recommend a 10% cash dividend (last year: 10%) and 16.61% stock dividend (last year: 15%).

Performance of Investments:

Subsidiaries:

1. Falcon Insurance Company SAOC (Falcon):

Falcon reported an increase of 29% in gross premium written. The underwriting results also reported a growth of 11%. As a result of growth in underwriting profit along with better returns on Investment and higher other income, Falcon reported significant growth in net profit during the year. The conventional insurance sector is witnessing competition from the Takaful Insurance.

Al Anwar Holdings has entered into an MOU, at a post balance sheet date, with Falcon Insurance to buy the investment property owned by Falcon at a consideration of RO 1.9 million. Falcon is also preparing for the IPO to increase their capital up to RO 10 million and list their shares on MSM. Al Anwar Holding is in discussion with a potential buyer who has shown interest in acquiring significant stake in Falcon Insurance.

2. Al Anwar International Investments Co. LLC (AAIL):

AAIL is an investment arm for Al Anwar Holding and is a 100% subsidiary of AAH. The company holds investments for and on behalf of AAH.

3. Al Anwar Development LLC (AAD):

AAD is a 100% subsidiary incorporated during the year 2008. No activity is being carried out in this company at present.

Associates:

1. Voltamp Energy SAOG (and its subsidiaries) (VE):

VE reported revenue of RO 35.8mn and net profit of RO 3.3mn, a growth of 37% in the revenue and 65% in the net profit. The Switchgear Division reported a growth in profits. The Power Transformer Division reached the break-even during the year and the Distribution Transformer Division registered good performance during the year.

2. Al Maha Ceramics Company SAOG(AMC):

AMC reported a decline of 9.4% in the revenue during the year due to planned maintenance shutdown of one line for two weeks. The Net Profit for the year is RO 2.4 million as compared with RO 2.7million in previous year, a decline of 11%. As a result of measures taken by the company to optimize the cost of production, the net profit margins were almost flat when compared to the previous year despite the decline in revenue and increase in the gas price by 100%.

Other Investments:

1. Oman International Development and Investment Co. SAOG (OMINVEST):

AAH continued to acquire more stakes in OMINVEST and the holding in OMVS as on 31st March, 2016 was 9.1%. At the beginning of the year, the Board decided to consider this investment as strategic and as such, all further acquisition subsequent to 4th May, 2016 were classified as "Available for Sale" investments and fair value movement was recorded directly in equity under "Fair value Changes".

2. Almondz Global Securities Limited, India (AGSL):

The share price of AGSL, was stable during the year, however, there was a loss due do depreciation of currency. Consequently, a total loss of RO 13,955 was booked during the year (LY: profit RO 75,021).

3. Addax Bank Bahrain (Addax Bank):

Based on the GCC Arbitration Centre judgment in favor of Al Anwar International Investments LLC (AAIL), our 100% subsidiary, the execution court has directed the Addax Bank to deposit our full investment of US\$ 4,666,667, in monthly installments, and AAIL have been directed to transfer its 3,111,111 shares to the Bank. Post balance sheet date, the shares have been transferred by Ministry of Industry and Commerce in Bahrain as treasury shares to Addax Bank and the Court has agreed to release BD 564,662 being the part of claim amount deposited by Addax Bank.

4. Sun Packaging Company LLC (SPC):

AAH holds 11.5% stake in the company. The company has successfully started operations of its 100% subsidiary in Mauritius during the year. During the year, the Oman operations recorded losses and decline in revenue due to stiff competition and slow-down in economic conditions in GCC region.

The Year Ahead & Future Projects:

Challenges of the last year are continuing as we start into the new financial year. The decline in oil prices is expected to impact Oman's economic and fiscal indicators. Effective involvement of private sector, prioritization of the projects and stronger non-oil revenues should help Oman tide over the current macro-economic challenges.

Al Anwar has maintained a cautiously optimistic approach with the core focus on financial services and industrials. Business lines of our group companies are seeking stability in the present challenging market environment. Going forward, in continuance of prudent policy framework, Al Anwar will continue to pursue its 'buy and build' strategy that seeks value creation in portfolio companies through strategic initiatives, which ensures income generation and sustainable earnings over the medium and long term.

Omanisation:

AAH as a company and as a group has always been fully committed of recruiting and training Omani employees.

Corporate Governance:

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 conducts a review of the effectiveness of the company's systems and procedures of internal control through Internal Audit Department on regular basis.

Thanks and Appreciation:

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

The Board records its sincere appreciation to the Ministry of Commerce and Industry, Capital Market Authority, 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 management 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 bin Humaid Al Harthy
Chairman**