

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 six months ended 30th September, 2014.

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 30th June, 2014 by its subsidiaries namely:
 - a. Falcon Insurance Company SAOC, 51.04% subsidiary of AAH, engaged in Insurance activities in Oman,
 - b. Al Anwar International Investment LLC, 100% subsidiary of AAH, primarily being used as an investment arm, and
 - c. Al Anwar Development LLC (Formerly known as Al Anwar Securities SAOC), 100% subsidiary of AAH.
2. The Share of Profit / (Loss) achieved by Associate Companies up to 30th June, 2014 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 2.019 million for six months ended 30th September, 2014 as against RO 1.608 million for six months ended 30th September, 2013.

The earning per share (EPS) was 31 Baisa (annualised) as on 30th September, 2014 as against EPS of 25 Baisa (annualised) as on 30th September, 2013, an increase of 24%.

Net asset per share of the group is 176 Baisa per share as on 30th September, 2014, on the increased capital due to stock dividend approved by the AGM, as against 172 Baisa per share as on 30th September, 2013.

Updates on Investments

- (i) Falcon Insurance Co. SAOC (Falcon): Falcon reported an increase in gross premium written. The net profits have also improved despite a decline in investment income.
- (ii) Al Maha Ceramics Co. SAOC (Al Maha): Al Maha recorded 18% higher revenue during the period as compared with last year. However, on account of a provision made for clay mining in earlier years, it reported a decline of 18% in profit during the period as compared to the same period of last year.

The Initial Public Offering (IPO) was concluded with success at a post balance sheet date and the company has divested 14.8% stake in the company through this IPO. The company is expected to record a profit of approximately RO 1.2 million from this transaction.

- (iii) Voltamp Energy SAOG (VE): VE reported a growth in its consolidated operating profits of 15%. However, as the investment income was lower by 55% as compared to last year, the company reported a decline of 14% in net profit for the period.
- (iv) Taageer Finance Co. SAOG (Taageer): Taageer reported marginal growth in the gross income but reported a decline of 12% in net profit as compared to the same period as last year.

At a post balance sheet date Al Anwar Holdings SAOG has sold its entire stake of 33.63% (held by Al Anwar Holdings and its subsidiary) and generated sales proceeds of RO 13.8 million which was partly utilized for repayment of term loans. The balance sale proceeds would now be utilised towards new investment opportunities as and when approved by the Board.

The sale transaction has generated a profit of RO 0.276 million in the consolidated group financials of the company, based on the carrying cost of the investment as on 30th September, 2014.

- (v) Addax Bank Bahrain (Addax): The GCC Arbitration Centre gave their verdict in our favor in the legal case with Addax Bank to recover our investment in the Bank's shares. According to the verdict, Addax Bank has been directed to return US\$ 4.67 million & legal costs and in return, directed Al Anwar International Investment LLC, 100% subsidiary of Al Anwar Holdings SAOG, to return 3.11 million shares in Addax Bank. However, Addax Bank has approached the Higher Civil Court against the decision made by GCC Arbitration Center, which is being defended by our lawyers in Bahrain.

Outlook:

Oman's economic growth momentum continued to be robust, driven primarily by public sector activities backed by domestic demand. The first three months of 2014 witnessed a 4.6% increase in the Gross Domestic Product (GDP) at current prices to RO 7.72 billion from RO 7.38 billion during the same period last year. The 2014 Budget estimates a Real GDP growth at 5.0% for 2014. However, the recent sharp fall in crude oil price is matter of concern and necessary steps are expected to be initiated by the government in the wake of preparations for the 2015 budget and the 9th Development Plan (2016-2020).

Strong domestic demand, an expansionary fiscal policy and economic diversification will ensure that economic growth is robust. This must open avenues for lucrative investment opportunities and a healthy progress on our existing business ventures. The companies in our group are expected to benefit from the growing economic environment and this could also present Al Anwar Holdings opportunities for making investments in the specified industries.

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. I would also like to take the opportunity to congratulate His Majesty Sultan Qaboos Bin Said on the occasion of blessed 44th National day.

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: 10/11/2014