

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 twenty one years, we have built successful companies and exited some of them through stake sales or flotation.

Investment Strategy: Clear, Differentiated and Proven

Private-Equity 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 efficiency and detest bureaucracy. To achieve our goals, however, 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 o 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.



Global Economic Landscape:

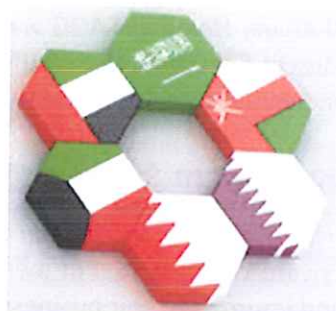
The year 2015 was characterized by steep market volatility due to a number of moving parts that included an extended slump in commodity prices coupled with concerns over global growth.

Oil and commodity indices were the most battered asset classes during 2015 across the globe. And thus, deflationary pressures have been reinforcing themselves again across the world

The year also witnessed the worst quarterly performance since 2011 during Q3-15 as global equity markets lost more than USD 11 trillion worth of market capitalization owing to poor performance due to weakness in commodities markets, China's currency devaluation during August-15 and cautiousness surrounding of a US rate hike.

GCC Economic Landscape:

- Rising oil price post-2009 boosted the GCC markets' performance and led to building up off a huge fiscal surplus. However, crude oil price started to decline from end of 2014 when it declined by 45.0% and in 2015 by 16.2%. The Fed rate hike has resulted in strengthening of the US Dollar thus adding further pressure on oil.
- Amongst some of the other major events that took place this year were opening up of the Saudi exchange to foreigners, removal of sanctions imposed on Iran, the war in Yemen and escalation of the ISIS threat.
- However, the recent crash seems to have priced in low oil price and spending cuts initiated across GCC. Continued decline in oil price prompted GCC countries, particularly Saudi Arabia to introduce major spending cuts in their budget along with removal of subsidies
- Dismal Year for the GCC equities amid further fall in oil prices, increased geopolitical tensions and emerging concerns on global economic weakness. The markets saw significant foreign outflows from the region since 2008 financial crisis.



Market Index Performance	Abu Dhabi	Bahrain	Dubai	Kuwait	Oman	Qatar	Saudi Arabia
2015	-4.9%	-14.8%	-16.5%	-13.0%	-14.8%	-15.1%	-17.1%

- In terms of trading activity, total value traded on the GCC exchanges declined by almost USD 268 Bn or 33.6% to USD 528.6 Bn, the highest decline in over six years.
- The reserves built over last few years and diversification efforts are helping the MENA countries to cope with the challenging economic conditions. Many of the Governments such as Saudi Arabia and Oman have already started raising debt so as to finance their deficit. The GCC Governments have also embarked upon structural reforms such as increase in taxation and subsidy cuts. Low debt to GDP scenarios amongst the GCC countries provides cushion for further borrowing. The events Expo 2020 and FIFA 2022 bode well for the GCC.
- Further economic reforms are expected as we move ahead in 2016 as the countries rationalize spending only on key infrastructure projects and make sincere attempts to diversify the economy away from the oil sector and build a sustainable non-oil economy.

Oman Economy and Outlook:

Overall, the year, 2015 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 and the export and import activities. During the period Jan 2015-Sept 2015, Oman's gross domestic product (GDP) at market price decreased by 14.2% to touch RO 20.08 billion, against RO23.41 billion in the previous year.

Total government revenues for the period Jan-Nov 2015 were RO7.98bn, a decrease of 36.0% and an over the same period for 2014. Net Oil revenues contributed around 63% on an average realization of \$56.5/barrel as against \$105.5/barrel for 2014.

Oil output averaged 981,000 barrels per day in 2015, largely hitting the production target for that year. To offset the drop in oil prices, the government has ramped up oil production, pushing its output to record levels. Built on an estimated \$45 a barrel with 990,000 barrels per day worth of oil production, the total budgeted revenues for 2016 at RO 8.6bn are 25.8% lower than 2015 budgeted figures and 4% down compared to the actual.

Total expenditure budgeted for 2016 at RO 11.9bn is down by 15.6% YoY, with current expenditure constituting 73% at RO 8.68bn. While subsidies have been lowered by RO 710mn to RO 400mn, the budgeted deficit is estimated at RO 3.3bn, 13.2% of the country's estimated GDP for 2016.



With one of the highest breakeven oil prices in the GCC, Oman is likely to see its fiscal deficit widen in 2016, which can be comfortably financed, whilst overcoming rising domestic liquidity constraints and weakening international investor confidence.

Government debt is still relatively low, estimated at 10% of GDP in 2015, and the Central Bank of Oman (CBO) successfully tapped debt markets on behalf of the treasury in 2015, raising OMR 1.0 billion. To finance the 2016 deficit, the CBO plans to borrow

more from international markets in addition to drawing on reserves and utilizing donor grants.

Credit growth in the economy remains resilient maintaining healthy growth of 18.9% in 2015, whilst the total deposits exhibited. Meanwhile, government deposits, which account for 30% of total deposits, continued to see weakening growth following the fall in oil prices, down 2% in 2015.

The government has embarked on series of initiatives to increase the contribution of non-oil sector in the economy, expenditure rationalization and strategic privatization. Further, 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%.

Performance Overview of Muscat Securities Market (MSM):

The MSM did see a fall in foreign interest which impacted volumes but fall in heavyweights brought down the market 14.8% in 2015. Market volatility could see some IPOs delayed in 2016, holding up the market of much needed catalysts.

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

Description	Mar-14	Mar-15	Mar-16	YOY Change	Q1'16 Change
Banking and Investments	4.16	3.92	3.48	-11.2%	0.3%
Services	3.32	3.64	3.68	1.1%	-0.2%
Industry	1.98	1.61	1.35	-16.1%	-1.2%
Total Market capitalization	9.46	9.17	8.51	-7.2%	-0.2%

Change in the Index movement

Description	General Index	Industry	Banking and Investments	Services	Change in General Index
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%
Dec 2007	9,035.48	8,137.06	12,312.8	3,533.14	61.88%
No. of Stocks Included in the Indices	30	7	16	7	

(Source: MSM Investors Guides)

The trading activity on MSM Index was subdued with a 39.7% fall in average daily traded value for 2015 at RO 5.60million as compared to RO 9.30 million in 2014.

OPPORTUNITIES

While Al Anwar continued to prosper in 2015-16, 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 build for the long term — we manage through-the-cycle, and we always are prepared for the toughest of times. We will successfully navigate the new regional financial architecture (and we are well on our way to having fortress controls).

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

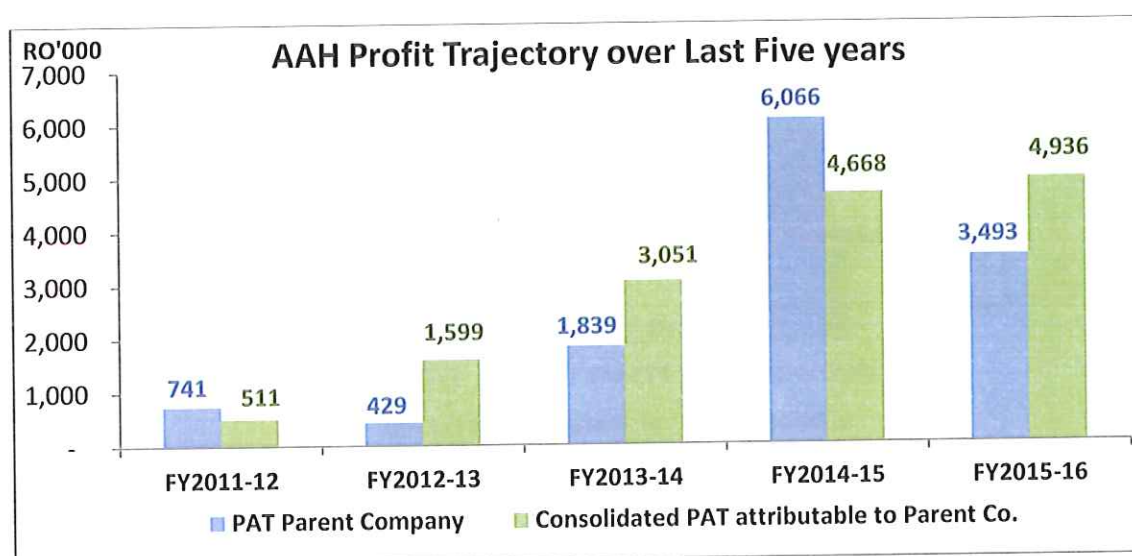
At the backdrop of recent crash in the oil prices, and in case of any prolonged consistency in the pricing slump, the growth momentum of the national economy as well as performance of the Sultanate's investment sector would have to be assessed in the broader economic context.

We as an Investment holding company have always looked for growth businesses with a penchant for turnaround stories. 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 2016, we remain proud of these accomplishments and are optimistic about the future.

PERFORMANCE ANALYSIS

For FY2015-16, Al Anwar Holdings has continued to be on the growth and profitability trajectory as exhibited in the following charts.

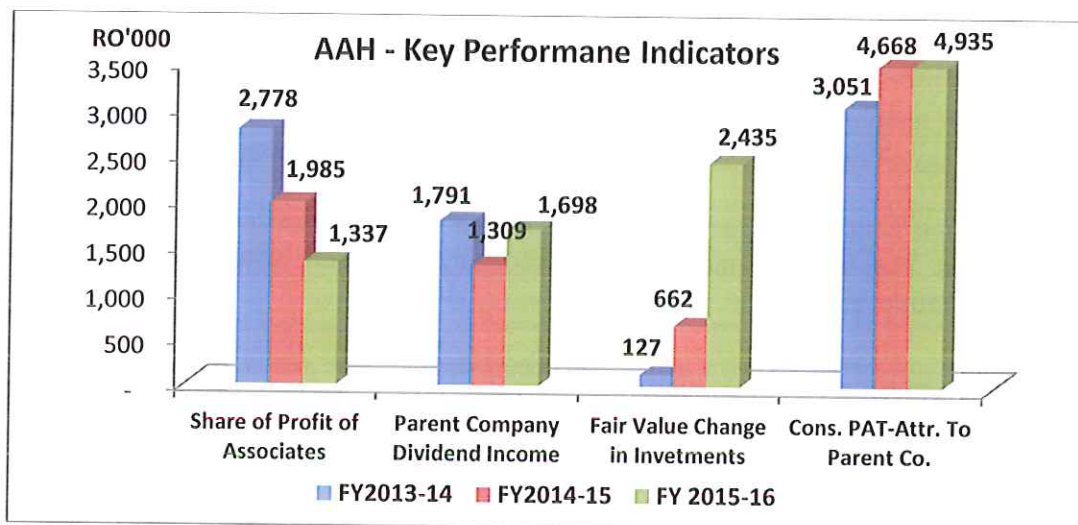


Over the last five years, Al Anwar has exhibited a steady growth in profits. We have earned record profits of RO 4.94mn in FY 2015-16, surpassing the last year's record of RO 4.67mn.

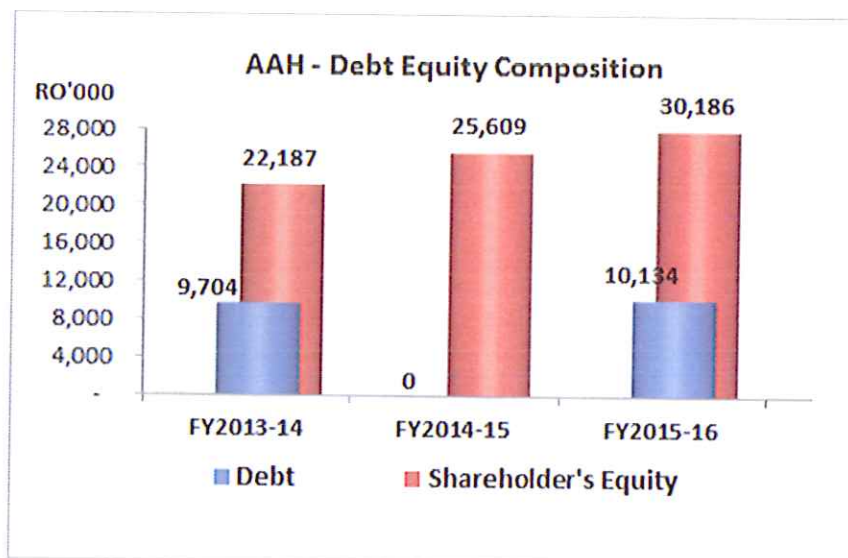
In fact, we have delivered continued growth in the last five years, and we hope to continue to deliver in the future. Our financial results reflected strong underlying performance across our businesses.

Over the course of last year, our key investments maintained — and even strengthened — our leadership positions and continued to gain market share, and foster value creation.

We also continued to deliver on business simplification, regulatory requirements, controls, expense discipline and capital requirements.



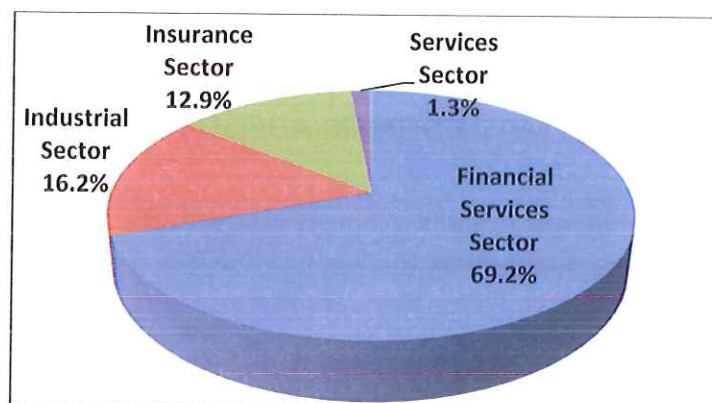
Growth in our investment portfolio has been achieved whilst maintaining a conservative leverage position. As of 31st March 2016 our Debt/ Equity ratio was maintained at 0.35.



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

Investment Sector	FY2014-15	FY2015-16
Financial Services Sector	10,112	27,384
Industrial Sector	5,917	6,409
Insurance Sector	4,514	5,107
Services Sector	537	533
Cash & Bank Deposits	4,322	119
Total	25,402	39,552

AAH Investment Portfolio as at 31st March 2016: RO 39.55mn



KEY DEVELOPMENTS:

FY2015-16 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. All our major investee companies did well. We feel that we are geared for the future but at the same time we will have a cautious approach. We will continue our diligent and conservative approach.

1. Strategic Stake in OMINVEST:

Identifying valuation opportunities in the MSM universe, we have built up a strategic stake of over 9.00% in OMIVEST and presently are the fourth largest shareholder in the Company.

2. Falcon Stake Sale:

We are in the process of selling a substantial portion of our 51.0% stake in Falcon Insurance Co. SAOC at an opportune price consideration of 1.20X P/BV on the audited financials as of 31st Dec. 2015.

3. Development of Falcon Land:

Capitalizing on the current subdued markets, we are in the process of purchase of plot of land held in our subsidiary Falcon Insurance and intent to monetize it by commercial development.

RISKS AND CONCERNS

There are various financial risks mentioned in the Note 32 of the consolidated financial statement. These are broadly Credit Risks, Liquidity Risks and Market Risks. They are covered in detail in the Note 24 to the consolidated financial statement and as such are not repeated here.

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 4.935 million during the year as compared to RO 4.668 million during the year 2014-15, a growth of 5.7%, in consolidated Group Accounts and a profit of RO 3.521 million during the year as compared with profit of RO 6.066 million during the year 2014-15 in Parent Company Accounts.

The Earning per Share (EPS) for the Group was 33bz in FY2015-16 as against 31bz in FY2014-15.

"Net asset per share of the company was 201bz on 31st March, 2016, as against 171Bz as on 31st March, 2015".

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

Financial Year ended 31 st March	2014	2015	2016
PAT (RO'000)	3,051	4,668	4,935
*EPS (RO per Share)	0.020	0.031	0.033
*NAV (RO per Share)	0.161	0.171	0.201

** Historical adjusted for stock dividends.*

In view of available profit, the Board of Directors is pleased to recommend a 10% cash dividend (last year 10%) and a 16.61% stock dividend (last year 15.0%).

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,



Reji Joseph
Chief Executive Officer

