

Al Anwar Holdings SAOG

Directors' Report for the year ended 31st March, 2017

Dear Shareholders,

On behalf of the Board of Directors, I have great pleasure in welcoming you to the Twenty Third 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 2017

General Economic Environment:

Total Government revenues for the period Jan-Nov 2016 were RO 6.21bn, a decrease of 22% over the same period for 2015. Net oil revenues contributed around 50% on an average realization of \$40/barrel as against \$56/barrel for 2015. Oil output averaged 1 mn barrels per day in 2016, 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.

Oman's Baa1 rating with a stable outlook by International ratings agency Moody's reflects its relatively stable Government balance sheet against credit challenges, including its heavy reliance on the oil and gas sector.

All GCC markets witnessed extreme volatility during 2016 as they were largely influenced by the oil prices. 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%.

The Year in Retrospect:

The year 2016-17 was a successful year for Al Anwar Holdings and the Company reported best-ever profit in its history. Our investments in Oman contributed positively by way of share of profits.

During the year we successfully completed the sale of 32% stake in Falcon Insurance Co. SAOC generating liquidity of over RO 2.4 million and we continue to hold 19% stake in the merged entity Arabia Falcon Insurance SAOC.

Aiming a healthy diversification of our investment portfolio, post balance sheet date, AAH acquired 43.51% stake, in The Canadian Innovation Company for Education Services SAOC, which owns and operate Al Ruwad International School, which is a strategic investment for the Company.

We have always scouted for business with growth opportunities, while at the same time maintaining balanced 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, 2016 by its subsidiaries namely:
 - a) Al Anwar International Investment LLC, 100% subsidiary of AAH, primarily being used as investment arm for AAH, and
 - b) Al Anwar Development LLC, 100% subsidiary of AAH, primarily being used as investment arm for AAH
 - c) Falcon Insurance Co. SAOC, 51% subsidiary of AAH, engaged in Insurance activity in Oman.
2. The Share of Profit / (Loss) achieved by Associate Companies for the year ended as on 31st December, 2016 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 6.224 million for the year ended 31 March 2017 as compared with profit of RO 4.935 million for the year ended 31 March 2016 in consolidated Group Accounts, a growth of 26%.

Parent company has posted a profit of RO 6.420 million for the year ended 31 March 2017 as compared with profit of RO 3.493 million for the year ended 31 March 2016, a growth of 84% in parent accounts.

The Earning per Share (EPS) for the Group was 36 Baizas in 2016-17 as against 28 Baizas in 2015-16.

Net assets, as on 31st March, 2017, of the company was 215 Baizas per share as against 201 Baizas per share as on 31st March, 2016.

Dividends recommended:

In view of available profit, the Board of Directors are pleased to recommend a 10% cash dividend (last year: 10%) and 14.28% stock dividend (last year: 16.16%).

Performance of Investments:

Subsidiaries:

1. 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 various investments for and on behalf of AAH.

2. Al Anwar Development LLC (AAD):

AAD is a 100% subsidiary incorporated during the year 2008. In April 2017, AAD purchased, for and on behalf of Al Anwar Holdings, 43.51% stake in The Canadian Innovation Company for Education Services SAOC, which owns and operates Al Ruwad International School in Muscat.

Associates:

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

VE reported a growth in its revenue of 14.9% and a growth of 9.9% in net profit for the period. The company was able to sustain and perform better as compared to last year due to its proactive and prudent approach, supported by good order book.

2. Al Maha Ceramics Company SAOG (AMC):

Al Maha reported a reduction of 9.4% in the revenue during the period. Accordingly, net profit also declined by 12.9%. Al Maha is facing stiff competition, however, the prudent policies of Board and Management ensured that the company was resilient and achieved comparatively unscathed results as compared with its competitors.

3. Arabia Falcon Insurance SAOC (formerly known as Falcon Insurance Co. SAOC) (Falcon):

During the year AAH sold 32% stake generating total net sale proceed of RO 2.432 million. Out of the total sale proceeds, 10% has been deposited by the buyer in an escrow account, which is

buyer. Simultaneously, Falcon Insurance has acquired entire business, assets and liabilities of Oman Branches of Arabia Insurance, against issuance of new shares in Falcon Insurance Company SAOC.

Subsequent to above transactions, Al Anwar Holdings would retain 19% stake in Arabia Falcon Insurance Company SAOC (merged entity) and hence, this investment shall cease to be Subsidiary as on 28th March 2017 and would be treated as Associate for the subsequent period.

In compliance with CMA guidelines, Falcon will be floated through Initial Public Offering during the year and AAH would participate in the same.

Falcon reported a decline of 34% in gross premium written mainly on account of market competition and regulatory changes with respect to Group Credit Life policies issued by banks. Underwriting results, however, registered a marginal growth of 2%. The management has taken steps to reduce the impact by acquiring new businesses in both life and non-life segments.

Other Investments:

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

As at end of the quarter, AAH (Including Group Companies) held 10.15% stake in OMINVEST and recorded a total fair value gain of RO 5.471 million on its entire holding during the period. Part of the fair value gain i.e. RO 2.612 million is recorded as Investment Income under comprehensive income and RO 2.859 million is recorded as Changes in Fair value on available for sale investments under other comprehensive income.

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

The share price of AGSL improved during the year as there was positive movement in the market, however, the Indian currency continued to maintain rise and as such, AAH has booked a net gain of RO 135,831 (LY: Loss RO 13,955) on fair valuation.

3. Legal Case Recovery from Addax Bank:

During the year the company received partial claim amount from Addax Bank – Bahrain towards the legal judgment 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 balance amount was booked as gain of RO 0.912 million during FY 2016-17. Further, in order to comply with the IFRS requirement, as advised by the auditors, the company had booked additional profit of RO 0.371 million towards part of the amount recoverable from Addax bank in the year 2018-19.

4. Real estate project:

The Board of Directors have decided to develop a four star hotel with managed offices on the plot of land purchased during the year.

The Year Ahead & Future Projects:

As significant part of profit reported by the company is dependent upon market valuation of its investments classified as "Investment at Fair Value thru Profit & Loss", predictions or projections for future should be dealt with caution.

Year 2017 started on an optimistic note with Government's thrust on a holistic development of Oman's economy, the trickle down benefits of which will lead to a healthy corporate performance for the year. GDP and revenue growth is expected to take off better from 2016 as the oil price have

settled at a higher level in response to the output cut by OPEC/Non-OPEC members and at present are averaging higher than the budget estimates.

AAH will continue to pursue its 'buy and build' strategy that seeks value creation by increasing scale and unlocking potential in portfolio companies through serial bolt-on acquisitions and strategic initiatives, which ensures income generation and sustainable earnings over the medium and long term.

As a future project, AAH has entered into a Shareholder's Agreement with Hormozgan Cement Co. (HCC), Iran to establish to start a green-field cement grinding unit in the Special Economic Zone, Al Duqm (SEZD) with capacity of 600k to 1,000k tons per annum (TPA). HCC is a well-known Iran based cement producer with established capacity of 2.0mn TPA and listed on the Tehran Stock Exchange (SHZG1).

Omanization:

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

Corporate Social Responsibility Activities (CSR)

AAH strives to serve the community through participation in various programs, e.g., educational, sports, cultural, community, and environmental causes in Sultanate of Oman. An amount of RO 20,000 was approved by AGM at the beginning of the financial year.

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.

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**

