

AL ANWAR HOLDINGS SAOG

Report on Corporate Governance for the year ended March 31, 2011

1. Company philosophy

The philosophy of Al Anwar Holdings SAOG in respect to corporate governance is to observe in letter and spirit the rules and regulations framed by the Capital Markets Authority (CMA) in this regard for companies listed in the Muscat Securities Market for the best management of the company with the aim of improving performance of the company and increasing its efficiency in order to maximize the profits and value of the shareholders in the long run. The corporate governance controls relations and strikes a balance in interests amongst the stakeholders of the company on the basis of co-operation, responsibility and accountability. The company believes that corporate governance generates trust, respect and investment support from stakeholders and shareholders.

We follow the prescriptions of the “International Financial Reporting Standards (IFRS)” in the preparation of accounts and financial statements.

2. Composition of the Board of Directors

All the members of the Board are Non-Executive Directors, since none of them are whole time directors drawing any fixed monthly or annual salary from the Company. The seven Board members are persons of stature with business acumen. They represent skills and experience in corporate management, team leadership, accounting, government and sophistication of investment management.

The Present Board consists of seven Directors as mentioned below:

Name of Director	Independent /Non independent	Date of Election	Period of Directorship	Position	Mode of Representation
Brig. Masoud Humaid Al Harthy	Independent	28/05/2009	3 Years	Chairman	Himself Shareholder
Mr. Qais Mohamed Al Yousef	Independent	28/05/2009	3 Years	Deputy Chairman	Fincorp Investment Company LLC
Mr. Mehdi Mohamed Al Abduwani	Independent	28/05/2009	3 Years	Director	National Insurance & Investment Service Centre LLC
Mr. Nawwaf Ghubash Al Merri	Independent	28/05/2009	3 Years	Director	Himself – Shareholder
Mr. Shabir Moosa Al Yousef	Independent	28/05/2009	3 Years	Director	Himself – Shareholder
Mr Abdulredha Mustafa Sultan	Independent	28/05/2009	3 Years	Director	Himself – Shareholder
Mr. Qaboos Abdullah Al Khonji	Independent	23/05/2010	Till AGM of 2012	Director	Al Khonji Invest LLC
Mr. Mohamed Abdullah Mohamed AL Khonji (Part)*	Independent	28/05/2009	23/05/2010	Director	Al Khonji Invest LLC

* During the year, Al Khonji Invest LLC changed their representative Director on the Board with Mr. Qaboos Abdullah Mohamed Al Khonji for Mr. Mohamed Abdullah Mohamed Al Khonji, w.e.f. 23.05.2010.

The details of the present Directors' directorship in other public companies in Oman are as follows:

Name of Director	Details of Directorship in Other SAOG/SAOC Companies in Oman
Mr. Masoud Humaid Al Harthy	1. Chairman, Al Maha Ceramics Co. SAOC 2. Chairman, Falcon Insurance Co. SAOC 3. Chairman, ABI Precision Castings SAOC (under liquidation)
Mr. Qais Mohamed Al Yousef	1. Chairman , Voltamp Energy Co. SAOG 2. Director, Muscat Finance Co. SAOG 3. Chairman, Al Anwar Securities SAOC
Mr. Mehdi Mohamed Al Abduwani	1. Chairman, Computer Stationery Industry SAOG 2. Chairman, National Ferries Company SAOC 3. Director, Oman Telecommunications Company SAOG 4. Director, Taageer Finance Company SAOG
Mr. Nawwaf Ghubash Al Merri	Director, Al Anwar Securities SAOC
Mr. Shabir Moosa Al Yousef	1. Director, Taageer Finance Company SAOG 2. Director, Fincorp SAOG 3. Director, Al Anwar Securities SAOC 4. Director, Al Maha Ceramics SAOC
Mr Abdulredha Mustafa Sultan	1. Director, Voltamp Energy Co. SAOG 2. Director, Al Jazeera Services Co. SAOG 3. Director, Al Maha Ceramics Co. SAOC
Mr. Qaboos Abdullah Al Khonji (For part of the year)	1. Director, Oman Investment & Finance Co. SAOG 2. Director, Al Maha Ceramics SAOC 3. Director, Oman Medical Projects SAOC

3. Meetings of the Board

(a) The Board met five times during the year. Full particulars of the dates of the meetings and attendance of directors are mentioned below:

Sr.#	Name of the Director		AGM	Board Meetings held on				
				28-05-10	06-05-10	26-05-10	14-08-10	10-11-10
1	Mr. Masoud Humaid Malik Al Harthy	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
2	Mr. Qais Mohamed Al Yousef	Deputy Chairman	Yes	Yes	Yes	Yes	Yes	Yes
3	Mr. Mehdi Mohamed Al Abduwani	Director	No	No	Yes	Yes	No	Yes
4	Mr. Nawwaf Ghubash Ahmed Al Merri	Director	No	Yes	No	No	No	Yes
5	Mr. Shabir Musa Abdullah Al Yousef	Director	No	Yes	Yes	Yes	Yes	Yes
6	Mr. Abdulredha Mustafa Sultan	Director	No	Yes	Yes	Yes	Yes	Yes
7	Mr. Qaboos Abdullah Mohamed Al Khonji (Part)*	Director	-	-	-	Yes	Yes	Yes
8	Mr. Mohamed Abdullah Mohamed AL Khonji (Part)*	Director	Yes	Yes	Yes	-	-	-

* During the year, Al Khonji Invest LLC changed their representative Director on the Board with Mr. Qaboos Abdullah Mohamed Al Khonji for Mr. Mohamed Abdullah Mohamed Al Khonji, w.e.f. 23.05.2010.

The Meeting attendance fees paid to the members for each meeting attended is
(i) Chairman – RO 500/- (ii) Deputy Chairman – RO 400/- (iii) Other Members – RO 350/-

- (b) **The Executive Committee (EC)** is a sub-committee of the Board consisting of following three directors

Mr. Qais Mohamed Al Yousef	EC Chairman
Mr. Shabir Moosa Abdullah Al Yousef	EC Member
Mr. Nawwaf Ghubash Ahmed Al Merri	EC Member

The EC met six times during the year. The particulars of the dates of the meetings and attendance of members are mentioned below:

Sr.#	Name of the Director		Executive Committee Meetings held on					
			05-05-10	08-07-10	14-10-10	19-12-09	09-02-011	15-03-011
1	Mr. Qais Mohamed Al Yousef	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
2	Mr. Nawwaf Ghubash Ahmed Al Merri	Member	Yes	No	Yes	Yes	Yes	Yes
3	Mr. Shabir Musa Abdullah Al Yousef	Member	Yes	Yes	Yes	Yes	Yes	No

The Meeting attendance fees paid to the members for each meeting attended was RO 250/- for EC Chairman and RO 200/- for EC Members except for Mr. Krishna Kumar Gupta, who is not paid any meeting attendance fees.

- (c) **Audit Committee:** The Audit Committee (AC) is a sub-committee of the Board, comprising of the following three Directors:

Mr. Mehdi Mohamed Al Abduwani	AC Chairman
Mr. Qais Mohamed Al Yousef	AC Member
Mr. Abdulredha Mustafa Sultan	AC Member

The Audit Committee met five times during the year. The Full particulars of the dates of the meetings and attendance of members are mentioned below.

Sr.#	Name of the Director		Audit Committee Meetings held on				
			03-05-10	11-08-10	25-09-10	06-11-10	07-02-011
1	Mr. Mehdi Mohamed Al Abduwani	Chairman	Yes	Yes	Yes	Yes	Yes
2	Mr. Abdulredha Mustafa Sultan	Member	Yes	Yes	Yes	Yes	Yes
3	Mr. Qais Mohamed Al Yousef	Member	Yes	No	Yes	Yes	Yes

The Meeting attendance fees paid to the members for each meeting attended was RO 250/- for AC Chairman and RO 200/- for AC Member.

All the members are experienced and have fundamental knowledge of accounts and finance.

The terms of reference of the Audit Committee are in accordance with the guidelines given by CMA. The major areas covered by the Audit Committee are matters concerning (i) consideration and recommendations for appointment of Internal and Statutory Auditors, (ii) reviewing of audit plans and audit reports; (iii) oversight of internal audit functions outsourced to Moore Stephens

for part of the year to comply with all the requirements of internal audit as per Code of Corporate Governance and oversight of adequacy of internal control systems and financial statements, (iv) checking financial frauds, (v) reviewing annual and quarterly statements and qualifications, if any, before issuing, (vi) critical review of non-compliance of IAS and disclosure requirements prescribed by CMA, (vii) reviewing risk management policies and related party transactions and (viii) serving a channel between internal and external auditors and the Board.

4. Brief Profile of the Directors

Brig. Masoud Humaid Malik Al Harthy

He holds a diploma in management with an experience of 33 years in military service and businesses. Brig. Masoud is Chairman and Board member in several companies.

Mr. Qais Mohamed Musa Al Yousef

He holds a Masters in Business Management and a Bachelor's Degree in Economics. He is currently the CEO of Al Yousef Group. He is Chairman and board member in several companies, operating in various fields of the economy. He is a member of the Young Presidents' Organisation

Mr. Mehdi Mohamed Jawad Al Abduwani

Holds a Post Graduate Diploma in Development Planning Technique (DPT) and has a bachelor's degree in economics. He is currently the Director General of Development Planning at the Ministry of National Economy, Sultanate of Oman. He is a board member and chairman in several companies, operating in various fields of the economy.

Mr. Nawwaf Ghobash Ahmed Al Merri

Holds a Bachelor's degree in Business Administration and has an extensive experience in the retail business and management. He represents Ghobash Group for Business and Investments and is a board member of several companies. He also represents Ras Al Khaima Government in the Boards of several companies and is a member of the executive committee of Sahara Centre.

Mr. Shabir Musa Abdullah Al Yousef

Holds double Masters in Engineering and Business Administration. He has more than 4 years of experience as oil engineer in PDO. Mr. Shabir is presently the CEO of Oman Investment and Finance Company SAOG (OIFC). He is a Board Member of various companies in Oman.

Mr. Abdulredha Mustafa Sultan

He holds a Bachelor's Degree in Commerce majoring in Finance. He is a board member in several companies and the Executive Director in Mustafa Sultan Enterprises LLC. He is a member of the Young Presidents' Organisation.

Mr. Qaboos Abdullah Mohamed Al Khonji

Holds a Bachelor's Degree in Management from University of Southern Colorado, USA and has a decade of experience in Building Materials and in construction and transportation business. He also has interests in other economic activities of sales of sanitary items, textiles, real estate and investments.

5. Process of nomination of the Directors

In nomination of candidates, the Board looks for professionalism, integrity and leadership skills. Proven track record, industry knowledge and strategic vision are the key characteristics. The company follows the provisions of the Commercial Companies Law and Capital Market Authority Law & Regulations in respect of nomination of the members of the Board of Directors.

6. Management

The members of the management of the company are appointed with proper contracts clearly defining the terms of reference. The Chief Executive Officer, under the supervision, direction and control of the Board, manages the company.

7. Related party transactions

No transactions where the management has personal interest are carried out in the company. The company has a system in vogue, for prior approval by the Board for such type of transactions if any arises in the normal course of business. All the related party transactions, if any, are carried out at arm's length basis in the normal course of business. No special method of evaluation is followed for these transactions. There are no material related party transactions where directors have an interest.

8. Means of communication with the Shareholders and investors

- (a) The notice to the Shareholders for the Annual General Meeting containing the details of the related party transactions is filed with CMA and mailed to shareholders along with Directors' report and audited accounts.
- (b) The Quarterly results of the company as per CMA format, are prepared by the management for every quarter, reviewed by the Audit Committee, approved by the Board, are forwarded to CMA and also published in the Newspapers as per the directives of CMA. Copies are made available to shareholders on request. Results are also uploaded on the website of Muscat Securities Market (MSM).
- (c) Important Board decisions are disclosed to the investors through MSM from time to time. The company has its official website, www.alanwarholdings.com for its investors. The website is updated from time to time.
- (d) The Management Discussion and Analysis Report forms part of the Annual Report.

9. Remuneration matters

- (a) The Meeting attendance fee was as per the remuneration fixed by the Board. A total of RO 18,050/- (FY 2009-10: RO 15,500/-) was paid to Directors for meetings attended during the period 1st April '10 to 31st March '11 as per details given below:

<u>Name of Director</u>	<u>2010-11</u>	<u>2009-10</u>
Mr. Masoud Humaid Malik Al Harthy	2,500	2,400
Mr. Qais Mohamed Al Yousef	4,300	3,850
Mr. Mehdi Mohamed Al Abduwani	2,300	1,800
Mr. Nawwaf Ghobash Ahmed Al Merri	1,700	1,650
Mr. Shabir Moosa Abdullah Al Yousef	2,750	2,600
Mr. Abdulredha Mustafa Sultan	2,750	1,900
Mr. Mohamed Abdullah Al Khonji	700	1,300
Mr. Qaboos Abdullah Al Khonji	1,050	-
Total Meeting Attendance fees	18,050	15,500

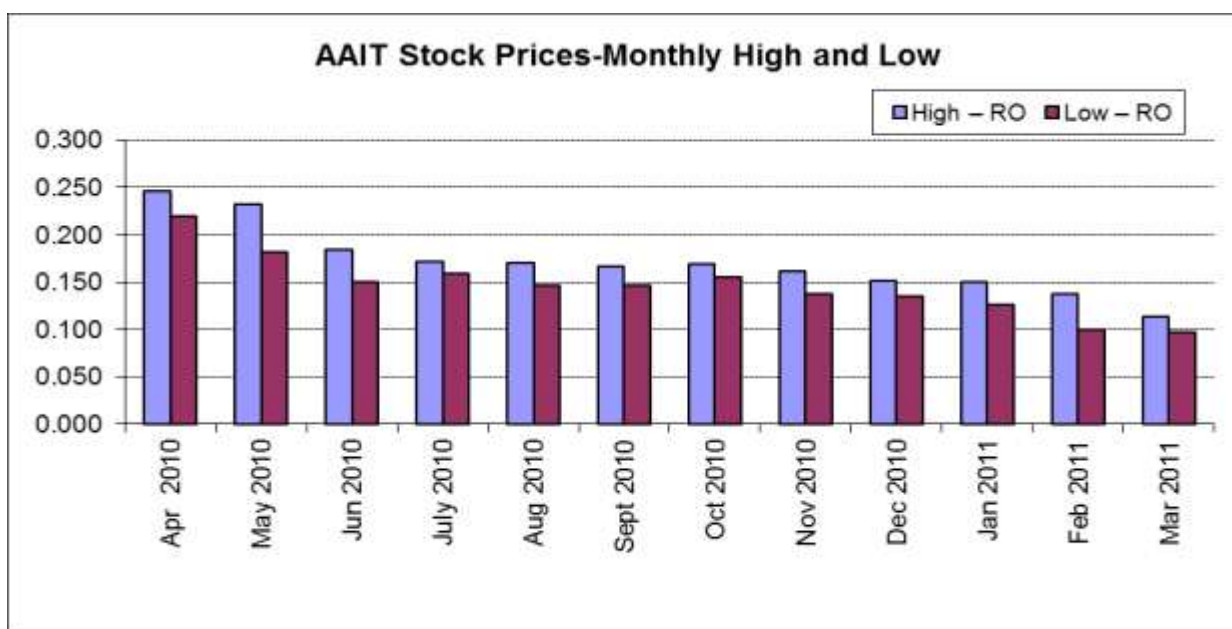
- (b) A sum of RO 1,168 was reimbursed to Directors towards travelling expenses for attending the meetings in addition to above mentioned sitting fees.
- (c) The remuneration for the employees is, after critical evaluation, fixed by the Board, based on qualification, expertise and efficiency of the executives. The total remuneration of the Top three (FY 2009-10 Top three) employees for Financial Year 2010-11 was RO 122,043 (FY 2009-10 : RO 253,397).
- (d) A scheme of incentive based on (i) profits earned and (ii) on sale of assets is applicable to the Chief Executive Officer.
- (e) The Board has approved Directors' remuneration of RO. 30,500 for the year 2010-11 (FY 2009-10 : RO 102,500) which is subject to approval of the Company's shareholders at the Annual General Meeting to be held on June 22nd, 2011.

10. Details of non-compliance by the company

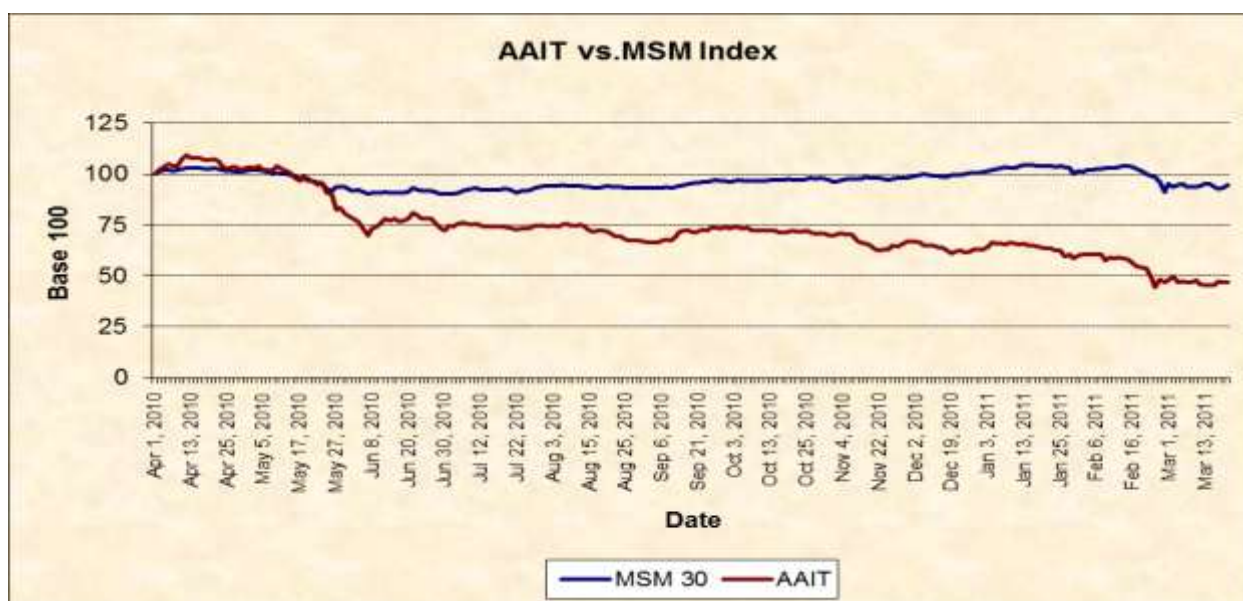
No penalties have been imposed by CMA or MSM or any other statutory bodies on the company.

11. Market price data

The monthly high and low share price of the company during the financial year ended 31st March 2011 was as under:



Note: AAIT is the trading code of Al Anwar Holdings SAOG scrip listed on MSM



12. Distribution of Shares

The share holding pattern as on 31 March 2011 is as given below:

Distribution	No. of Share	Shares Holders	No. of % on total shares
1 to 50,000	18,378,719	2,314	15%
50,001 to 100,000	7,401,360	102	6%
100,001 to 200,000	6,623,008	46	6%
200,001 to 500,000	11,341,293	41	9%
500,001 & Above	76,255,620	23	64%
Grand Total	120,000,000	2,526	100%

The Company does not have any foreign Global Depository Receipts (GDR) / American Depository Receipts (ADR) / Warrants or any other instrument of any type issued to public or institutional investors or any other class of investors.

12. Professional profile of the statutory auditor

The shareholders of the Company have appointed KPMG as the auditors for the year 2011. KPMG is one of the leading accounting firms in Oman. The Oman practice of KPMG, which forms part of KPMG Lower Gulf, was established in 1974 and employs more than 130 people, including 3 partners, 6 directors and 17 managers. KPMG Lower Gulf (UAE and Oman), is a member of the KPMG network of independent firms affiliated with KPMG International Co-operative. The KPMG network operates in 146 countries and employs 140,000 people worldwide. KPMG in Oman is accredited by the Capital Market Authority (CMA) to audit joint stock companies (SAOG's). During the year 2010-2011, details of professional fees are as follows:

	<u>RO</u>
Audit of financial statements for the year ended 31 March 2011	6,000
Review of Compliance with Code of Corporate Governance	500

	<u>6,500</u>

13. Specific areas of non-compliance with the provisions of corporate governance and reasons

This report is prepared in compliance with the Code of Corporate Governance and covers all the items specified in Annexure 1 & 4 of the Code.

14. Acknowledgement by Board of Directors

The Board of Directors is responsible for the preparation of the financial statements in accordance with the applicable standards and rules

There are no material things that effect the continuation of the Company and its ability to continue its operations during the next financial year.

The Board of Directors, through the Audit Committee's consideration of the results of the internal audit work and discussions with the external auditors, together with their examination of periodic management information and discussions with the management, have reviewed the operation of internal controls during the year ended 31 March 2010. The Board of Directors has concluded based on this that internal controls operated effectively throughout the year.

Masoud Humaid Al Harthy
Chairman

Mehdi Mohamed Al Abduwani
Chairman Audit Committee