MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT

Al Anwar Holdings SAOG incorporated on 20th December, 1994 is a publically traded company on Muscat Securities Market (MSM). The company initially made investments and participated in the equity of new and existing industrial, trading and services companies in various sectors of economy. The company re-positioning itself in 2006 as a private equity investment company with primary focus on financial services sector and insurance. The company reaped the desired results of this strategy. Especially, the de-risking model introduced helped company to tide over, to a large extent, the worst global financial and economic crisis ever faced since its incorporation. The management is optimistic for a recovery in the current financial year.

Global Economy:—With the global economic recovery on track, the World Trade Organisation (WTO) estimates that global trade is growing at an impressive 25 per cent and is already back to pre-crisis (January 2008) levels. As far as foreign direct investment, the United Nations Conference on Trade and Development (UNCTAD) indicates that the decline in flows have bottomed out (at 2005-06 levels approx.) and is picking up momentum as well. The world economic growth is projected at 4.25% in 2011.

Oman Economy: - Oman embarks on the 8th Five-Year-Plan in 2011 with its economic trajectory looking good with an average 6 per cent real GDP growth forecast during the Five-Year-Plan period. Serving as the engine of growth, the government spending is set to rise by 13 per cent at RO 8130 million in 2011.

A real GDP growth of 5 per cent in 2011 is anticipated on the back of strong oil revenue. Budgeted oil revenue is based on an average $58 per barrel and production of 896,000 barrels per day. Revenue projection at RO 7,280 million is higher by RO 900 million or 14 per cent over the 2010 revenue estimate. The economic growth during the Seventh Five-Year-Plan exceeded the original target and the annual average GDP touched 13.1 per cent at current prices and 6.3 per cent at constant prices.

Summary of MSM Performance

Market Capitalization by Sector Indices (RO billion)

Description	Dec-09	Dec-10	Mar-11	YOY Change	Q1'11 Change
Banking and Investments	2.63	3.60	3.25	36.8%	-9.72%
Services	0.95	3.02	2.46	217.8%	-18.54%
Industry	1.84	1.18	1.25	-35.8%	5.93%
Total Market capitalization	**5.43**	**7.80**	**6.96**	43.6%	-10.77%

Change in the Index movement

Description	General Index	Industry	Banking and Investments	Services	Change in General Index
Mar 2011	6,167.98	6,828.46	6,921.31	2,608.75	-8.69%
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	5441.12	4321.64	6,620.92	2527.87	-39.78%
Dec 2007	9035.48	8137.06	12312.8	3533.14	61.88%
Dec 2006	5581.57	5072.8	7179.27	2323.92	14.49%
Dec 2005	4875.11	3778.54	6847.72	1975.65	44.45%
Dec 2004	3375.05	2811.91	4520.64	1520.45	23.78%
No. of Stocks Included in the Indices	30	9	15	6	

(Source: MSM Investors Guides)

OPPORTUNITIES

The Sultanate’s strategic economic policies are designed to make constant adjustments to changing situations. With the current trend of oil prices and favourable financial, economic and monetary policies the national economy is expected to record a growth rate of 4.68 per cent at constant prices in 2011.

The government’s emphasis on expenditure in infrastructure will provide good opportunities for the investee companies of Al Anwar Holdings SAOG. This will eventually be benefiting to the holding company as well. In view of above: -

1. The performance of the investee companies is expected to be better,
2. The investments that are depressed due to valuing them at current market price are expected to improve in valuation,
3. A better price is expected for planned divestments,
4. New investment opportunities will emerge and
5. Funds mobilization from Banks, financial institutions and capital markets will become more accessible at lower costs.

THREATS

Threats that could be foreseen are listed below:

1. In oil based economy like ours, the fall in oil prices may change the local and regional economic scenario,
2. Containment of Inflation is a challenge in GCC countries in general and Oman in particular.
3. Investment exposure outside Oman carries a geographical risk. However, these investments have already been brought down to their fair value, and it is not expected that the fair value of these investment will go down any further

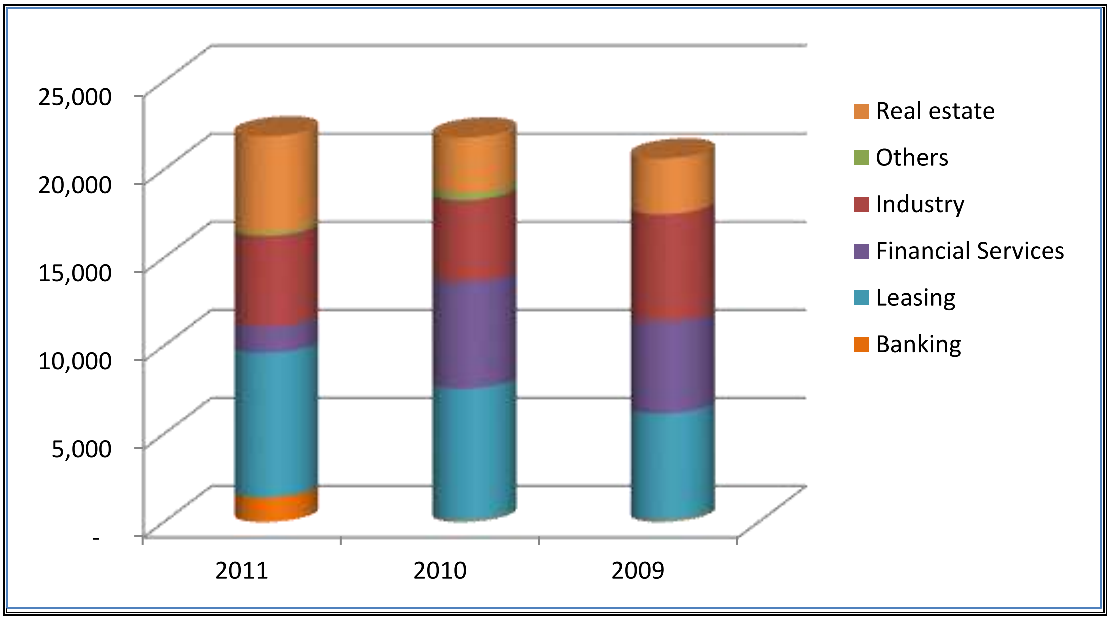
The management has taken effective steps already to mitigate or reduce the impact of various threats like:

1. Geographic dispersal of investment portfolio to countries that are not oil dependent,
2. Preparing for competition by creating a niche in insurance and financial services sector and
3. Re-aligning the investment portfolio with major focus on financial services sector.
4. Investment policy stipulates that each company, industry, group, country or region will have limited exposure.

ANALYSIS OF SEGMENT WISE PERFORMANCE

The sectorial composition of the investment book in group accounts, at carrying cost, except subsidiaries, is as under:

Financial Year	2010-11		2009-10		2008-09	
	RO'000	**%age**	**RO'000**	**%age**	**RO'000**	**%age**
Banking	1,394	6%	76	0%	76	0%
Leasing	8,198	37%	7,478	34%	6,073	29%
Financial Services	1,499	7%	6,084	28%	5,229	25%
Industry	5,143	24%	4,628	21%	6,082	29%
Others	215	1%	398	2%	20	0%
Real estate	5,430	25%	3,148	14%	3,148	15%
Total	**21,879**	**100%**	**21,812**	**100%**	**20,628**	**100%**
Growth	**0.3%**		**6%**		**-**	



New Investments

During the year the company was cautious in making new investments in view of uncertainties in the market and therefore decided to invest in the companies that it knew best. As such, the company increased its stake in Falcon Insurance Company SAOC, Oman and Taageer Finance Company SAOG, Oman.

OUTLOOK

The 8th Five-Year-Plan beginning in 2011 augurs well for Oman with an estimated outlay of RO 30 billion, including RO 6 billion for the oil industry. The spending envisages an increase of 113 per cent compared to the previous Five-Year Plan. The average oil output is expected to touch 897,000 barrels per day (bpd) during the Plan period.

The economic diversification programme is expected to sustain growth in 2011. In view of the government commitment to infrastructure development and industrialisation, the company anticipates considerable growth opportunities.

Oman economy that remained resilient is expected to improve on account of:

1. Increased Government spending
2. Favourable monetary policies
3. Support to local banking system and
4. Availability of liquidity.

As per Government statistics, Oman Economy is expected to report growth of 4.68% at constant prices.

RISKS AND CONCERNS

There are various financial risks mentioned in the Note 26 of the consolidated financial statement. These are broadly Credit Risks, Liquidity Risks and Market Risks. They are covered in detail in the note 26 to the consolidated financial statement and as such are not repeated here.

By and large, the risks and concerns to which the investee companies are exposed form a risk and 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 started fully functional in-house Internal Audit Unit during the year. 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 has posted a loss during the year as compared with year 2009-10 in consolidated Group Accounts and in Parent Company Accounts.

Al Anwar group reported a net consolidated loss attributable to the shareholders of the parent company of RO 1. 201 million for the year ended 31st March, 2011 as against a net consolidated profit of RO 3.144 million for the year ended 31st March, 2010. The loss was mainly on account of booking a fair value loss on its investments in Bahrain and India which were heavily hit by political and economic environment of their respective countries.

During the year, Al Anwar has booked a loss of RO 1.911 million (2009-10: Profit of 0.870 million) on account of mark to market valuation of its listed investments in Oman and India.

The Share-of-profits from Associates was at RO 1.425 million as against RO 1.068 million in the previous year which indicates effective monitoring of investments.

The Earning / (loss) per share (EPS) was (10) Baizas in 2011 as against 26 Baizas in 2010, on the revised capital base post bonus shares.

Net asset of the company, as on 31st March, 2011, was 147 Baizas per share as against 162 Baizas per share as on 31st March, 2010, on the revised capital base post bonus shares.

Sanjay Kumar Tiwari
Financial Controller