

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors I am pleased to present the un-audited condensed interim consolidated results of Al Anwar Holdings SAOG (AAH) for the nine months ended 31st December, 2013.

Al Anwar Holdings SAOG is an Omani Joint Stock Investment Holding Company registered in the Sultanate of Oman. The business activities of the company include equity participation in new and existing business ventures across various sectors.

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 September, 2013 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 , 100% subsidiary of AAH.
2. The Share of Profit / (Loss) achieved by Associate Companies up to 30th September, 2013 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 achieved a consolidated group net profit, after tax, attributable to shareholders of parent company, of RO 1.794 million for nine months ended 31st December, 2013 as against RO 1.039 million for nine months ended 31st December, 2012.

The earning per share (EPS) was 20 Baisa (annualised) as on 31st December, 2013 as against EPS of 12 Baisa (annualised) as on 31st December, 2012, an increase of 67%.

Net asset per share of the group is 174 Baisa per share as on 31st December, 2013 as against 165 Baisa per share as on 31st March, 2013 i.e. beginning of the period.

Updates on Investments

- (i) Falcon Insurance Co. SAOC (Falcon): Falcon is expanding its business base and at the same time carefully rationalizing the risk profile of business written. As a result, although Falcon reported a nominal growth of 5% in gross premium written, a significant increase in profit was reported during the period.

Memorandum of Understanding to consider merger with another insurance company in Oman expired on 28th Dec'13.

- (ii) Al Maha Ceramics Co. SAOC (Al Maha): As a result of private placement to directors and employees of Al Maha, AAH's stake in Al Maha declined to 36.06% from 37% during the period. Al Maha, on back of debottlenecking and better product mix, recorded 13% growth in revenue and 37% growth in profit during the period as compared to the same period of last year. Presently the Company is operating over full capacity.

Al Maha is completing the preparatory work related to the Initial Public Offering (IPO). The time lines for IPO would be announced once all the preparatory work is completed.

- (iii) Voltamp Energy SAOG (VE): VE reported 34% growth in revenue on account of improved order book as compared to the same period of last year. VE also reported 99% growth in net profit as compared with the same period of last year. The current CEO of the company resigned on 28th Oct'13 and will be relived on 31st Mar'14. Search for a new CEO is going on.
- (iv) Taageer Finance Co. SAOG (Taageer): Taageer reported a growth of 2% in the gross income and 5% growth in net profit as compared to the same period as last year. Net Investment in working capital and finance leases as on 30th Sept', 13 stood at RO 98 million, 7% higher from, RO 92 million, the level of 31st Dec', 12.
- (v) Almondz Global Securities Ltd, India (AGSL): The market price of the share improved during the last nine months and as such, AAH booked mark to market gains (net of foreign exchange loss), of RO 54,512 on fair valuation of the same. By focusing on other line of businesses, AGSL was able to recover from the setback it received from the regulator's order to stop providing services for new IPO's in India in December, 2011.
- (vi) Addax Bank Bahrain (Addax): Addax reported a loss of US \$ 4.2 million during last nine months on account of overheads and impairment of its assets and accordingly AAH booked losses of RO 63,233 during the period. Our legal case in GCC Arbitration Center is being pursued by our legal counsel in Bahrain.
- (vii) Investment property: AAH has entered into an agreement with a buyer who has paid a sum of RO 500,000 as a non-refundable deposit towards purchase of the land at a net price of RO 2.5 million. The sale transaction is required to be completed by 5th March, 2014. As a result of this agreement, AAH has booked a fair value loss of RO 500,000 during the period.

Outlook:

Oman's economic growth momentum continued to be robust, driven primarily by public sector activities backed by domestic demand. The first nine months of 2013 witnessed a 2.6% increase in the Gross Domestic Product (GDP) at current prices to RO 22.7 billion from RO 22.1 billion during the same period last year. The 2014 Budget estimates a Real GDP growth at 5.0% for 2014 as against 4.8% estimated for 2013.

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 43rd 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: 03/02/2014