

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). Al Anwar has a successful transaction record of setting up new companies, injecting quality management and raising companies to their full potential. Over the years, we have built successful companies and exited some of them through stake sales or flotation. We believe that success can be established in the long run only with the true establishment of values. Al Anwar today is the result of eighteen years of experience in management and investing and taking several companies to the next level.

Al Anwar constantly evaluates investment opportunities which fit into our investment thesis. Our participation is also determined by the value we can add to each of these investments. Over the years we have built expertise in several sectors. We prefer to remain a niche player and we are keen to adopt the best business practices. We track our investments in a constant basis actively pursuing options to enhance the revenues and efficiency in these investments. We constantly test the robustness of our business model and strategy and give priority to long term sustainable growth.

Global Economy:—With the global economy having a major setback in 2011 there has been a steady increase in the prospects. However some of the risks remain. Euro zone threatened to dampen the sentiments but better policies by the leaders of EU in dealing with the deepening economic crises have reduced the uncertainty. It is important that policy makers continue to implement the fundamental changes required to achieve healthy growth over the medium term. IMF estimates that the global growth is projected to drop from about 4% in 2011 to 3.5% in 2012 because of the weak activity during the second half of 2011 and first half of 2012. However it is estimated that the real GDP growth in the emerging and developing economies is projected to slow from 6.25% in 2011 to 5.75% in 2012 and then reaccelerate to 6% in 2013, helped by easier macroeconomic policies and strengthening foreign demand.

Oman Economy: - Oman embarked on a comprehensive plan to achieve its growth through several initiatives. The annual budget 2012 estimated the highest revenues and the highest expenditures with a focus on infrastructure and development. The budget estimates an increase of 20.8% on yearly basis in total estimated revenues at RO 8.8bn compared with original 2011 budget at RO 7.28bn. The Oil and gas revenues are budgeted at RO 7.2bn, up by 22.5% year on year, constituting 81.8% of total budgeted revenues for 2012 against 80.7% in 2011. Total expenditure for the financial year 2012 is estimated at about RO 10bn, an increase of 23% against the original 2011 budget figures and increase of 8.7% against the amended budgeted level RO 9.2bn in 2011. Current Expenditure stood at RO 6.4bn represents the highest portion of the government expenditure at 64.5% followed by investment expenditure at RO 2.7bn. There has also been an increased focus on education and health sectors. Total spending for the 8th Five Year Plan increased to RO 54bn compared with RO 42.7bn for the original 8th Five Year Plan, representing an increase by almost 26.4%. The able guidance and wisdom of His Majesty the Sultan in providing the long term vision will go a long way to foster growth in the Sultanate.

Summary of MSM Performance

Market Capitalization by Sector Indices			(RO billion)		
Description	Dec-10	Dec-11	Mar-12	YOY Change	Q1'11 Change
Banking and Investments	3.60	3.24	3.14	-10%	-3%
Services	3.02	2.54	2.51	-16%	-1%
Industry	1.18	1.14	1.24	-4%	9%
Total Market capitalization	7.80	6.92	6.89	-11%	-0.4%

Change in the Index movement

Description	General Index	Industry	Banking and Investments	Services	Change in General Index
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	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	5072.80	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 government's emphasis on expenditure in infrastructure will provide good opportunities for the investee companies of Al Anwar Holdings SAOG. This will eventually benefit holding company as well. In view of above we anticipate that: -

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 on valuations,
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 reasonable 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.
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.
4. Global economic stability and regional adjustments

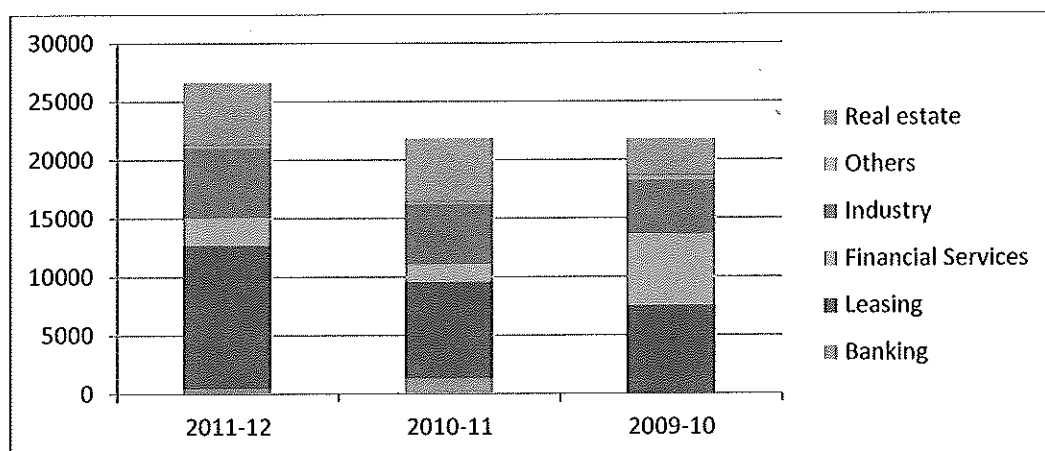
The management has taken effective steps already to mitigate or reduce the impact of various threats like:

1. Preparing for competition by creating a niche
2. Re-aligning the investment portfolio with major focus on financial services insurance and energy.
3. Investment policy stipulates that each investment, industry, group, country or region will have an exposure based on prudent risk management practices.

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	2011-12		2010-11		2009-10	
	RO'000	%age	RO'000	%age	RO'000	%age
Banking	504	2%	1,394	6%	76	0%
Leasing	12,260	46%	8,198	37%	7,478	34%
Financial Services	2,328	9%	1,499	7%	6,084	28%
Industry	5,983	22%	5,143	24%	4,628	21%
Others	280	1%	215	1%	398	2%
Real estate	5,282	20%	5,430	25%	3,148	14%
Total	26,637	100%	21,879	100%	21,812	100%
Growth	21.7%		0.3%		-	



New Investments

During the year the company continued its cautious approach towards new investments and therefore decided to consolidate its holding in existing companies. As such, the company increased its stake in Taageer Finance Company SAOG, Oman.

OUTLOOK

The economic diversification programme is expected to sustain growth in 2012. 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. Focus on long term development
3. Favourable regulatory policies
4. Support to local banking system and
5. Availability of liquidity

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 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 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 profit during the year as compared to the loss reported during last year 2010-11 in consolidated Group Accounts and in Parent Company Accounts.

Al Anwar group reported a net consolidated profit attributable to the shareholders of the parent company of RO 0. 511 million for the year ended 31st March, 2012 as against a net consolidated loss of RO 1.201 million for the year ended 31st March, 2011.

The Share-of-profits from Associates was at RO 1.500 million as against RO 1.425 million in the previous year.

The Earning / (loss) per share (EPS) was 4 Baizas in 2012 as against (10) Baizas in 2011, on the revised capital base post bonus shares.

Net asset of the company, as on 31st March, 2012, was 151 Baizas per share as against 147 Baizas per share as on 31st March, 2011, on the revised capital base post bonus shares.



Reji Joseph
Chief Executive Officer