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. Re-positioning itself in 2006 as a private equity investment company with primary focus on financial services sector and insurance, the company reaped desired results. Specially, the de-risking model introduced helped company to tide over the worst global financial and economic crisis after 2007 ever faced since its incorporation. While the after effects of crisis being faced by the company still, the management is tend to be optimistic for a recovery in the current financial year.

1. *Global Economy:* After a successive crisis in financial sector and world economy in 2007 and 2008, the year 2009 saw a turnaround in the overall mood of economies globally. Although first half of the year 2009 was being viewed with skeptism by investors and bankers world around, second half of the year was a clear sign of turnaround in the investment climate. The confidence of investors increased during the period and opportunities started surfacing for investments. However, the approach was to tread with caution.

2. *GCC & Oman Economies:* GCC economies including that of Oman are dependent on hydrocarbons including oil on varying degrees. The oil prices touched to its lowest trough during 2009 and were down by 44% as compared with its peak during 2008. This indeed affected many economies in the GCC region.

   However, the Oman economy countered the repercussions, registering a positive growth of 3.7 per cent at constant prices in 2009. Proactive measures by the Central Bank of Oman (CBO) helped the banking and financial sectors to tide over the difficult situation. Local commercial banks availing only a fraction of financial support offered by CBO was a clear indication of the economic recovery..

3. *Muscat Securities Market:* The bench mark MSM 30 index of the Muscat Securities Market recorded a 46% growth during the year 2009-10 ending as on 31st March, 2010. It stood at 6697.51 points as on 31st March, 2010 as against 4575.99 points as on 1st April, 2009.
   Al Anwar shares are listed on MSM and form part of the basket of 30 index scrips.

Summary of MSM Performance

Market Capitalization by Sector Indices (RO billion)

Description	**Dec-08**	**Dec-09**	**Mar-10**	**YOY**	**Q1'10**
Banking and Investments	1.94	2.63	3.02	35.59%	14.87%
Services	1.82	0.95	1.81	-47.68%	90.48%
Industry	0.56	1.84	0.96	229.23%	-47.91%
Total Market capitalization	**4.32**	**5.43**	**5.80**	**25.61%**	**6.81%**

Change in the Index movement

Description	**General Index**	**Industry**	**Banking and Investments**	**Services**	**Change in General Index**
Mar 2010	6,697.51	7,462.34	9,607.97	2,653.80	5.16%
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	13	8	

(Source: MSM Investors Guides)

OPPORTUNITIES

The Sultanate's strategic economic policies are designed to make constant adjustments to changing situations. The anticipated increase of oil prices and favourable financial, economic and monetary policies augur well for the national economy which is expected to record a growth rate of 6.1 per cent at constant prices and 18.4 per cent at current prices in 2010.

Other emerging economies would continue to be improving in coming year. The reversal is expected to be fast in the emerging economies including the GCC countries as they are better positioned than the developed economies, as per the economists. The revival of China, which is one of the largest consumers of commodities including crude oil is expected to spurt the demand benefiting the economies including the GCC countries.

The stabilization of crude oil prices at around US $ 80 per barrel has given a sigh of relief for economies in GCC. The crude oil price forecast for the year at an average of above US$ 80 appears plausible. The revival and growth of economies in the home country, Oman; in the region and the world offers great opportunities for the company in the following manner:

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 investments planned for divestment,
4. New investment opportunities will improve and
5. Funds mobilization from Banks, financial institutions and capital markets will become easier and cheaper.

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.

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

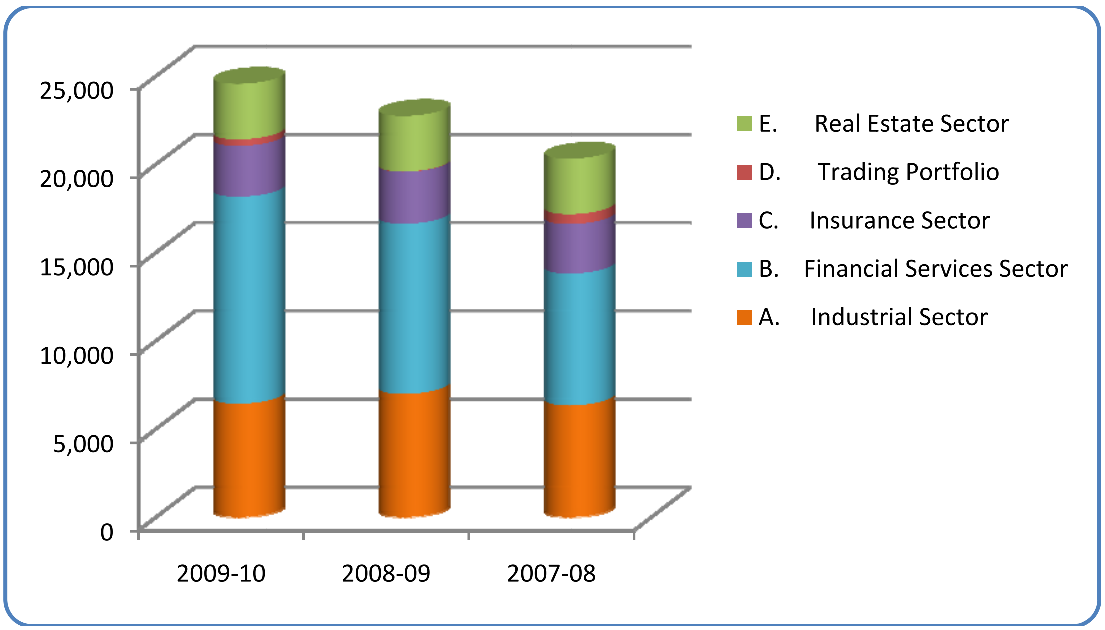
1. geographic dispersal of investment portfolio to countries that are not oil dependent,
2. preparing for competition by creating a niche in insurance and financial services sector and
3. re-aligning the investment portfolio with major focus on financial services sector.
4. Investment policy lays down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

The threat of US recession and slowing down of world economy as identified and reported last year came out be true. It was due to the mixed and diversified portfolio that the effect was reduced to large extent.

ANALYSIS OF SEGMENT WISE PERFORMANCE

The sectoral composition of the investment book at carrying cost is as under:

Financial Year	2009-10		2008-09		2007-08	
	RO'000	**%age**	**RO'000**	**%age**	**RO'000**	**%age**
A. Industrial Sector	6,420	26%	6,975	31%	6,317	31%
B. Financial Services Sector	11,738	48%	9,645	42%	7,478	37%
C. Insurance Sector	2,879	12%	2,948	13%	2,810	14%
D. Trading Portfolio	373	1%	20	0%	558	3%
E. Real Estate Sector	3,148	13%	3,148	14%	3,147	15%
Total	**24,558**	**100%**	**22,736**	**100%**	**20,310**	**100%**
Growth	**8%**		**12%**		**-**	



The management was extremely cautious in making further investments during the year due to global recession and increased its investment book only by a meager 8%.

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 Taageer Finance Company SAOG, Oman and therefore it became an associate company of AAH.

Further, in view of uncertainties in brokerage business in Saudi Arabia, AAH decided to swap its 25% stake in Addax Securities Saudi Arabia, with that of 3,111,111 shares of Addax Bank Bahrain and therefore, Addax Securities Saudi Arabia ceased to be an associate during the year.

The trading portfolio performed well during the year and provided an absolute profit of RO 165,976 and a return of 67%.

OUTLOOK

The global economic outlook is that of recovery though without any consensus on speed of recovery. As per IMF, the world output is expected to rise by 4% in 2010. GCC governments are expected to record a combined budget surplus of about $50 billion and the current account surplus by about $90 billion. 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 6.1% at constant prices and at about 18.4% at current prices.

Outlook for Private Equity is very positive in GCC and India.

RISKS AND CONCERNS

There are various financial risks mentioned in the Note 25 of the consolidated financial statement. These are broadly Credit Risks, Liquidity Risks and Market Risks. They are covered in detail in the note 25 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.

1. *Increasing raw material prices*: and the difficulty in shifting the cost burden to the customer, pose a threat to the revenues of the investee companies, which in turn affect the revenues of Al Anwar. However proper strategies were drawn to overcome this threat and the company optimistic to tide over this situation in a successful manner.

2. *Competition from GCC as well as international region*: results in the drastic fall in revenues/ profits of investee companies, which in turn affects the revenues/ profits of Al Anwar. This threat being unavoidable, the investee companies could reduce this threat by delivering quality products and services.

3. *Product Shifts:* Investment in Industrial units consists of investing in capital assets like Plant & Machinery, technology – the benefits of which can be recovered over a long-term. Shifts in product preference due to various reasons such as technological changes, new product substitutes, etc results in the viability of the project/ unit being affected. The management is carefully watching the technological development and shall take advantage of the same at every opportunity available.

A major risk in the investments in industrial ventures is the relatively long gestation periods, which affects the performance of the parent company. Al Anwar has chosen to deal with this issue by investing in a portfolio, where the diversity reduces the impact. It is also into making a conscious effort in expanding capacities in product markets where the Investee Company has expertise, which also goes to reducing the risks. Al Anwar thus continuously assesses and manages the medium term strategies and monitors the performance of the investee companies and projects, against the medium-term plans.

With the policy shift of managing investments rather than companies, the aforementioned lists are position in the economy and income generation capabilities in the long run. Wherever, an investment fails the acid test of its continuance in the investment basket, it would be divested.

The above risks are further minimized by shifting over reliance on industrial investments and moving towards financial services and insurance over them.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal controls commensurate with the size and nature of operations. A financial manual of 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.

The business performance of the Group is reported regularly to its management and 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 20% increase in its profit during the year as compared with year 2008-09 in consolidated Group Accounts and an increase of 61% as compared with year 2008-09 in Parent Company Accounts.

Al Anwar group achieved a net consolidated profit attributable to the shareholders of the parent company of RO 3.144 million for the year ended 31st March, 2010 as against a net consolidated profit of RO2.615 million for the year ended 31st March, 2009. About 50% of the net profit at RO 1.585 million is generated out of divestment of 20% shareholding in National Aluminium Products Company SAOG.

During the year, Al Anwar has booked a profit of RO 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 1.068 million as against RO 0.158 million in the previous year which indicates effective monitoring of investments.

The Earning per share (EPS) was 29 Baizas in 2010 as against 24 Baizas in 2009 on the increased Share Capital from RO 10.000 million to RO 11.000 million, an increase of 10%.

Net asset, as on 31st March, 2010, of the company was 177 Baizas per share as against 153 Baizas per share as on 31st March, 2009.