

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 three months ended 30th June, 2014.

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 31st March, 2014 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 (Formerly known as Al Anwar Securities SAOC), 100% subsidiary of AAH.
2. The Share of Profit / (Loss) achieved by Associate Companies up to 31st March, 2014 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 1.157 million for three months ended 30th June, 2014 as against RO 0.865 million for three months ended 30th June, 2013.

The earning per share (EPS) was 39 Baisa (annualised) as on 30th June, 2014 as against EPS of 29 Baisa (annualised) as on 30th June, 2013, an increase of 34%.

Net asset per share of the group is 185 Baisa per share as on 30th June, 2014 as against 166 Baisa per share as on 30th June, 2013.

The Board is pleased to inform that the potential transaction to sale our entire holding of 33.63% (held by Al Anwar Holdings and its subsidiary) would generate a sale proceeds of RO 13.8 million and the same would be utilized for repayment of term loans as well for new investment opportunities to be approved by the Board. The transaction would generate a profit of RO 0.269 million in the consolidated group financials of the company.

Updates on Investments

- (i) Falcon Insurance Co. SAOC (Falcon): Falcon is carefully expanding the business in both General Insurance and Life Insurance sectors and reported 21% and 204% growth in the respective sectors. The net underwriting results are higher than last year. However, with a drop in income from investments compared to the same period last year, it reported 14% growth in net profit.
- (ii) Al Maha Ceramics Co. SAOC (Al Maha): Al Maha has significantly utilized its increased capacity during the quarter. It recorded 19% growth in revenue and significant growth in profits during the period as compared to the same period of last year.

Al Maha is progressing with the preparatory work pertaining 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): Although, VE reported a drop of 6% in revenue for the first quarter, the Transformer Division reported a growth of 15%. However, the Power Transformer Division in Sohar was facing stiff competition during the period and reported a decline in revenues. Further, the investment income was also lower than last year and the company reported a decline of 23% in net profit for the period.
- (iv) Taageer Finance Co. SAOG (Taageer): Taageer reported a growth of 3% in the gross income but reported a reduction of 11% in net profit as compared to the same period as last year.

Al Anwar Holdings SAOG is under discussion with a local institution in Oman to sell its entire stake of 33.63% in Taageer.

- (v) Addax Bank Bahrain (Addax): Addax reported a loss of US \$ 0.98 million during the first quarter on account of overheads and accordingly AAH booked losses of RO 14,562 during the period. Post balance sheet date, the GCC Arbitration Centre has given their verdict in our favor in the legal case with Addax Bank to recover our investment in the Bank's shares. According to the verdict, Addax Bank has been directed to return US\$ 4.67 million to us and directed Al Anwar International Investment LLC, 100% subsidiary of Al Anwar Holdings SAOG, to return 3.11 million shares in Addax Bank. Our lawyer would now proceed for the execution and enforcement phase.

Outlook:

Oman's economic growth momentum continued to be robust, driven primarily by public sector activities backed by domestic demand. The first three months of 2014 witnessed a 4.6% increase in the Gross Domestic Product (GDP) at current prices to RO 7.72 billion from RO 7.38 billion during the same period last year. The 2014 Budget estimates a Real GDP growth at 5.0% for 2014.

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 blessed renaissance 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: 12/08/2014