

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors I am pleased to present the un-audited consolidated results of Al Anwar Holdings SAOG (AAH) for the six months ended 30th September, 2016.

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 June, 2016 by its subsidiaries namely:
 - i. Falcon Insurance Company SAOC, 51.04% subsidiary of AAH, engaged in Insurance activities in Oman,
 - ii. Al Anwar International Investment LLC, 100% subsidiary of AAH, primarily being used as an investment arm, and
 - iii. Al Anwar Development LLC, 100% subsidiary of AAH.
2. The Share of Profit / (Loss) achieved by Associate Companies up to 30th June, 2016 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 has achieved a consolidated group net profit, after tax, attributable to shareholders of parent company, of RO 3.661 million for six months ended 30th September, 2016 as against RO 3.466 million for six months ended 30th September, 2015. About 70% of this profit is arising out of fair value gains on investment in OMINVEST and predictions or projections for future should be dealt with caution.

The earning per share (EPS) was 21 Baisa for the period ending as on 30th September, 2016 as against EPS of 20 Baisa for the period ending as on 30th September, 2015, adjusted for the stock dividend declared in 2016.

Net asset per share of the group is 201 Baisa per share as on 30th September, 2016, on the increased capital due to stock dividend, as against 188 Baisa per share as on 30th September, 2015.

Updates on Investments

- i. **Falcon Insurance Company SAOC:** Falcon reported a decline in gross premium written. Accordingly, the underwriting results also declined. This is attributable mainly to market competition. However, the management has taken actions to reduce the impact by acquiring new businesses in both life and non-life segments.

Refer our disclosure dated 10 May 2016 regarding partial divestment of our stake in Falcon Insurance, the consultants were appointed by both parties to carryout due diligence. A decision with regard to the divestment and acquisition of assets by Falcon is expected in the next quarter.
- ii. **Al Maha Ceramics SAOG:** Al Maha reported a minor reduction of 3.5% in the revenue during the period. Accordingly, net profit also declined by 5.9%. Al Maha is facing stiff competition, but was able to maintain its profitability by launching new value added products to its portfolio. During the period the CEO has resigned and the Board is in the process of recruiting a suitable candidate.

- iii. **Voltamp Energy SAOG (VE):** VE reported a growth in its revenue of 18% and a growth of 9% in net profit for the period. The Power Transformer Division has turned around and reported profit during the period compared to loss reported during the same period last year. The company was able to perform better as compared to last year due to its proactive and prudent actions and good order book.
- iv. **Oman International Development and Investment Co. SAOG (OMINVEST):** As at end of the quarter, AAH (Including Group Companies) held 10.15% stake in OMINVEST and recorded a total fair value gain of RO 5.380 million on its entire holding during the period. Part of the fair value gain i.e. RO 2.573 million is recorded as Investment Income under Comprehensive Income and RO 2.807 million is recorded as Changes in Fair value on "Available for Sale" investments under Other Comprehensive Income.

Other updates:

After a successful five and half years' of association with Al Anwar Holdings SAOG, the Chief Executive Officer, Mr. Reji Joseph has submitted his resignation during the Board meeting held on 1st November, 2016. The Board while accepting his resignation, placed on record their thanks and appreciation to Mr Joseph for his invaluable services during his tenure with the Company and wished him all the best in his future endeavours. The last working day for Mr. Reji Joseph would be on 5th January, 2017. The Board will now start the recruitment process for a new CEO.

Outlook:

In line with the regional GCC economies, Oman's economy is realigning to the impact of sharp fall in crude oil prices during 2015 which although has slightly recovered in 2016, is still below expectations.

Government Budget for 2016 has revealed a more austere approach to public spending whilst cautiously implementing measures to reduce state spending with a sizable cut in costly fuel subsidies, increases in the corporate tax and fees on government services.

Al Anwar has maintained a cautiously optimistic approach with the core focus on financial services and industrial sector, while also continuing to explore opportunities in other sectors. Business lines of our group companies are seeking stability in the present challenging market environment. Going forward, in continuance of prudent policy framework, we will align the growth strategies accordingly.

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.

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: 01.11.2016