

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 nine months ended 31st December, 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 September, 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 September, 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 3.314 million for nine months ended 31st December, 2016 as against RO 2.223 million for nine months ended 30th September, 2015. About 53% 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 19 Baisa for the period ending as on 31st December, 2016 as against EPS of 13 Baisa for the period ending as on 31st December, 2015, adjusted for the stock dividend declared in 2016.

Net asset per share of the group is 193 Baisa per share as on 31st December, 2016, on the increased capital due to stock dividend, as against 170 Baisa per share as on 31st December, 2015.

Updates on Investments

- i. **Falcon Insurance Company SAOC:** Falcon reported a decline of 40% in gross premium written and 22% in underwriting profit mainly on account of market competition and regulatory changes with respect to Group Credit Life policies issued by banks. However, the management has taken steps to reduce the impact by acquiring new businesses in both life and non-life segments.

Al Anwar Holdings SAOG (AAH) has entered into an agreement for divesting 20.35% stake in Falcon Insurance, at a price of RO 1.876 per share. This transaction shall generate proceeds of RO 2.4 million with no significant effect on AAH profitability. The transaction is subject to FIC simultaneously acquiring business of Arabia Insurance (Oman Branch) and approval of relevant authorities.
- ii. **Al Maha Ceramics SAOG:** Al Maha reported a reduction of 7.8% in the revenue during the period. Accordingly, net profit also declined by 9.9%. Al Maha is facing stiff competition, however, the prudent policies of Board and management ensured that the company was resilient and achieved comparatively unscathed results as compared with its competitors.

- iii. **Voltamp Energy SAOG (VE):** VE reported a growth in its revenue of 16% and a growth of 7% in net profit for the period. The company was able to sustain and perform better as compared to last year due to its proactive & prudent approach, supported by 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 3.444 million on its entire holding during the period. Part of the fair value gain i.e. RO 1.752 million is recorded as Investment Income under comprehensive income and RO 1.692 is recorded as Changes in Fair value on available for sale investments under other comprehensive income.

Outlook:

Government Budget for 2017 considers growth in GDP over 2016 with an austere approach whilst cautiously implementing measures to reduce costs and increase revenue.

Going forward, AI Anwar will continue to maintain a cautiously optimistic approach with the core focus on financial services and industries, while exploring opportunities in other promising sectors, and will align its 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 AI 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
AI Anwar Holdings SAOG**

**Masoud Humaid Al Harthy
Chairman**

Date: 06.02.2017