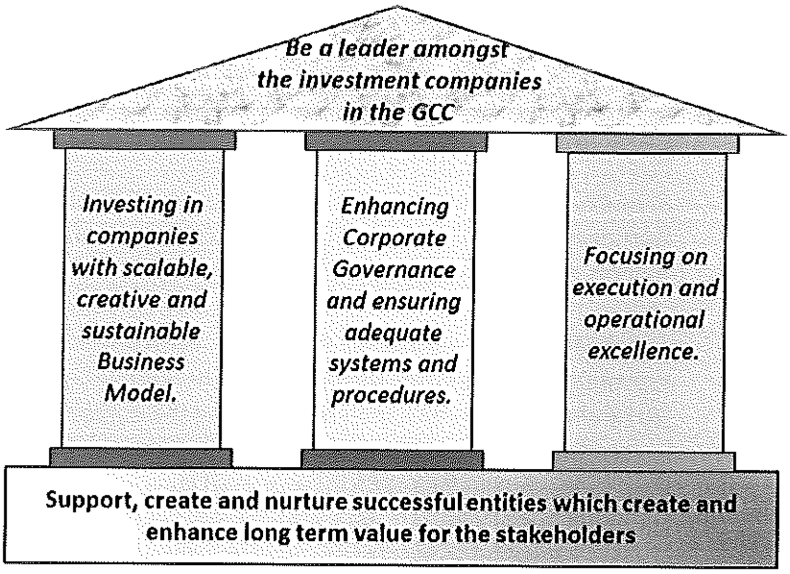
MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Al Anwar Holdings SAOG was incorporated on 20th December, 1994 as a publically traded company on Muscat Securities Market (MSM). Over the last twenty-four years, we have built successful companies and exited some of them through stake sales or flotation.

Investment Strategy: Clear, Differentiated and Proven

Private-Equity & Private Investment in Public Enterprises (PIPE) model of owning and investing in private companies with the intention of growing them and improving their business performance forms the core of Al Anwar's investing framework.



At Al Anwar, we, crave for efficiency and to achieve our goals, we follow an approach emphasizing investing in businesses run by cost-conscious and efficient managers.

After the investment, our role is to create an environment in which our entrusted CEOs can maximize both their managerial effectiveness and generate value for shareholders.

Our flexibility in capital allocation and willingness to carry out bolt on acquisitions, gives us a significant edge in the market. We are judicious in having ownership stakes with respect to getting a controlling/non-controlling/significant minority stakes in businesses, depending on the nature of opportunity at hand.

GCC Economic Landscape:

- The year 2017 has been a mixed year for the GCC markets in terms of macro-economic factors and geo-political events. Overall impact has been that the regional markets have remained subdued despite stronger Oil and positive global market sentiment.
- Oil prices continued with its steady climb on back of declining inventory in US as well as heightened geo-political risks in the wider MENA region and ended up at $67/bbl, a gain of nearly 18% on the Brent crude for the Year 2017

Market Index Performance	Abu Dhabi	Bahrain	Dubai	Kuwait	Oman	Qatar	Saudi Arabia
2017	-3.3%	9.1%	-4.6%	11.5%	-11.8%	-18.3%	0.2%

- GCC announced its largest ever budgeted spending for the year 2018 despite oil price still faring way below the booming year averages. Governments shifted their strategy to expansionary budgets after exercising belt tightening in last couple of years. Majority of the budgets announced amongst GCC nations have shown an expansionary policy, suggesting the confidence in tackling the twin deficits faced by them over the past few years. Further, Value Added Tax (VAT) has been introduced in select countries, which could spike inflation by few notches, but not alarmingly enough to cut back on capex plans amongst the listed entities.

- Further economic reforms are expected as we move ahead in 2018 as the countries rationalize spending and make sincere attempts to diversify the economy away from the oil sector and build a sustainable non-oil economy. Expo 2020 and FIFA 2022 to augur well for the GCC growth.

Oman Economy and Outlook:

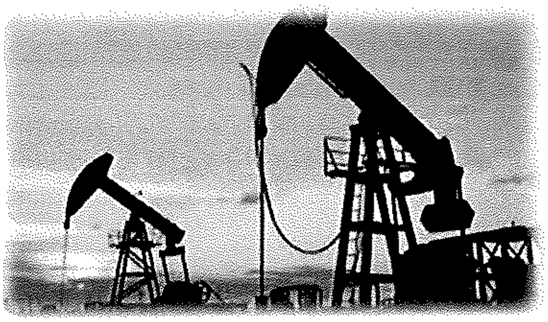
Overall, the year, 2017 was characterized by Oil price recovery to bolster government revenue Efforts to diversify the economy and income sources Public-private partnership model increasingly popular Authorities consider privatizing some public assets. During 2017, Oman's gross domestic product (GDP) at market price increased by 8.0% to touch RO27.75 billion, against RO25.69 billion for the year 2016

Oman faces an improved economic environment in 2018 with relatively higher oil prices and continued progress on Vision 2020. The Oman Government has announced a Balanced Budget for 2018 with primary focus on maintaining the current level of economic activities, to sustain the private sector investments and in line with the objectives set out by the Ninth Five-Year Development Plan (2016-2020). The budget has projected the GOP to grow by 3% in 2018 with improvement in oil prices along with the efforts taken towards non-oil economic diversification.

Oman government expects to earn revenues of OMR9.5bn in 2018 which is 9.2% higher than the budgeted revenue last year, on account of 11% increase in the oil and gas revenue and 5.0% increase in the non-oil revenue. The budget is built on an estimated $50 a barrel as against $51.3 actual realized for 2017.

Total expenditure budgeted for 2018 at RO 12.5bn is higher by 6.8% YoY, with current expenditure constituting 71.9% at RO 8.9bn. While subsidies have been increased to OMR 725mn from RO 395mn, the budgeted deficit is estimated at RO 3.0bn, 10% of the country's estimated GDP for 2018.

International Monetary Fund (IMF) estimates, gross debt to GDP of Oman to rise to 50.7% in 2018 compared to 44.5% in 2017.



In continuation of 9th Five Year Plan, the Government launched Tanfeedh - the National Program for Enhancing Economic Diversification to achieve financial and economic stability, diversifying the economic base and sources of national income, altering the role played by government in the Sultanate's economy, expanding the participation of the private sector.

Performance Overview of Muscat Securities Market (MSM):

Summary of MSM Performance Market Capitalization by Sector Indices *(Fig. in RO Billions)*

Description	Mar-16	Mar-17	Mar-18	YOY Change
Banking and Investments	3.48	3.78	3.82	1.05%
Services	3.68	3.39	2.80	-17.40%
Industry	1.35	1.43	1.14	-20.28%
Total Market capitalization	**8.51**	**8.60**	**7.76**	**-9.77%**

Change in the Index movement

Description	General Index	Industry	Banking and Investments	Services	Change in General Index
Mar 2018	4,773.51	6,593.86	7,121.43	2,605.70	-14.0%
Mar 2017	5,550.60	7,800.85	7,834.31	2,885.54	1.51%
Mar 2016	5,467.42	6,661.86	6,906.71	3,101.77	-12.35%
Mar 2015	6,238.00	8,158.29	7,704.64	3,425.86	-9.04%
Mar 2014	6,858.89	10,534.23	8,140.76	3,696.57	14.51%
Mar 2013	5,989.68	8,155.30	7,271.57	3,150.72	5.27%
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%
No. of Stocks Included in the Indices	30	8	16	6	

(Source: MSM Investors Guides)

The trading activity on MSM Index witnessed a marginal increase of 3.1% in average daily traded value for the year 2017 at RO 4.02 million as compared to RO 3.90 million in 2016.

OPPORTUNITIES

While Al Anwar continued to prosper in 2017-18, the company's Board and management remain cautious on the regional and global macro-economic outlook and the potential for continued volatility in securities markets. The company places a strong emphasis on risk management and mitigation, and employs stringent processes at the corporate level and across the investment teams.

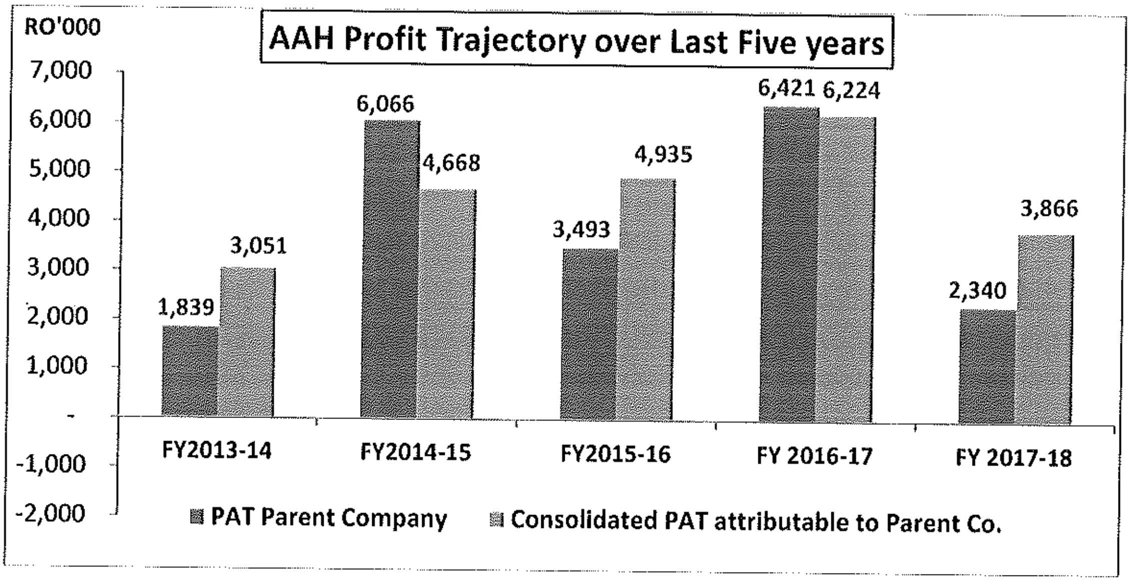
We are aware that the current environment may represent an opportune time to deploy capital. As a nimble company with a strong balance sheet, we believe that Al Anwar is in an excellent position to take advantage of attractive opportunities.

We as an Investment holding company have always looked for growth businesses with a penchant for value investments. The business model of our company has been tested regularly with market developments and outlook.

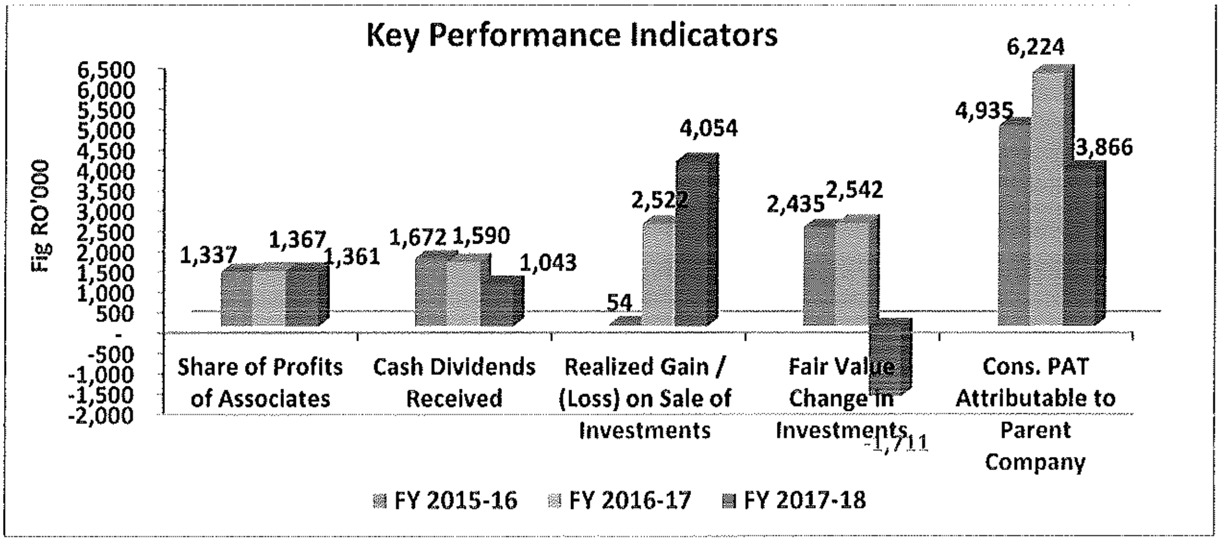
We have a fully engaged board, an exceptional management team and a strong corporate culture. Challenges still exist, and there's always room for improvement, but as we head into 2018, we remain proud of these accomplishments and are optimistic about the future.

PERFORMANCE ANALYSIS

For FY2017-18, Al Anwar Holdings has continued to be on the growth and profitability trajectory as exhibited in the following charts.

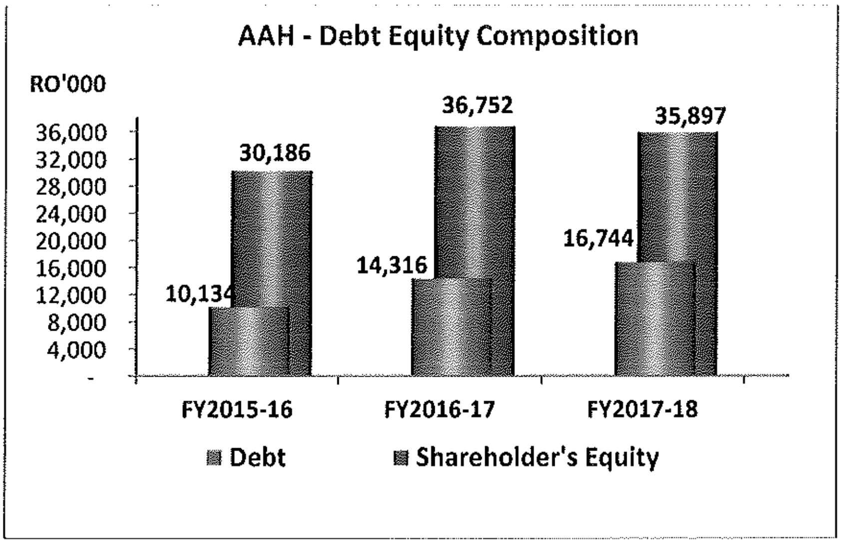


Al Anwar maintains a cautiously optimistic approach with the core focus on financial services and industrials and continue to deliver on business simplification, regulatory requirements, controls, expense discipline and capital requirements. Going forward, in continuance of prudent policy framework, we will align the growth strategies accordingly.



*Realised Gain/(Loss) and Fair Value changes are for the Parent Company.

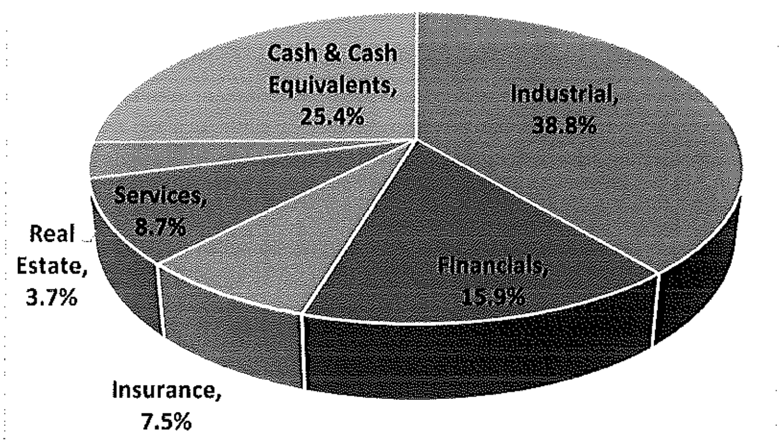
Growth in our investment portfolio has been achieved whilst maintaining a conservative leverage position. As of 31st March 2018, our Debt/ Equity ratio was maintained at 0.47.



The sectorial composition of the investment book is as under: *(Fig. in OMR '000)*

Investment Sector	FY2017-18
Industrial	19,887
Financials	8,124
Insurance	3,844
Services	4,478
Real Estate	1,900
Cash & Cash Equivalents	13,000
TOTAL	**51,233**

AAH Investment Portfolio as at 31st March 2018: RO 51.23mn



KEY DEVELOPMENTS:

FY2017-18 was yet another excellent year for the company as it continued to evolve and make its mark on the investment landscape of Oman and recorded its best-ever profit numbers in its history. These results are a direct consequence of prudent implementation of Company's business strategies and its commitment to a sustainable business model in the interest of all its counterparties and stakeholders.

Key transactions during the year are summarized as under: -

1. **Exit of 9.0% stake in OMINVEST:**
   In November 2017, AAH completed the sale of 62.943mn shares of OMINVEST (9.0% stake), at OMR 0.495 per share, with total consideration value of OMR 31.157mn to Oman National Investment Corporation SAOC (ONIC). Sale proceeds from this transaction shall be utilized towards partial debt repayment and making new investments going forward. This transaction had a positive impact on AAH's Profit and Loss Account for FY2017-18 of around OMR 3.7mn. Post this transaction AAH along with its subsidiaries shall have 1.15% stake in OMINVEST.

2. **Acquisition of New Strategic Investments:**
   In November 2017, Al Anwar Holdings SAOG (AAH) acquired an investment portfolio comprising of strategic stake in a following three companies listed on the MSM through a Portfolio Sale and Purchase Agreement (PSPA) entered with Oman International Development and Investment Company SAOG (OMINVEST)
      a) Oman Chlorine SAOG - 15.11% stake
      b) National Detergent Co. SAOG - 20.94% stake and
      c) National Biscuits Industries Ltd. SAOG - 28.92% stake

   This investment portfolio is being acquired for a total consideration of OMR 11.568mn. This is in alignment with AAH's core investment philosophy of making strategic investments in the industrial sector in Oman.

3. **Al Ruwad International Education Services SAOC:**
   During the year, AAH has acquired 43.51% stake in Al Ruwad International Education Services SAOC, which owns and operates an International School in Muscat. The school started the year at a positive note to register more students than last year.

4. **Initial Public Offering of Arabia Falcon Insurance SAOC (AFIC):**
   Subsequent to the part divestment of it's holding in Falcon Insurance, and merger of the entire business, assets and liabilities of Oman Branches of Arabia Insurance, into Falcon Insurance, effect in March 2017, AFIC is in the process of Initial Public Offer (IPO) for listing on the Muscat Securities Market (MSM) in accordance with the CMA regulations.

5. **Commercial Development of Company Land:**
   We have entered into a Hotel Management Agreement with Accor Hotels for developing a 4 Star Business Hotel – NOVOTEL Muscat – Azaiba, with an objective of making a foray into the tourism sector in Oman. This hotel project is to be developed at Azaiba near Airport. Total development cost of the project is estimated to be around OMR 11.5mn to be funded by an optimum mix of debt and equity. This project will be housed under Al Anwar Hospitality SAOC- a wholly owned subsidiary of Al Anwar Holdings SAOG.

6. **Cement Grinding Unit in Duqm:**
   In May 2017, Al Anwar Holdings SAOG has entered into a Shareholder's Agreement with Hormozgan Cement Co. (HCC), Iran to establish "Hormuz Al Anwar Cement SAOC" (HAC) with an object to start a greenfield cement grinding unit in the Special Economic Zone, Al Duqm (SEZD) with capacity of 600k to 1,000k tons per annum(TPA). HCC is a well-known Iran based cement producer with established capacity of 2.0mn TPA and listed on the Tehran Stock Exchange (SHZG1). Total investment for the project is expected to be c. RO 10.5mn with optimal debt and equity mix

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.

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 a fully functional in-house Internal Audit Unit. 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 posted a consolidated profit attributable to the shareholders of the parent company of RO 3.866 million during the year as compared to RO 6.224 million during the year 2016-17 in consolidated Group Accounts and a profit of RO 2.340 million during the year as compared with profit of RO 6.421 million during the year 2016-17 in Parent Company Accounts.

The Earning per Share (EPS) for the Group was 19bz in FY2017-18 as against 31bz in FY2016-17.

Net asset per share of the company was 179bz on 31st March, 2018, as against 188bz as on 31st March, 2017.

Our financial results reflected strong underlying performance across virtually all our businesses.

Financial Year ended 31st March	2016	2017	2018
PAT (RO'000)	4,935	6,224	3,866
*EPS (RO per Share)	0.025	0.031	0.019
*NAV (RO per Share)	0.151	0.188	0.179

** Historical adjusted for stock dividends.*

In view of available profit, the Board of Directors is pleased to recommend a 12.5% cash dividend for FY 2017-18.

We acknowledge the Board of Directors for their wisdom and guidance which has helped us in successful implementation of our strategies. Further, we humbly appreciate the confidence entrusted by our shareholders and support extended by our Banking partners.

Kind Regards,

Sanjay Tiwari
Acting Chief Executive Officer