Al Jazeera Steel Products Co. SAOG
P.O. Box 40, P.C. 327, Sohar Industrial Estate,
Sultanate of Oman

CHAIRMAN'S REPORT

On behalf of the Board of Directors, enclosed herewith is the financial statement for the three months ended 31st March 2009.

The performance for the three months ended can be analyzed as follows:

Particulars	31-Mar-09	31-Mar-08	% of increase/ (decrease)
Production MT	**20,703**	45,816	**-55%**
Sales MT	**23,904**	46,194	**-48%**
Sales Value in RO	**7,346,261**	16,745,770	**-56%**
Net Profit in RO	**(2,990,876)**	1,543,247	**NA**

During the first quarter, HRC prices continued to soften due to prevalent economic recession and liquidity crisis, prompting buyers to refrain from new commitments. The level of demand destruction (over 50%) was not we expected and we had carried forward inventory from last year and refrained from any new orders. Due to industry practices in all firms including ours, we also marked our inventory / stocks to market prices, which amounted to a provision of RO 2.3mn which constituted over 77% of our losses for this quarter. With marginal improvements in demand we expect to consume our inventory by May and fresh material would be ordered for future production.

Steel prices have fallen from the peak in July/August, 2008, to one-third levels now. Current variations in prices are within a narrow band, as price has fallen below the present cost of manufacture in certain cases as steel mills try to keep their cash flow situation under control, even with around 50-60% capacity utilisation. The surplus inventory arising out of low worldwide demand in the last two quarters has resulted in drop in sales volume for all the steel producers and consequently put pressure on the prices during the last two quarters. I believe corrective measures have already been implemented as most of the major steel manufacturers around the world have announced major cuts in production. These cuts were substantial enough to bring down the surplus inventory from the market in the last two quarters and thus it is expected that the prices have stabilized and will move in a narrow band, with more likelihood of going up by the end of second quarter in 2009. Though the inventory prices affected the profitability of the company, it must be highlighted that the company was able to manage receivables and the borrowings very well. I would like to bring to your attention that the company's balance sheet is in good shape, as compared to other steel companies, even after taking this loss.

There was huge fall in the construction and infrastructure activity and most of the projects are on hold in UAE due to the present liquidity crunch. In GCC, demand in Oman and KSA remained comparatively better, but prices were under pressure as too many traders / suppliers were chasing the same orders. With developed countries like USA, Canada and Europe being engulfed with recession there was very little export dispatches. At present we are having a much better order position than the beginning of the year, when practically no orders were at hand. Your company has been able to slowly build up reasonable back log orders, including the North American and Australian export markets. With our excellent product and quality, we expect to improve our capacity utilization levels in the second quarter. Further the company is focusing on KSA, Yemen, Iraq and African markets so that the volumes lost in UAE can be compensated by these markets.

With inventories now slowly depleting at our consumer's end, it is expected that in Q2 the demand for our products will improve. The challenge remains with us to be more vigilant and aggressive in converting the raw materials into finished products at the right price and time so as to meet the improved market demand. We are now expecting 100% capacity utilisation of our value-added galvanized pipes.

The company has implemented various cost reduction measures in the form of salaries, logistic costs and procurement costs of raw materials and consumables. Furthermore on-going improvements in the plants' operating efficiency is being undertaken which will result in further cost reductions in medium to long term basis At the present juncture, patience and support is required for all the stake holders. I would like to thank all the bankers who stood by the company management and helped them to overcome the present situation and we surely look forward to their continued support during the next two quarters, by which time we expect be in a much sounder position.

The merchant bar mill will be commissioned early May for the trial runs, while the commercial production is expected in the third quarter of 2009. The plant will have the capacity of producing 300,000MTPA; thereby the total capacity of the two units will be 600,000MTPA. The Company, as a corporate policy, continuously invests in its human resources, provides on-the-job training to employees to upgrade skills at various levels. Local employment is encouraged and today we have achieved over 37% Omanisation of our work force.

Finally, on behalf of the Company and the Board of Directors, I would like to express my heartfelt gratitude to His Majesty Sultan Qaboos Bin Said for the encouragement and support given by his Government to the Industrial Development in Oman. Also, I take this opportunity to thank our Bankers, shareholders, investors and employees for the support and co-operation extended, which in turn reflects the confidence placed in the Company.

On Behalf of the Board

Mohamed A. Moosa
Chairman

Al Jazeera Steel Products Co. SAOG

P.O. Box 40, P.C. 327, Sohar Industrial Estate,
Sultanate of Oman

Un-audited consolidated Balance Sheet as at 31 March 2009

	Notes	**31 March 2009**	31 March 2008	Change %
Fixed Assets				
Cost		12,019,511	11,505,193	4%
Accumulated depreciation		(4,382,075)	(3,830,990)	14%
CWIP Merchant Bar Mill		25,020,986	14,598,276	71%
		32,658,422	**22,272,479**	47%
Current Assets				
Inventories	1	11,726,347	12,495,988	(6%)
Trade receivables	2	10,196,870	15,382,066	(51%)
Other Advances		1,341,155	2,164,121	(61%)
Receivable from related parties	8	61,000	50,792	20%
Bank and cash		4,907,335	7,937,167	(62%)
		28,232,707	**38,030,134**	(35%)
Total Assets		**60,891,129**	**60,302,613**	1%
Current Liabilities				
Trade & other creditors		3,556,669	2,619,088	36%
Payable to related parties	8	-	776	-
Bank loans & Overdrafts	4	23,183,828	17,837,146	30%
		26,740,497	**20,457,010**	21%
Long Term Liabilities				
Govt.Soft Loan	4	1,034,506	1,571,173	(52%)
Term Loan & Others		5,940,000	7,380,957	(24%)
		6,974,506	**8,952,130**	(28%)
Total Liabilities		**33,715,003**	**29,409,140**	15%
Net Assets		**27,176,126**	**30,893,473**	(14%)
Shareholders' Funds				
Share capital		12,489,795	12,489,795	-
Share Premium		13,856,485	13,856,485	-
Legal reserve		1,061,548	1,343,054	(27%)
Retained Earnings		(231,702)	3,204,139	(1,382%)
Total shareholders' equity		**27,176,126**	**30,893,473**	(14%)

Note: Previous Year figures have been regrouped wherever necessary.

Al Jazeera Steel Products Co. SAOG

P.O. Box 40, P.C. 327, Sohar Industrial Estate,
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Un-audited consolidated profit and loss account
for the first quarter ended 31 March 2009

	Notes	**3 months ended 31 March 2009**	3 months ended 31March 2008	Change %
Turnover		7,346,261	16,745,770	(56%)
Cost of Goods Sold		(6,781,825)	-	-
Allowances for Inventory		(2,346,226)	-	-
Gross profit		**(1,781,790)**	**2,273,103**	**(56%)**
Depreciation		(152,387)	(150,634)	1%
Administration & General expenses		(562,873)	(464,460)	21%
Operating Profit		(2,497,050)	1,658,009	(66%)
Finance charges	4	(493,826)	(114,762)	330%
Investment income	6	-	-	
Other Income		-	-	
Profit/(Loss) before taxation & minority interests		(2,990,876)	1,543,247	(52%)
Taxation		-	-	
Minority interest		-	-	
Net profit attributable to ordinary shareholders		**(2,990,876)**	**1,543,247**	(52%)
Dividends				
Paid		-	-	
Proposed		-	-	
Dividend per share		-	-	
Net profit margin		(40.71)	9.21%	

Note: Previous Year Figures have been regrouped wherever necessary.

Dividend per share is calculating by dividing the net profit for the period by the average number of shares in issue for the period

Net profit margin =Net profit for the period x 100%
Turnover for period

Al Jazeera Steel Products Co. SAOG
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STATEMENT OF CHANGES IN EQUITY
as at 31 March 2009

	Share Capital & Share Premium	Legal Reserve	Special Reserve	(Accumulated losses) Retained Earnings	Total
	RO	*RO*	*RO*	*RO*	*RO*
Balance at 1st January, 2009	26,346,280	1,360,636	-	3,362,372	31,069,288
Net Profit for the period	-	-	-	(2,990,876)	(2,990,876)
Transfers	-	(299,088)	-	299,088	-
Directors Remuneration	-	-	-	(28,000)	(28,000)
Dividend	-	-	-	(874,286)	(874,286)
Balance at 31 March 2009	**26,346,280**	**1,061,548**	**-**	**(231,702)**	**27,176,126**
Balance at 1st January, 2008	26,346,280	1,188,730	-	1,815,216	29,350,226
Net Profit for the period	-	-	-	1,543,247	1,543,247
Transfers	-	154,324	-	(154,324)	-
Directors Remuneration	-	-	-	-	-
Dividend	-	-	-	-	-
Balance at 31 March 2008	**26,346,280**	**1,343,054**	**-**	**3,204,139**	**30,893,473**

Al Jazeera Steel Products Co. SAOG

P.O. Box 40, P.C. 327, Sohar Industrial Estate,
Sultanate of Oman

Un-audited consolidated statement of cash flows
For the first quarter ended 31 March 2009

	3 months ended 31 March 2009	3 months ended 31March 2008	Change %
Cash from Operations	9,780,105	4,511,320	117%
Tax paid	-	-	
Interest Paid	(493,826)	(114,762)	330%
Net Cash from operating activities	9,286,279	4,396,588	111%
Net cash used in investing activities	(686,387)	(562,538)	22%
Net cash used in financing activities	8,599,892	1,960,000	339%
Net increase in cash and cash equivalents	3,591,170	6,919,126	(93)%
Cash and cash equivalents brought forward	(8,498,506)	(10,918,020)	(28)%
Cash and cash equivalents carried forward	(4,907,335)	(17,837,146)	(263)%

Note: Previous Year figures have been regrouped wherever necessary.

Al Jazeera Steel Products Co. SAOG
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Notes

1. Inventories

Inventories can be analyzed as follows:

	31 March 2009	31March 2008	Change %
Raw materials	12,329,227	7,695,185	60%
Work in progress	1,842,884	749,225	146%
Finished goods	3,189,318	3,392,593	(6%)
Spares and consumables	977,953	729,278	34%
Less : Allowances – Price Difference	(6,448,834)	-	-
Less : Allowances – Slow moving	(164,201)	(70,293)	134%
	11,726,347	**12,495,988**	(6%)

Finished goods at 31 March 2009 represent 39 days of sales (2008 : 18 days)

2. Trade receivables

At 31 March 2009 trade receivables can be analyzed as follows:

	31 March 2009	31 March 2008	Change %
Trade receivables	10,257,870	15,432,858	(50%)
Less: Provisions	(33,615)	(32,569)	-
	10,224,255	**15,400,289**	(50%)

3. Segmental Reporting:	**31 March 2009**	31 March 2008	
Sales			
* Sultanate of Oman	2,345,914	3,577,174	(53%)
* GCC Countries	4,490,678	11,133,576	(148%)
* Other Countries	509,669	2,035,020	(299%)
	7,346,261	**16,745,770**	**(128%)**
Account Receivable:			
* Sultanate of Oman	2,225,825	3,620,941	(63%)
* GCC Countries	7,830,327	10,899,066	(28%)
* Other Countries	201,718	912,851	(353%)
	10,257,870	**15,432,858**	**(50%)**

Note: Previous Year Figures have been regrouped wherever necessary.

Notes

4. Bank loans and overdrafts

These can be analyzed as follows:

	31 March 2009	31March 2008	Change %
Term Loan	9,391,996	10,546,296	(12%)
Overdrafts	20,766,338	16,242,980	28%
	30,158,334	26,789,276	13%
Less : Current maturities of bank loans	2,417,490	1,594,166	52%
Bank overdrafts	20,766,338	16,242,980	28%
Long term element of bank loans	**6,974,506**	**8,952,130**	(28%)

The bank loans are secured by mortgage of fixed assets.

The bank loans (Govt. Soft Loan) bear interest at rates 3% Per annum and other loans bear interest ranging from 6 to 7.5 %.

Bank loans include two Govt. Soft Loans, the first of which is repayable within 10 years effective from 2002. The second Govt. Soft loan is repayable in 5 years from 2007.

The maturity of the bank loans:

	31 March 2009	31March 2008	Change %
Due within 1 year	2,417,490	1,594,166	52%
Due after more than 1 year	6,974,506	8,952,130	(28%)
	9,391,996	10,546,296	(12%)

Note: Previous year figures have been regrouped wherever necessary.

5. Investment in associates and subsidiaries

Associates

Investments in Associates are accounted for using the equity method.

The Associates of Services / Manufacturing Company S A O G are as follows:

31 March 2009		31 March 2008	
Company	Holding %	Company	Holding %
A Company	NA	A Company	NA
B Company	NA	B Company	NA

During the period, xx shares in A Company were purchased for RO xx per share.

During the period, xx shares in B Company were Sold for RO xx per share resulting in a profit of RO xx on disposal

Subsidiaries

Investments in subsidiaries are accounted for using the equity method.

The subsidiaries of Services / Manufacturing Company S A O G are as follows:

31 March 2009		31March 2008	
Company	Holding %	Company	Holding %
C Company	NA	C Company	NA
D Company	NA	D Company	NA

During the period xx shares in C Company were sold for RO xx per share resulting in a profit of Ro xx on disposal.

During the period, xx shares in D Company were purchased for RO xx per share.

Notes

6. Investments

Investments include all long term and short-term investments of the company, excluding only those associates and subsidiaries listed in Note 5. All marketable securities are carried at their open market value. Unquoted investments are carried at their open market value. Unquoted investments are carried at cost adjusted for any permanent diminutions in value.

Investments can be analyzed as follows:

	Market Value 31 March 2009 RO	Market Value 31March 2008 RO	**Book Value 31 March 2009 RO**	Book Value 31March 2008 RO
Marketable securities-MSM				
Banking	NIL	NIL	NIL	NIL
Investment	NIL	NIL	NIL	NIL
Insurance	NIL	NIL	NIL	NIL
Services	NIL	NIL	NIL	NIL
Industrial	NIL	NIL	NIL	NIL
Government bonds	NIL	NIL	NIL	NIL
	NIL	NIL	NIL	NIL
Marketable securities-Foreign by Sector				
Banking	NIL	NIL	NIL	NIL
Industrial…	NIL	NIL	NIL	NIL
Bonds	NIL	NIL	NIL	NIL
	NIL	NIL	NIL	NIL
Unquoted and other investments	-	-	-	-
Unquoted Omani shares	-	-	-	-
Investment fund units*	-	-	-	-
Term deposits	-	-	-	-
Unquoted foreign shares	-	-	-	-
Other				

* Carried at lower of net asset value, net realisable value or market value.

** Cost of investments held on 31 March 2009

Notes

6. Investments (continued)

Investment income

Realised

Realised investment income represents gains and losses on disposal of investments and other realised investment related gains and losses.

Unrealised

Marketable securities are recorded at their open market value. Movements in the Carrying values of marketable securities are taken to unrealized investment income.

Interest

Interest receivable for term deposits and bonds is included in investment income.

Investment income can be analysed as follows:

	31 March 2009	31March 2008
	RO	RO
Realised	-	-
Unrealised	-	-
Dividends	-	-
Interest on Term Deposits and Bonds	-	-
	-	-

Notes

7. Details of Significant Investment (Not Applicable)

Details of all the reporting company's investments, including associates and subsidiaries, for which either, he reporting company's holding represents 10% or more of the issuer's share capital, or, the reporting company's holding exceeds 10% of the market value of the reporting company's investment portfolio, are provided as follows as of **31 March 2009**

	Holding %	Number of Securities	**Market Value**	Book Value
MSM Quoted Securities	NA		**RO**	RO
Company A		NA	NA	NA
Company B		NA	NA	NA
Company C		NA	NA	NA
Government bonds		NA	NA	NA
		NA	NA	NA
Foreign Listed Securities				
Company D		NA	NA	NA
Company E		NA	NA	NA
Market Value as of 31 March 2009		NA	NA	NA
MSM Unquoted Securities				
Company F		NA	NA	NA
Company G		NA	NA	NA
		NA	NA	NA
Foreign Unlisted Securities				
Company H		NA	NA	NA
Company I		NA	NA	NA
Totals as of 31 March 2009		NA	NA	NA

* Provide the name and location of the issuer, the class of security, and the name of the market in which the security is listed.

Notes

8. Related Parties and Holders of 10% of the company's shares

Holders of 5% or more of the company's shares may include companies, individuals, families. Families are included if the shares of the family members total 5% or more of or the company's shares. Members of the family of an individual are those that may be expected to influence, or be influenced by, that person in their dealings with the company.

The nature of significant transactions involving related parties or holders of 5% or more of the company's shares, or their family members, and the amounts involved during the period were as follows:

	31 March 2009	31March 2008	Change %
	RO	RO	
Moosa Abdul Rahman & Co.	-	-	-
Bin Ahmed Enterprise	-	-	-
Mohmed & Ahmed Al Khonji	-	-	-
Bahwan Building Material LLC(Purchase)	2,440	-	-
Bahwan Building Material LLC(Sales)	72,687	92,425	(27%)
	75,127	**92,425**	(23%)

Expense Items

Items of expense which were paid to related parties or holders of 5% or more of the company's shares, or their family members, during the period can be further analysed as follows:

	31 March 2009	31March 2008	Change %
	RO	RO	
Managing Director's Salary	-	-	-
	-	**-**	-

Loans, Advances, Receivables Due, Provisions & Write-offs

Loans, advances or receivables due from related parties or holders of 5% or more of the company's shares, or their family members, minus all provisions and write-offs which have been made on these accounts at any time, are further analysed as follows:

Receivable from related parties	**31 March 2009**	31March 2008	Change
	RO	RO	%
Bahwan Building Material LLC	61,000	50,792	17%
Provisions	-	-	-
Write-offs	-	-	-
Total	**61,000**	**50,792**	17%

Payable to related parties	**31 March 2009**	31March 2008	Change
	RO	RO	%
Moosa Abdul Rahman & Co.	-	776	-
Bin Ahmed Enterprise	-	-	-
Mohmed & Ahmed Al Khonji	-	-	-
Bahwan Building Material LLC	-	-	-
Provisions	-	-	-
Write-offs	-	-	-
Total	**-**	**776**	-

Note: Previous Year figures have been regrouped wherever necessary.

Notes

9. Provisions

Changes to the level of provisions during the period can be analysed as follows:

Provisions for:	Advances & Receivables	Value of Investments	Inventory Allowances	Total
Beginning balance of Provisions	35,122	NA	6,961,553	6,996,675
Provided during the period	5,263	NA	2,369,067	2,374,330
(Released) during the period	(6,770)	NA	(2,717,585)	(2,724,355)
(Written Off) during the period	NA	NA	NA	NA
Provisions Balance as of 31 March 2009	33,615	NA	6,613,035	6,646,650

The book value of assets before and after provisions can be shown as follows:

Book value of assets	Advances & Receivables	Investments	Other	Total
Value of Assets before Provisions	10,257,870	NA	18,339,382	28,597,252
Provisions Balance as of 31 March 2009	(33,615)	NA	(6,613,035)	(6,646,650)
Book value of Assets as of 31 March 2009	10,224,255	NA	11,726,347	21,950,602

Notes

10. Shareholders

All those shareholders of the company who own 5% or more of the company's shares, Whether in their name, or through a nominee account, and the number of shares they hold are as follows:

	31 March 2009	31March 2008
Common Share Holders:		
Global Buyout Fund LP	63,697,960	63,697,960
Moosa Abdul Rahman Hassan & Co LLC	11,520,900	11,520,900
Abjar Trading Co	7,155,300	7,155,300
Mr Abdulla Moosa Adbul Rahman	7,361,550	7,079,520
Preferred Share Holders:	NA	NA
Identity	NA	NA
Identity	NA	NA