AL JAZEERA STEEL PRODUCTS COMPANY SAOG

Report and interim financial statements for the period ended 31 March 2012

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REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF AL JAZEERA STEEL PRODUCTS COMPANY SAOG

Introduction

We have reviewed the accompanying interim financial statements of Al Jazeera Steel Products Company SAOG ("the Company") as at 31 March 2012 comprising of the interim statement of financial position as at 31 March 2012 and the related interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the three months period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Other matters

The Company's interim financial statements for the three months period ended 31 March 2011 and the financial statements as of 31 December 2011 were reviewed / audited by another auditor, whose reports dated 27 April 2011 and 22 February 2012 respectively expressed unmodified conclusion/ opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

29 April 2012
Muscat

Statement of financial position at 31 March 2012

	Notes	Unaudited 31 March 2012 RO	Audited 31 December 2011 RO
ASSETS			
Non-current assets			
Property, plant and equipment	7	**26,867,065**	27,241,682
Current assets			
Inventories	8	**21,235,576**	20,502,400
Trade and other receivables	9	**29,615,117**	25,428,899
Cash and cash equivalents	10	**1,931,898**	1,648,419
Total current assets		**52,782,591**	47,579,718
Total assets		**79,649,656**	74,821,400
EQUITY			
Capital and reserves			
Share capital	11	**12,489,796**	12,489,796
Share premium	11	**13,856,484**	13,856,484
Legal reserve	12	**1,967,454**	1,854,061
Retained earnings		**4,177,862**	5,030,793
Total equity		**32,491,596**	33,231,134
LIABILITIES			
Non-current liabilities			
Borrowings	14	**502,500**	1,155,000
End of service benefits	15	**94,649**	82,991
Deferred tax liability	22	**867,530**	857,530
Total non-current liabilities		**1,464,679**	2,095,521
Current liabilities			
Borrowings - current portion	14	**33,104,354**	25,603,444
Trade and other payables	16	**12,589,027**	13,891,301
Total current liabilities		**45,693,381**	39,494,745
Total liabilities		**47,158,060**	41,590,266
Total equity and liabilities		**79,649,656**	74,821,400
Net assets per share	24	**0.260**	0.266

These interim financial statements were approved and authorised for issue in accordance with a resolution of the directors on 29 April 2012.

Chairman **Director**

The attached notes 1 to 27 form part of these interim financial statements

AL JAZEERA STEEL PRODUCTS COMPANY SAOG

Statement of comprehensive income for the period ended 31 March 2012

	Notes	*Unaudited Period from 1 January 2012 to 31 March 2012*	*Unaudited Period from 1 January 2011 to 31 March 2011*
		RO	*RO*
Revenue		**27,385,167**	22,554,222
Cost of sales	**17**	**(24,006,556)**	(19,595,352)
Gross profit		**3,378,611**	2,958,870
Selling and distribution expenses	**18**	**(1,219,370)**	(963,959)
General and administrative expenses	**19**	**(647,451)**	(454,754)
Other operating expenses		**(16,641)**	-
Operating profit		**1,495,149**	1,540,157
Net finance costs	**21**	**(351,218)**	(489,648)
Profit before taxation		**1,143,931**	1,050,509
Income tax expense	**22**	**(10,000)**	(43,799)
Profit and total comprehensive income for the period		**1,133,931**	1,006,710
Earnings per share - basic and diluted	**23**	**0.009**	0.008

The attached notes 1 to 27 form part of these interim financial statements

Statement of changes in equity
for the period ended 31 March 2012 (unaudited)

	Share capital RO	*Share premium RO*	*Legal reserve RO*	*Retained earnings RO*	*Total RO*
At 1 January 2011	12,489,796	13,856,484	1,550,982	3,427,161	31,324,423
Dividends paid (note 13)	-	-	-	(1,124,082)	(1,124,082)
Profit for the period	-	-	-	1,006,710	1,006,710
Transfer to legal reserve	-	-	100,671	(100,671)	-
At 31 March 2011	**12,489,796**	**13,856,484**	**1,651,653**	**3,209,118**	**31,207,051**
At 1 April 2011	12,489,796	13,856,484	1,651,653	3,209,118	31,207,051
Profit for the period	-	-	-	2,024,083	2,024,083
Transfer to legal reserve	-	-	202,408	(202,408)	-
At 31 December 2011	**12,489,796**	**13,856,484**	**1,854,061**	**5,030,793**	**33,231,134**
At 1 January 2012	**12,489,796**	**13,856,484**	**1,854,061**	**5,030,793**	**33,231,134**
Dividends paid (note 13)	-	-	-	**(1,873,469)**	**(1,873,469)**
Profit for the period	-	-	-	**1,133,931**	**1,133,931**
Transfer to legal reserve	-	-	**113,393**	**(113,393)**	-
At 31 March 2012	**12,489,796**	**13,856,484**	**1,967,454**	**4,177,862**	**32,491,596**

The attached notes 1 to 27 form part of these interim financial statements

Statement of cash flows
for the period ended 31 March 2012

	Unaudited Period from 1 January 2012 to 31 March 2012	*Unaudited Period from 1 January 2011 to 31 March 2011*
	RO	*RO*
Operating activities		
Profit before taxation	**1,143,931**	1,050,509
Adjustments for:		
Interest income	**(1,249)**	(1,808)
Interest on borrowings	**352,467**	491,456
Depreciation	**550,659**	529,696
Allowance for inventories	**(77,537)**	56,717
Allowance for doubtful debts	**135,000**	55,000
Loss on sale of property, plant and equipment	**16,641**	-
Net transfer to end of service benefits	**11,658**	14,175
Operating cash flow before movement in working capital	**2,131,570**	2,195,745
Changes in working capital :		
Inventories	**(655,639)**	(3,438,064)
Trade and other receivables	**(4,321,218)**	(2,726,973)
Trade and other payables	**(1,302,365)**	2,497,922
Cash used in operations	**(4,147,652)**	(1,471,370)
Interest paid	**(352,376)**	(423,546)
Net cash used in operating activities	**(4,500,028)**	(1,894,916)
Investing activities		
Purchase of property, plant and equipment	**(195,783)**	(79,176)
Proceeds from sale of property, plant and equipment	**3,100**	-
Interest received	**1,249**	1,808
Net cash used in investing activities	**(191,434)**	(77,368)
Financing activities		
Dividend paid	**(1,873,469)**	(1,124,082)
Net change in borrowings	**6,848,410**	4,493,995
Net cash from financing activities	**4,974,941**	3,369,913
Net change in cash and cash equivalents	**283,479**	1,397,629
Cash and cash equivalents at the beginning of the period	**1,648,419**	1,718,134
Cash and cash equivalents at the end of the period	**1,931,898**	3,116,163

The attached notes 1 to 27 form part of these interim financial statements

Notes to the interim financial statements for the period ended 31 March 2012

1. Legal status

Al Jazeera Steel Products Company SAOG (the "Company") is an Omani joint stock Company registered under the Commercial Companies Law of the Sultanate of Oman. The registered address, principal office and the manufacturing facility is located at P O Box 40, Sohar Industrial Estate, Postal Code 327, and Sultanate of Oman. The principal activities of Company are the manufacture and sale of steel products including associated works.

The company has two plants namely tube mill and merchant bar mill. The commercial operations of the tube mill commenced in May 1999 and the merchant bar mill commenced in October 2009.

2. Statement of Compliance

The interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board, and comply with the disclosure requirements set out in the Rules and Guidelines on disclosure issued by the Capital Market Authority and the requirements of the Commercial Companies Law of 1974, as amended.

3. Summary of significant accounting policies

Basis of preparation

These interim financial statements are prepared on the historical cost basis except for certain financial instruments, which are stated at fair value.

These interim financial statements are presented in Rials Omani (RO) since that is the currency in which the majority of the transactions are denominated.

A summary of significant accounting policies, which have been consistently applied by the Company and are consistent with those used in the previous period, is set out below:

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment and can be measured reliably. All other expenditures are recognised in the profit or loss as an expense when incurred.

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

The cost of the property, plant and equipment is written down to residual value in equal installments over the estimated useful lives of the assets. The estimated useful lives are:

	Years
Buildings	20
Plant and equipment	15 - 20
Tools and spares	4
Motor vehicles	5
Furniture and fixtures	5
Computer and other equipment	3 - 5

Capital work-in-progress is not depreciated until it is transferred into one of the above categories at the time when it is brought into use.

Gains or losses on disposals of items of property, plant and equipment are determined as the difference between the sales proceeds and their carrying amounts and are taken into account in determining the operating result for the period.

Impairment of non- financial assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognized as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized earlier.

Inventories

Inventories, which include goods-in-transit, are valued at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and consists of the direct cost of materials and, in the case of finished goods and work-in-progress, an appropriate share of labour and direct overheads. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of completion and realisation. Provision is made where necessary for obsolete, slow moving and defective items.

3. Summary of significant accounting policies (continued)

Trade and other receivables

Trade receivables are stated at their amortized cost less impairment losses. An allowance for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less from the date of placement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

End of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the Company's qualifying employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003, as amended. Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits are disclosed as a non-current liability.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the profit or loss as incurred.

Notes to the interim financial statements for the period ended 31 March 2012

3. Summary of significant accounting policies (continued)

Trade and other payables

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company.

Taxation

Taxation is provided for in accordance with the tax laws and regulations of the Sultanate of Oman.

Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax
Deferred tax liability is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to set off.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of returns, rebates and discounts.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Notes to the interim financial statements for the period 31 March 2012

3. Summary of significant accounting policies (continued)

Revenue (continued)

Revenue from sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. Sales represent the invoiced value of goods sold during the period, net of discounts and returns.

Interest income and expense

Interest income and expense are accounted on accrual basis.

All interest and other costs incurred in connection with borrowings are expensed as incurred, as part of financing costs and are accounted on an accrual basis, except that the interest expense on borrowings specifically undertaken to finance the construction of qualifying assets are capitalised along with the cost of the asset.

Foreign currency transactions

Functional and presentation currency
Items included in the Company's interim financial statements are measured using Rials Omani ("RO") which is the currency of the Sultanate of Oman, being the economic environment in which the Company operates (the functional currency). The interim financial statements are prepared in RO, rounded to the nearest RO.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

4.1 Financial risk management

Financial instruments carried on the statement of financial position comprise cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

Financial risk factors

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. Risk management is carried out by the management under policies approved by the Board of Directors.

Notes to the interim financial statements for the period ended 31 March 2012

4.1 Financial risk management (continued)

(i) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the reporting date was on account of:

	Unaudited 31 March 2012 RO	*Audited 31 December 2011 RO*
Trade receivables	**28,920,809**	24,399,388
Other receivables	**757,360**	1,101,183
Cash at bank	**1,927,138**	1,642,581
	31,605,307	27,143,152

Credit risk on trade receivables is limited to their carrying values as management regularly reviews these balances to assess recoverability and makes provision for balances whose recoverability is in doubt. Credit risk is managed mainly through credit terms to customers backed by confirmed letters of credit. Service of the Export Credit Guarantee Agency SAOC (ECGA) in the Sultanate of Oman is no longer used. There is no concentration of credit risk with respect to trade receivables as the Company has a large number of customers, internationally dispersed.

As for each potential customer there is no independent rating, the Company's credit committee assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

Notes to the interim financial statements for the period ended 31 March 2012

4.1 Financial risk management (continued)

(ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The management maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining year at the reporting date to the contractual maturity date.

	Total RO	**Less than 1 year RO**	**1 to 2 years RO**	**3 to 5 years RO**
At 31 March 2012 (unaudited)				
Borrowings	**33,606,854**	**33,104,354**	**502,500**	**-**
Trade and other payables	**12,403,664**	**12,403,664**	**-**	**-**
	46,010,518	**45,508,018**	**502,500**	**-**

	Total RO	Less than 1 year RO	1 to 2 Years RO	3 to 5 years RO
At 31 December 2011				
Borrowings	26,758,444	25,603,444	1,155,000	-
Trade and other payables	13,685,778	13,685,778	-	-
	40,444,222	39,289,222	1,155,000	-

(iii) Market risk

Foreign exchange risk

The Company operates internationally, however, the Company is substantially independent of changes in foreign currency rates as its foreign currency dealings are principally in US Dollars (USD) and UAE Dirhams (AED) which are pegged to the Rials Omani.

Cash flow and fair value interest rate risk

The Company has call deposits, term deposits and long term borrowings. The deposits with banks and borrowings carry interest on commercial terms. The borrowings are obtained at fixed rates agreed at the time of each drawdown.

Notes to the interim financial statements for the period ended 31 March 2012

4.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

	Unaudited 31 March 2012 **RO**	*Audited 31 December 2011* RO
Borrowings (Note 14)	**33,606,854**	26,758,444
Less: cash and cash equivalents (Note 10)	**(1,931,898)**	(1,648,419)
Net debt	**31,674,956**	25,110,025
Total equity	**32,491,596**	33,231,134
Total Debt and Equity	**64,166,552**	58,341,159
Gearing ratio	**49%**	43%

4.3 Fair value estimation

The carrying values of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair values of non-current financial liabilities other than Government soft loans are considered to approximate their carrying amounts. The fair value of the Government soft loans has been derived by discounting the repayment cash flows using a discount rate based upon the borrowing rate which the management expect would be available to the Company at the reporting date.

Notes to the interim financial statements for the period ended 31 March 2012

5. Critical accounting estimates and judgments

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the interim financial statements and the resultant provisions and changes in fair value. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities and assets.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Allowance for doubtful debts
Allowance for doubtful debts is based on management's best estimates of recoverability of the amounts due and the number of days for which such debts are due.

Allowance for slow moving and obsolete inventories
Allowance for slow moving and obsolete inventory is based on management's assessment of various factors such as the usability, the maintenance programs, and normal wear and tear using its best estimates.

Useful lives of property, plant and equipment
Depreciation is charged so as to allocate the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

Notes to the interim financial statements for the period ended 31 March 2012

6. Segment information

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the same entity; whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available. The accounting policies of the reportable segments are the same as the Company's accounting policies described under note 3.

Information regarding the Company's operating segments is set out below in accordance with IFRS 8 - Operating segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Products and services from which reportable segments derive their revenues

The Company operates in one business segment that of manufacture and sale of steel products. All relevant information relating to this primary segment is disclosed in the statement of financial position, statement of comprehensive income and notes to the interim financial statements.

The following geographical analysis has been compiled based on the location of the customers of the Company:

	Unaudited 31 March 2012		Audited 31 December 2011	
	Revenue RO	**Trade receivables RO**	Revenue RO	Trade receivables RO
GCC countries including Oman	**21,809,228**	**24,178,516**	74,946,076	20,326,187
North America	**5,406,668**	**4,610,221**	16,074,557	3,929,285
Others	**169,271**	**132,072**	176,251	143,916
	27,385,167	**28,920,809**	91,196,884	24,399,388

Revenue and trade receivables are allocated based on the country in which the customer is located.

Notes to the interim financial statements for the period ended 31 March 2012

7. Property, plant and equipment

	Buildings RO	Plant and equipment RO	Tools and spares RO	Motor vehicles RO	Furniture and fixtures RO	Computer and other equipment RO	Capital work-in-progress RO	Total RO
Cost								
At 1 January 2012	7,965,209	25,427,094	1,815,677	125,895	235,625	323,568	679,538	36,572,606
Transfer from CWIP	-	64,221	42,730	-	-	-	(106,951)	-
Additions	-	60,932	-	-	3,020	3,146	128,685	195,783
Disposals	-	(49,826)	-	-	-	-	-	(49,826)
At 31 March 2012	7,965,209	25,502,421	1,858,407	125,895	238,645	326,714	701,272	36,718,563
Depreciation								
At 1 January 2012	2,084,539	6,028,799	784,328	78,524	182,252	172,482	-	9,330,924
Charge for the period:								
Cost of sales (Note 17)	99,288	320,000	103,556	-	-	-	-	522,844
General and administrative (Note 19)	-	-	-	6,003	5,895	15,917	-	27,815
Disposals	-	(30,085)	-	-	-	-	-	(30,085)
At 31 March 2012	2,183,827	6,318,714	887,884	84,527	188,147	188,399	-	9,851,498
Carrying value At 31 March 2012	5,781,382	19,183,707	970,523	41,368	50,498	138,315	701,272	26,867,065
Carrying value At 31 March 2011	6,151,263	20,202,379	1,250,230	55,873	65,126	164,723	335,148	28,224,742

Notes to the interim financial statements for the period ended 31 March 2012

7. Property, plant and equipment (continued)

	Buildings RO	Plant and equipment RO	Tools and spares RO	Motor vehicles RO	Furniture and fixtures RO	Computer and other equipment RO	Capital work-in-progress RO	Total RO
Cost								
At 1 January 2011	7,936,559	25,264,535	1,715,514	128,060	230,014	290,901	302,360	35,867,943
Additions	28,650	174,556	156,657	10,000	7,050	33,521	377,178	787,612
Disposals	-	(11,997)	(56,494)	(12,165)	(1,439)	(854)	-	(82,949)
At 31 December 2011	7,965,209	25,427,094	1,815,677	125,895	235,625	323,568	679,538	36,572,606
Depreciation								
At 1 January 2011	1,687,448	4,753,578	411,392	66,467	160,709	113,087	-	7,192,681
Charge for the period:								
Cost of sales (Note 17)	397,091	1,276,993	388,833	-	-	-	-	2,062,917
General and administrative (Note 19)	-	-	-	23,424	22,762	60,046	-	106,232
Disposals	-	(1,772)	(15,897)	(11,367)	(1,219)	(651)	-	(30,906)
At 31 December 2011	2,084,539	6,028,799	784,328	78,524	182,252	172,482	-	9,330,924
Carrying value								
At 31 December 2011	5,880,670	19,398,295	1,031,349	47,371	53,373	151,086	679,538	27,241,682

Notes to the interim financial statements for the period ended 31 March 2012

7. Property, plant and equipment (continued)

(a) Buildings included in property, plant and equipment are built on land leased from the Public Establishment for Industrial Estates - Sohar Industrial Estate. The initial lease expires on 13 April 2022, with an option to renew the lease at the end of the lease term.

(b) Certain property, plant and equipment of the Company are subject to a first charge favouring the Ministry of Commerce and Industry of the Government of Sultanate of Oman and a second charge for borrowings from commercial banks (Note 14).

(c) Capital work-in-progress represents mainly waste water treatment plant under construction and rolls under grooving.

8. Inventories

	Unaudited 31 March 2012 RO	*Audited 31 December 2011 RO*
Raw materials	**10,091,197**	10,647,192
Finished goods	**5,680,252**	6,998,247
Work-in-process	**1,265,520**	1,625,648
Stores and spares	**2,233,300**	2,221,682
Less : allowance for inventories	**(1,054,935)**	(1,132,472)
	18,215,334	20,360,297
Goods-in-transit	**3,020,242**	142,103
	21,235,576	20,502,400

Inventories of the Company are subject to a charge favouring the lenders of borrowings, as disclosed in note 14.

The movement in allowance for inventories is given below:

Balance brought forward	**1,132,472**	823,645
(Release) charge during the period/ year	**(77,537)**	308,827
Balance carried forward	**1,054,935**	1,132,472

Notes to the interim financial statements for the period ended 31 March 2012

9. Trade and other receivables

	Unaudited 31 March 2012 RO	*Audited 31 December 2011 RO*
Trade receivables	**28,920,809**	24,399,388
Allowance for doubtful debts	**(293,855)**	(158,855)
	28,626,954	24,240,533
Advances to suppliers	**268,322**	610,471
Prepaid expenses	**230,803**	87,183
Other receivables	**489,038**	490,712
	29,615,117	25,428,899

The movement in allowance for doubtful debts is given below:

Balance brought forward	**158,855**	65,774
Charge during the period/ year (Note 19)	**135,000**	93,081
Balance carried forward	**293,855**	158,855

(a) Trade receivables of the Company are subject to a charge favouring the lenders of borrowings, as disclosed in note 14.

(b) Trade receivables that are less than six months past due are not considered impaired. As at 31 March 2012, trade receivables of RO Nil (31 December 2011: RO Nil) were over six months past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The age analysis of trade receivables is as follows:

Age	*Unaudited 31 March 2012 RO*	*Audited 31 December 2011 RO*
Less than 90 days	**23,256,028**	18,988,316
Between 91 - 270 days	**5,511,416**	5,261,423
Between 271 - 365 days	**27,011**	24,773
Between 366 - 730 days	**31,602**	30,629
More than 730 days	**94,752**	94,247
	28,920,809	24,399,388

Notes to the interim financial statements for the period ended 31 March 2012

9. Trade and other receivables (continued)

(c) Other receivables include custom duty paid on imports of RO 459,454. The Company was exempted from customs duty until 31 December 2007. The Company applied for the exemption. However, for the timely clearance of raw material imported during 2008, based on Ministry of Commerce orders, the Company paid custom duty amounting to RO 690,857 which is refundable. The certificate of exemption was received from the Ministry on 14 March 2011. As of 31 March 2012 refund of RO 231,403 has been received from the Ministry. The management is following up with the Ministry for the balance refund.

10. Cash and cash equivalents

	Unaudited 31 March 2012 RO	Audited 31 December 2011 RO
Cash on hand	**4,760**	5,838
Cash at bank	**1,927,138**	1,642,581
	1,931,898	1,648,419

Included in cash at bank is a balance of RO 569,910 (31 December 2011 : RO 404,454) held in a call account in the United Arab Emirates which customers make deposits into and RO 1,009,450 (31 December 2011 : RO 688,150) in US Dollars held in Oman. These accounts bear an interest rate of 0.5% per annum (31 December 2011: 0.5% per annum).

11. Share capital

The share capital comprises 124,897,960 (31 December 2011: 124,897,960) ordinary shares of RO 0.100 (31 December 2011 : RO 0.100) each fully paid.

	Authorised		**Issued and fully paid**	
	2012 RO	2011 RO	**2012 RO**	2011 RO
Share capital	**15,000,000**	15,000,000	**12,489,796**	12,489,796

The share premium is stated net of share issuance costs.

Notes to the interim financial statements for the period ended 31 March 2012

11. Share capital (continued)

The details of shareholders who own 10% or more of the Company's shares are as follows:

Name of the shareholder	Unaudited 31 March 2012 No. of shares	Holding %	Audited 31 December 2011 No. of shares	Holding %
Global Buyout Fund LP	**63,697,960**	**51**	63,697,960	51

12. Legal reserve

In accordance with the Commercial Companies Law of Oman 1974, as amended, annual appropriations of 10% of the profit are made to this reserve until the accumulated balance of the reserve is equal to one third of the value of the Company's paid-up share capital. This reserve is not available for distribution.

13. Dividend proposed and paid

During the period a cash dividend of RO 0.015 (2011: RO 0.009) per share totaling RO 1,873,469 (2011: RO 1,124,082) was paid as approved by shareholders in their annual general meeting held on 26 March 2012.

14. Borrowings

	Unaudited 31 March 2012 RO	*Audited 31 December 2011 RO*
Non-current		
Bank Dhofar SAOG – Term Loan	**2,502,500**	-
National Bank of Oman SAOG - Term Loan	**-**	2,895,000
Less: current portion included under current liabilities	**(2,000,000)**	(1,740,000)
	502,500	1,155,000
Current		
Loans against trust receipts	**29,880,303**	23,632,521
Bank overdrafts	**1,224,051**	230,923
Current portion of term loan	**2,000,000**	1,740,000
	33,104,354	25,603,444
Total borrowings	**33,606,854**	26,758,444

14. Borrowings (continued)

(a) Interest rate on term loan from National Bank of Oman SAOG drawn towards construction of Merchant Bar Rolling Mill, was 5.75% per annum (31 December 2011 : 6.5% per annum). This loan is secured by the first charge on the property, plant and equipment of the Merchant Bar Mill and second charge on the property, plant and equipment of the Tube Mill of the Company. The loan was fully repaid in March 2012.

(b) Term Loan from Bank Dhofar SAOG was sanctioned for RO 10 million. The draw down during the period was RO. 2,502,000. The loan interest rate is USD 3 months LIBOR plus 3% per annuam. This loan is secured by the first charge on the property, plant and equipment of the Company. The loan is payable in 20 equal quarterly installments of RO 500,000 each, which will start from June 2012.

(c) The maturity profile of the non-current borrowings is as follows:

	Unaudited 31 March 2012 RO	*Audited 31 December 2011 RO*
From 1 to 2 years	**502,500**	1,155,000
From 3 to 5 years	**-**	-
	502,500	1,155,000

(d) Bank overdrafts are at interest rates ranging from 6% to 8% per annum (31 December 2011 - 6% to 8% per annum). Loans against trust receipts obtained from commercial banks are at an interest rate of 2.5% to 4% per annum (31 December 2011 - 5.5% to 6.5% per annum). The Company's main bank facilities have been secured by a pari-pasu charge on the current assets of the Company.

(e) The carrying amount of the Company's borrowings are denominated in the following currencies:

	Unaudited 31 March 2012 RO	*Audited 31 December 2011 RO*
Rials Omani	**19,512,838**	15,648,501
US Dollars	**14,094,016**	11,109,943
	33,606,854	26,758,444

Notes to the interim financial statements for the period ended 31 March 2012

15. End of service benefits

	Unaudited 31 March 2012 RO	*Audited 31 December 2011 RO*
Balance brought forward	**82,991**	65,414
Charge for the period/ year (Note 20)	**19,675**	78,895
Payments during the period/ year	**(8,017)**	(61,318)
Balance carried forward	**94,649**	82,991

16. Trade and other payables

	Unaudited 31 March 2012 RO	*Audited 31 December 2011 RO*
Trade payables	**11,071,292**	12,730,154
Accrued expenses	**1,315,735**	948,751
Advances from customers	**185,363**	205,523
Other payables	**16,637**	6,873
	12,589,027	13,891,301

17. Cost of sales

	Unaudited Period from 1 January 2012 to 31 March 2012 RO	*Unaudited Period from 1 January 2011 to 31 March 2011 RO*
Cost of materials consumed	**22,418,013**	18,131,746
Direct labour (Note 20)	**785,060**	661,001
Depreciation (Note 7)	**522,844**	504,225
Other direct expenses	**280,639**	298,380
	24,006,556	19,595,352

Notes to the interim financial statements for the period ended 31 March 2012

18. Selling and distribution expenses

	Unaudited Period from 1 January 2012 to 31 March 2012	*Unaudited Period from 1 January 2011 to 31 March 2011*
	RO	*RO*
Packing and despatch charges	**1,149,233**	852,736
Sales promotion expenses	**10,200**	2,811
ECGA premium	**-**	66,221
Advertisement and publicity	**4,643**	964
Commission on sales	**49,300**	32,849
Other selling and distribution expenses	**5,994**	8,378
	1,219,370	963,959

19. General and administrative expenses

	RO	*RO*
Employee costs (Note 20)	**300,273**	235,664
Legal and professional charges	**26,922**	23,065
Communication expenses	**20,706**	21,175
Travelling and conveyance	**14,449**	14,216
Depreciation (Note 7)	**27,815**	25,471
Insurance	**2,747**	1,809
Provision for doubtful debts	**135,000**	55,000
Other expenses	**119,539**	78,354
	647,451	454,754

20. Employee costs

The employee costs, included under cost of sales and general and administrative expenses comprise the following:

	RO	*RO*
Basic salaries and allowances	**980,751**	798,528
Staff accommodation expenses	**31,215**	44,736
Employee welfare expenses	**37,948**	22,640
End of service benefits (Note 15)	**19,675**	21,028
Social security costs	**15,744**	9,733
	1,085,333	896,665

Notes to the interim financial statements for the period ended 31 March 2012

20. Employee costs (continued)

	Unaudited Period from 1 January 2012 to 31 March 2012	*Unaudited Period from 1 January 2011 to 31 March 2011*
	RO	*RO*
Allocated to :		
Cost of sales (Note 17)	**785,060**	661,001
General and administrative expenses (note 19)	**300,273**	235,664
	1,085,333	896,665

21. Net finance costs

	RO	*RO*
Interest on borrowings	**352,467**	491,456
Interest income	**(1,249)**	(1,808)
	351,218	489,648

22. Taxation

(a) In accordance with Ministerial Decision number 87/99 dated 11 August 1999, the Company was exempt from income tax for a period of five years from the date of the commencement of commercial operations being 15 May 1999. The Ministry of National Economy, through Ministerial Decision No. 89/2004 dated 22 November 2004, granted the Company a further tax exemption for five years which ended on 15 May 2009.

(b) As the Company has carry forward tax losses, no current income tax charge has been made. The Company has declared brought forward taxation losses of RO 5,461,125 (2011: RO 8,174,161) available for offset against future taxable profits up 2014.

22. Taxation (continued)

(c) The current period tax charge relates to deferred taxation in respect of the temporary differences. Deferred income taxes are calculated on all temporary differences using a principal tax rate of 12%. The net deferred tax liability and deferred tax charge in the statement of comprehensive income are attributable to the following items:

Deferred taxation	**Audited 1 January 2012 RO**	**Unaudited charged to profit or loss RO**	**Unaudited 31 March 2012 RO**
Asset			
Provision	**(19,063)**	**(16,200)**	**(35,263)**
Liability			
Accelerated tax depreciation	**876,593**	**26,200**	**902,793**
	857,530	**10,000**	**867,530**

	Audited 1 January 2011 RO	Audited charged to profit or loss RO	Audited 31 December 2011 RO
Asset			
Provision	(7,893)	(11,170)	(19,063)
Liability			
Accelerated tax depreciation	842,098	34,495	876,593
	834,205	23,325	857,530

(d) Tax assessments for all the years up to 2004 have been completed and agreed with the Oman taxation authorities. The management believes that any taxation for the unassessed years from 2005 to 2010 will not be material to the financial position of the Company as at the reporting date.

Notes to the interim financial statements for the period ended 31 March 2012

23. Earnings per share – basic and diluted

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period/ year.

	Unaudited Period from 1 January 2012 to 31 March 2012	*Unaudited Period from 1 January 2011 to 31 March 2011*
	RO	*RO*
Profit attributable to shareholders (RO)	**1,133,931**	1,006,710
Weighted average number of shares outstanding	**124,897,960**	124,897,960
Earnings per share - basic and diluted (RO)	**0.009**	0.008

24. Net assets per share

	Unaudited 31 March 2012	Audited 31 December 2011
Net assets (RO)	**32,491,589**	33,231,134
Number of shares at the reporting date	**124,897,960**	124,897,960
Net assets per share (RO)	**0.260**	0.266

Net assets per share is calculated by dividing the shareholders' equity at the reporting date by the number of shares outstanding.

Notes to the interim financial statements for the period ended 31 March 2012

25. Related party transactions

Related parties comprise the shareholders, directors and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions. The Company has entered into transactions with entities related to the significant shareholders or directors. In the ordinary course of business, such related parties provide goods and render services to the Company. The Company also sells goods to such related parties. During the period, the following transactions were carried out with related parties:

	Unaudited Period from 1 January 2012 to 31 March 2012	*Unaudited Period from 1 January 2011 to 31 March 2011*
	RO	*RO*
Compensation of key management personnel		
Basic salaries and allowances	**54,121**	50,085
Remuneration to directors		
Remuneration to directors	**84,000**	48,000
Directors' sitting fees	**2,300**	2,550
	86,300	50,550

26. Commitments

(i) Lease commitments

At 31 December, 2012, the future minimum lease commitments under the lease agreement in respect of the land, referred to in note 7(a) amounted to RO 1,376,965 (31 December 2011 : RO 1,375,301) for the total remaining lease period. Under the terms of the operating lease the future aggregate minimum lease payments are as follows:

	Unaudited 31 March 2012 RO	*Audited 31 December 2011 RO*
Not later than 1 year	**67,046**	67,046
Between 2 and 5 years	**292,665**	268,182
Later than 5 years	**1,017,254**	1,040,073
	1,376,965	1,375,301

(ii) Purchase commitments

At 31 March 2012, the value of outstanding purchase commitments amounted to RO 11,211,197 (31 December 2011: RO 14,790,953).

Notes to the interim financial statements for the period ended 31 March 2012

27. Contingent liabilities

	Unaudited 31 March 2012 RO	*Audited 31 December 2012 RO*
Bank guarantees	**57,943**	57,943

The above guarantees were issued in the normal course of business.