AL JAZEERA STEEL PRODUCTS COMPANY SAOG

Report and financial statements for the year ended 31 December 2009

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Independent auditor's report to the shareholders of Al Jazeera Steel Products Company SAOG

Report on the financial statements

We have audited the accompanying financial statements of **Al Jazeera Steel Products Company SAOG** ("the Company"), which comprise of the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 34.

Board of Directors' responsibility for the financial statements

Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the Rules and Guidelines on disclosure issued by the Capital Market Authority, effective 1 October 2007. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Independent auditor's report to the shareholders of Al Jazeera Steel Products Company SAOG (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Al Jazeera Steel Products Company SAOG** as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the Rules and Guidelines on disclosure issued by the Capital Market Authority, effective 1 October 2007.

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
22 February 2010

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Deloitte & Touche (M.E.) & Co. LLC.

Signed by
Alfred Strolla
Partner

Statement of financial position as at 31 December 2009

	Notes	2009 RO	2008 RO
ASSETS			
Non-current assets			
Property, plant and equipment	7	**29,871,464**	31,972,035
Current assets			
Inventories	8	**11,559,200**	18,582,527
Trade and other receivables	9	**14,562,637**	21,029,322
Cash and cash equivalents	10	**1,578,450**	8,498,506
		27,700,287	48,110,355
Total assets		**57,571,751**	80,082,390
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	**1,360,636**	1,360,636
Retained earnings		**1,714,046**	3,362,372
Total equity		**29,420,962**	31,069,288
LIABILITIES			
Non-current liabilities			
Borrowings	13	**4,635,000**	6,375,000
Government soft loans	14	**440,992**	890,439
Deferred government grant	14	**88,415**	175,636
End of service benefits	15	**52,943**	65,912
Deferred tax liability	22	**614,261**	470,926
		5,831,611	7,977,913
Current liabilities			
Borrowings - current portion	13	**17,566,812**	38,221,560
Government soft loans - current portion	14	**505,098**	505,098
Trade and other payables	16	**4,247,268**	2,308,531
		22,319,178	41,035,189
Total liabilities		**28,150,789**	49,013,102
Total equity and liabilities		**57,571,751**	80,082,390
Net assets per share	24	**0.236**	0.249

Chairman **Director**

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income for year ended 31 December 2009

	Notes	2009 RO	2008 RO
Revenue		**39,966,718**	78,435,733
Cost of sales	**17**	**(35,850,449)**	(70,941,671)
Gross profit		**4,116,269**	7,494,062
Selling and distribution costs	**18**	**(2,309,803)**	(3,408,031)
General and administrative expenses	**19**	**(799,491)**	(1,039,076)
Other operating (expense) / income		**(52,617)**	9,562
Operating profit		**954,358**	3,056,517
Net finance costs	**21**	**(1,585,063)**	(1,231,367)
(Loss) / profit before taxation		**(630,705)**	1,825,150
Taxation	**22**	**(143,335)**	(106,088)
(Loss) / profit for the year		**(774,040)**	1,719,062
(Loss) / earnings per share - basic and diluted	**23**	**(0.006)**	0.014

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity for year ended 31 December 2009

	Share capital RO	Share premium RO	Legal reserve RO	Retained earnings RO	Total RO
At 1 January 2008	12,489,796	13,856,484	1,188,730	1,815,216	29,350,226
Profit for the year	-	-	-	1,719,062	1,719,062
Transfer to legal reserve	-	-	171,906	(171,906)	-
At 1 January 2009	12,489,796	13,856,484	1,360,636	3,362,372	31,069,288
Dividends paid (note 11)	-	-	-	(874,286)	(874,286)
Loss for the year	-	-	-	(774,040)	(774,040)
At 31 December 2009	**12,489,796**	**13,856,484**	**1,360,636**	**1,714,046**	**29,420,962**

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
for year ended 31 December 2009

	2009 RO	2008 RO
Operating activities		
(Loss) / profit before taxation	**(630,705)**	1,825,150
Adjustments for:		
Interest income	**(27,946)**	(177,187)
Interest on borrowings	**1,613,009**	1,408,554
Depreciation	**979,599**	582,804
Allowance for inventories	**(7,507,815)**	7,977,201
Allowance for doubtful debts	**(1,541)**	20,732
Net transfer to end of service benefits	**(12,969)**	22,095
Loss / (profit) on sale of property, plant and equipment	**52,617**	(9,330)
Operating cash flow before movement in working capital	**(5,535,751)**	11,650,019
Decrease / (increase) in working capital :		
Inventories	**14,531,142**	(17,861,594)
Trade and other receivables	**6,468,226**	(7,561,755)
Trade and other payables	**1,936,137**	(450,513)
Cash from / (used in) operations	**17,399,754**	(14,223,843)
Interest paid	**(1,610,409)**	(1,446,417)
Net cash from / (used in) operating activities	**15,789,345**	(15,670,260)
Investing activities		
Purchase of property, plant and equipment	**(2,535,522)**	(11,220,002)
Proceeds from sale of property, plant and equipment	**-**	9,330
Claim received from insurance company	**17,714**	-
Proceeds from disposal (capital work-in-progress)	**3,586,163**	-
Interest received	**27,946**	177,187
Net cash from / (used in) investing activities	**1,096,301**	(11,033,485)
Financing activities		
Dividends paid	**(874,286)**	-
Net change in borrowings	**(22,931,416)**	24,978,062
Net cash (used in) / from financing activities	**(23,805,702)**	24,978,062
Net change in cash and cash equivalents	**(6,920,056)**	(1,725,683)
Cash and cash equivalents at beginning of the year	**8,498,506**	10,224,189
Cash and cash equivalents at end of the year	**1,578,450**	8,498,506

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2009

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 and the manufacturing facility is located at P O Box 40, Sohar Industrial Estate, Postal Code 327, Sultanate of Oman. The principal office and the manufacturing facility is located at Sohar Industrial Estate. The principal activities of Company are the manufacture and sale of steel products including associated works.

2. Adoption of new and revised International Financial Reporting Standards ("IFRS")

2.1 Standards affecting presentation and disclosure

The following new and revised Standards have been adopted in the current period in these financial statements. Details of other Standards and Interpretations adopted but that have had no effect on the financial statements are set out in section 2.2.

• IAS 1 (as revised in 2007) *Presentation of Financial Statements*	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

• *Improving disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)*	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.
• IFRS 8 *Operating Segments*	IFRS 8 is a disclosure Standard that requires re-designation of the Company's reportable segments based on the segments used by the Chief Operating Decision Maker to allocate resources and assess performance.
• IFRS for SMEs Small and Medium-sized Entities	This Standard is available immediately but the adoption has to be decided by the jurisdiction of implementation.

Notes to the financial statements for the year ended 31 December 2009 (continued)

2. Adoption of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.2 Standards and Interpretations adopted with no effect on the financial statements (continued)

• Amendments to IFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
• IAS 23 (as revised in 2007) *Borrowing Costs*	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Company's accounting policy to capitalise borrowing costs incurred on qualifying assets.
• Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*	The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
• IFRIC 13 *Customer Loyalty Programmes*	The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.
• IFRIC 15 *Agreements for the Construction of Real Estate*	The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* and when revenue from the construction of real estate should be recognised.
• IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
• IFRIC 18 *Transfers of Assets from Customers* (adopted in advance of effective date of transfers of assets from customers received on or after 1 July 2009)	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 *Revenue*.
• Improvements to IFRSs (2008)	Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from the May and October 2008 *Annual Improvements to IFRSs* majority of which are effective for annual periods beginning on or after 1 January 2009.

Notes to the financial statements for the year ended 31 December 2009 (continued)

2. Adoption of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.3 Standards and Interpretations in issue not yet effective

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
• IFRS 1 (revised) *First time Adoption of IFRS* and IAS 27 (revised) *Consolidated and Separate Financial Statements* - Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009
• IFRS 3 (revised) *Business Combinations* - Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) *Consolidated and Separate Financial Statements*, IAS 28 (revised) *Investments in Associates* and IAS 31 (revised) *Interests in Joint Ventures*	1 July 2009
• IAS 39 (revised) *Financial Instruments: Recognition and Measurement* – Amendments relating to Eligible Hedged Items(such as hedging Inflation risk and Hedging with options)	1 July 2009
• IFRS 1 (revised) *First time Adoption of IFRS* – Amendment on additional exemptions for First-time Adopters	1 January 2010
• IFRS 2 (revised) *Share-based payment* – Amendment relating to Company cash-settled Share-based payments	1 January 2010
• IAS 32 (revised) *Financial Instruments: Presentation* – Amendments relating to classification of Rights Issue	1 February 2010
• IAS 24 *Related Party Disclosures* – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	1 January 2011
• IFRS 9 Financial Instruments: *Classification and Measurement* (intended as complete replacement for IAS 39 and IFRS 7)	1 January 2013
• Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38 and IAS 39 resulting from April 2009 *Annual Improvements to IFRSs*.	Majority effective for annual periods beginning on or after 1 January 2010

Notes to the financial statements for the year ended 31 December 2009 (continued)

2. Adoption of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.3 Standards and Interpretations in issue not yet effective (continued)

New Interpretations and amendments to Interpretations:

	Effective for annual periods beginning on or after
• IFRIC 17: *Distributions of Non-cash Assets to Owners*	1 July 2009
• IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
• Amendment to IFRIC 14: *IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction*	1 January 2011
• Amendment to IFRIC 16: *Hedges of a Net Investment in a Foreign Operation*	1 July 2009
• Amendment to IFRIC 9 (revised): *Reassessment of Embedded Derivatives* relating to assessment of embedded derivatives in case of reclassification of a financial asset out of the 'FVTPL' category	1 July 2009

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company in the period of initial application.

3. Summary of significant accounting policies

Statement of compliance

The 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.

Basis of preparation

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

These 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 year, is set out below:

3. Summary of significant accounting policies (continued)

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.

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
Other equipment	3

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 by reference to their carrying amounts and are taken into account in determining the operating result for the period.

Impairment

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.

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognized 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.

3. Summary of significant accounting policies (continued)

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.

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.

Deferred government grant

Interest subsidy is recognised in the balance sheet initially as a deferred Government grant and is amortised over the life of the loan based on the effective interest method in the same years in which the interest expense is incurred.

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 period, 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.

3. Summary of significant accounting policies (continued)

Provisions (continued)

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 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.

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
The current income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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 setoff.

Notes to the financial statements for the year ended 31 December 2009 (continued)

3. Summary of significant accounting policies (continued)

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, net of tax, 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 each of 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.

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 year, 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 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 financial statements are prepared in RO, rounded to the nearest RO.

Notes to the financial statements for the year ended 31 December 2009 (continued)

3. Summary of significant accounting policies (continued)

Foreign currency transactions (continued)

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 year-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.

(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:

	2009 RO	2008 RO
Trade receivables	**13,224,602**	19,663,454
Other receivables	**1,371,616**	1,400,990
Cash at bank and deposits	**1,574,499**	8,486,893
	16,170,717	29,551,337

Notes to the financial statements for the year ended 31 December 2009 (continued)

4.1 Financial risk management (continued)

Financial risk factors (continued)

(i) Credit risk (continued)

Exposure to credit risk (continued)

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 either backed by confirmed letters of credit or through insurance from the Export Credit Guarantee Agency SAOC (ECGA) in the Sultanate of Oman. 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.

Trade receivables

	2009		2008	
Group	**Limit RO**	**Balance RO**	Limit RO	Balance RO
A - Fully covered by letter of credit / Cash Against Documents (CAD)	**1,205,536**	**1,205,536**	6,118,673	6,118,673
B - Covered by ECGA	**10,557,000**	**4,705,585**	9,341,000	4,231,049
C - Partly covered by ECGA	**3,257,500**	**7,313,481**	5,092,500	9,313,732
	15,020,036	**13,224,602**	20,552,173	19,663,454

The credit sales are generally backed either by Letters of Credit or ECGA.

(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.

Notes to the financial statements for the year ended 31 December 2009 (continued)

4.1 Financial risk management (continued)

Financial risk factors (continued)

(ii) Liquidity risk (continued)

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 December 2009				
Borrowings	**22,201,812**	**17,566,812**	**1,740,000**	**2,895,000**
Government soft loans	**1,034,505**	**536,667**	**497,838**	**-**
Trade and other payables	**4,247,268**	**4,247,268**	**-**	**-**
	27,483,585	**22,350,747**	**2,237,838**	**2,895,000**
At 31 December 2008				
Borrowings	44,596,560	38,221,560	1,740,000	4,635,000
Government soft loans	1,571,173	536,667	536,667	497,839
Trade and other payables	2,308,531	2,308,531	-	-
	48,476,264	41,066,758	2,276,667	5,132,839

(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 short term borrowings are obtained at fixed annual rates which are subject to change upon re-negotiation of the facilities which takes place on an annual basis. However, if LIBOR rates were to shift by 0.5% there would be a maximum change in the net finance cost by RO 200,709 (31 December 2008 : RO 188,378).

Notes to the financial statements for the year ended 31 December 2009 (continued)

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.

	2009	2008
	RO	RO
Borrowings (note 13)	**22,201,812**	44,596,560
Government soft loans (note 14)	**1,034,505**	1,571,173
Total borrowings	**23,236,317**	46,167,733
Less: Cash and cash equivalents (note 10)	**(1,578,450)**	(8,498,506)
Net debt	**21,657,867**	37,669,227
Total equity	**29,420,962**	31,069,288
Total capital	**51,078,829**	68,738,515
Gearing ratio	**42%**	55%

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.

5. Critical accounting estimates and judgements

The preparation of the financial statements requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the 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 judgements 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

a. 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.

b. 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.

c. 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.

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. There was no material impact of this Standard on the previous disclosures and reported results or the financial position of the Company since the business segments reported earlier as per the requirements of IAS 14 *Segment Reporting* are also used by the Chief Executive Officer to allocate resources to the segments 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 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 financial statements.

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

	2009		2008	
	Revenue RO	**Trade receivables RO**	Revenue RO	Trade receivables RO
GCC countries including Oman	**33,018,100**	**12,014,579**	63,068,068	14,448,448
North America	**4,403,589**	**971,855**	12,692,382	4,771,797
Others	**2,545,029**	**238,168**	2,675,283	443,209
	39,966,718	**13,224,602**	78,435,733	19,663,454

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

Notes to the financial statements for the year ended 31 December 2009 (continued)

7. Property, plant and equipment

	Buildings RO	Plant and equipment RO	Tools and spares RO	Motor vehicles RO	Furniture and fixtures RO	Other equipment RO	Capital work-in-progress RO	Total RO
Cost								
At 1 January 2009	2,997,235	8,355,538	-	124,947	161,149	70,879	24,492,025	36,201,773
Transfers	4,906,329	16,449,408	1,483,837	-	47,607	37,326	(22,924,507)	-
Additions	10,320	385,882	86,103	4,385	10,791	19,396	2,018,645	2,535,522
Disposals	-	(130,873)	-	-	-	-	(3,586,163)	(3,717,036)
At 31 December 2009	7,913,884	25,059,955	1,569,940	129,332	219,547	127,601	-	35,020,259
Depreciation								
At 1 January 2009	1,078,634	2,918,564	-	44,086	127,924	60,530	-	4,229,738
Charge for the year:								
Cost of sales	212,471	643,548	81,405	-	-	-	-	937,424
General and administrative	-	-	-	19,007	11,493	11,675	-	42,175
Disposals	-	(60,542)	-	-	-	-	-	(60,542)
At 31 December 2009	1,291,105	3,501,570	81,405	63,093	139,417	72,205	-	5,148,795
Carrying value At 31 December 2009	6,622,779	21,558,385	1,488,535	66,239	80,130	55,396	-	29,871,464

Notes to the financial statements for the year ended 31 December 2009 (continued)

7. Property, plant and equipment (continued)

	Buildings RO	Plant and equipment RO	Motor vehicles RO	Furniture and fixtures RO	Other equipment RO	Capital work-in-progress RO	Total RO
Cost							
At 1 January 2008	2,997,235	8,176,486	69,059	141,597	58,156	13,572,660	25,015,193
Additions	-	179,052	89,310	19,552	12,723	10,919,365	11,220,002
Disposals	-	-	(33,422)	-	-	-	(33,422)
At 31 December 2008	2,997,235	8,355,538	124,947	161,149	70,879	24,492,025	36,201,773
Depreciation							
At 1 January 2008	928,773	2,509,517	62,628	121,283	58,155	-	3,680,356
Charge for the year:							
Cost of sales	149,861	409,047	-	-	-	-	558,908
General and administrative	-	-	14,880	6,641	2,375	-	23,896
Disposals	-	-	(33,422)	-	-	-	(33,422)
At 31 December 2008	1,078,634	2,918,564	44,086	127,924	60,530	-	4,229,738
Carrying value							
At 31 December 2008	1,918,601	5,436,974	80,861	33,225	10,349	24,492,025	31,972,035

Notes to the financial statements for the year ended 31 December 2009 (continued)

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 (notes 13 and 14).

8. Inventories

	2009 RO	2008 RO
Raw materials	**7,287,184**	18,097,242
Finished goods	**2,002,573**	4,730,648
Work-in-progress	**1,334,180**	2,668,320
Stores and spares	**1,057,525**	977,546
Less : allowance for inventories	**(567,387)**	(8,075,202)
	11,114,075	18,398,554
Goods-in-transit	**445,125**	183,973
	11,559,200	18,582,527

Inventories of the Company are subject to charge favouring the lenders of borrowings, as disclosed in notes 13 and 14.

The movement in allowance for inventories is given below:

	2009 RO	2008 RO
At 1 January	**8,075,202**	98,001
(Release) / charge during the year	**(7,507,815)**	7,977,201
At 31 December	**567,387**	8,075,202

Notes to the financial statements for the year ended 31 December 2009 (continued)

9. Trade and other receivables

	2009 RO	2008 RO
Trade receivables	**13,224,602**	19,663,454
Allowance for doubtful debts	**(33,581)**	(35,122)
	13,191,021	19,628,332
Due from related parties (note 25)	**110,652**	10,520
Advances to suppliers	**334,085**	469,147
Prepaid expenses	**228,994**	219,516
Other receivables	**697,885**	701,807
	14,562,637	21,029,322

The movement in allowance for doubtful debts is given below:

At 1 January	**35,122**	14,390
(Release) / charge during the year	**(1,541)**	20,732
At 31 December	**33,581**	35,122

(a) Trade receivables of the Company are subject to a charge favouring the lenders of borrowings, as disclosed in notes 13 and 14.

(b) Trade receivables that are less than three months past due are not considered impaired. As at 31 December 2009, trade receivables of RO 2,801,504 (31 December 2008 : RO 7,012,553) were 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	2009 RO	2008 RO
Less than 90 days	**10,389,517**	12,615,779
Between 91 - 150 days	**2,465,807**	6,194,899
Between 151 - 180 days	**308,395**	507,693
More than 181 days	**60,883**	345,083
	13,224,602	19,663,454

The Company has an internal credit policy whereas a credit committee reviews the credit recommendations of management and makes recommendations to the Board of Directors for their approval. Management also refers recommended customers to ECGA for credit approvals.

9. Trade and other receivables (continued)

(c) Other receivables include custom duty paid on imports of RO 690,857. The Company was exempted from customs duty until 31 December 2007. With effect from 1 January 2008, the Company is liable to pay customs duty on import of all items other than raw materials. However, based on the Ministry of Commerce and Industry orders, the Company has paid the customs duty amounting to RO 690,857 on all raw materials imported during 2008 for their timely clearance from the customs. The duty amount shall be refunded by the Ministry upon submission of the proof of receipt of goods. The Management is confident that the customs duty is fully recoverable from the Ministry and accordingly, this is classified under other receivables and no provision is considered. From July 2008, the Company has been continuing to import by providing a letter to the Directorate General of Customs.

10. Cash and cash equivalents

	2009	2008
	RO	RO
Cash on hand	**3,951**	11,613
Cash at bank	**1,574,499**	1,562,331
Short term deposits	**-**	6,924,562
	1,578,450	8,498,506

Included in cash at bank is a balance of RO 473,498 (31 December 2008 : RO 306,240) held in a call account in the United Arab Emirates which customers make deposits into. The account bears an interest rate of 0.5% per annum (31 December 2008 : 0.5% per annum). The Company's short term deposits with National Bank of Oman SAOG are denominated in USD which bears an interest rate of 3.5% per annum (31 December 2008 : 3.5% per annum).

11. Share capital

The share capital comprises 124,897,960 (2008 - 124,897,960) ordinary shares of RO 0.100 (2008 : RO 0.100) each fully paid.

	Authorised		**Issued and fully paid**	
	2009	2008	**2009**	2008
	RO	RO	**RO**	RO
Share capital	**15,000,000**	15,000,000	**12,489,796**	12,489,796

(a) The share premium is stated net of share issuance costs.

(b) A cash dividend of RO 0.007 per share totaling RO 874,286 was paid as approved by share holders at the Annual General Meeting held on March 26, 2009.

Notes to the financial statements for the year ended 31 December 2009 (continued)

11. Share capital (continued)

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

Name of the shareholder	2009 No. of shares	2009 Holding %	2008 No. of shares	2008 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 for the year 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. Borrowings

	2009 RO	2008 RO
Non-current		
National Bank of Oman SAOG - term loan	**6,375,000**	8,115,000
Bank Dhofar SAOG - Loan II	**-**	172,074
Less: current portion included under current liabilities	**(1,740,000)**	(1,912,074)
	4,635,000	6,375,000
Current		
Loans against trust receipts	**12,482,619**	33,145,963
Bills discounting	**3,284,708**	3,151,509
Bank overdrafts	**59,485**	12,014
Current portion of term borrowings	**1,740,000**	1,912,074
	17,566,812	38,221,560
Total borrowings	**22,201,812**	44,596,560

(a) Term loan from National Bank of Oman SAOG drawn towards construction of Merchant Bar Rolling Mill, carries an interest rate of 8.5% per annum (31 December 2008 : 6.25% per annum). This loan is secured by the first priority charge on the Merchant Bar Mill and current assets of the Company. The loan is payable in 62 equal monthly installments of RO 145,000 each starting from September 2008.

Notes to the financial statements for the year ended 31 December 2009 (continued)

13. Borrowings (continued)

(b) Term loan from Bank Dhofar SAOG was obtained for the fourth mill expansion, which carried an interest rate of three months LIBOR plus 2.25% per annum. This loan was secured by second priority charge over the fixed assets of the Company and a floating charge on inventories and trade receivables. The loan was repayable in 45 equal monthly installments of RO 15,625 each starting from March 2006. This loan has been fully repaid during the year.

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

	2009	2008
	RO	RO
Up to 2 years	**1,740,000**	1,740,000
From 3 to 5 years	**2,895,000**	4,635,000
	4,635,000	6,375,000

(d) Bank overdrafts are at interest rates ranging from 6% to 8% per annum (31 December 2008 - 6% to 8% per annum). Loans against trust receipts in Rials Omani are at an interest rate of 7% to 8% per annum (31 December 2008 - 5.50% per annum). Loans against trust receipts in USD at interest rates of LIBOR plus 1.5% to 2% per annum (31 December 2008 - LIBOR plus 1.5% to 2% per annum) and bills discounted at interest rates of LIBOR plus 4% per annum (31 December 2008 - LIBOR plus 2.5% per annum) have been obtained from commercial banks. The interest rates on these facilities may be renegotiated with the banks on renewal of the bank facilities which generally takes place on an annual basis. The Company's main bank facilities have been secured by a second charge on the fixed assets and pari-pasu charge on inventories and trade receivables.

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

	2009	2008
	RO	RO
Rials Omani	**20,715,502**	31,675,414
US Dollars	**1,486,310**	12,921,146
	22,201,812	44,596,560

14. Government soft loans

	2009 RO	2008 RO
National Bank of Oman SAOG – GSL – I	**739,661**	1,109,661
National Bank of Oman SAOG – GSL – II	**294,844**	461,512
	1,034,505	1,571,173
Less : Deferred government grant	**(88,415)**	(175,636)
	946,090	1,395,537
Less: Current portion	**(505,098)**	(505,098)
Non-current portion	**440,992**	890,439

(a) National Bank of Oman SAOG Term Loan - GSL-I: The loan was sanctioned under the soft loan scheme of the Government of Sultanate of Oman towards the plant and machineries of the Pipe Mill. The loan carries an interest rate of 3% per annum (31 December 2008 - 3% per annum) and is secured by a first charge over the fixed assets, inventories and trade receivables of the pipe mill of the Company. The loan is repayable in 10 equal annual installments of RO 370,000 which commenced from May 2002.

(b) National Bank of Oman SAOG Term Loan - GSL-II: The loan was sanctioned for the construction of the Fourth Pipe Mill under the soft loan scheme of the Government of Sultanate of Oman. The loan carries an interest rate of 3% per annum (31 December 2008 - 3% per annum) and is secured by a first charge over the fixed assets, inventories and trade receivables of the pipe mill of the Company. The loan is repayable in 6 equal annual installments of RO 166,667 which commenced from December 2006.

Government soft loans are repayable as follows:

	2009 RO	2008 RO
Less than one year	**536,667**	536,667
Between 2 and 5 years	**497,838**	1,034,506
	1,034,505	1,571,173

(c) In accordance with Capital Market Authority (CMA) Circular No. 1 of 2002 and IFRS, the difference between the carrying value and fair value of the loan has to be shown as "deferred government grant" and is to be recognized as income over the loan period as necessary to match them with the related costs, which they are intended to compensate on a systematic basis. However, the current portion of recognized deferred government income is equivalent to the related finance cost. Hence, there is no impact on the current period result of the Company.

Notes to the financial statements for the year ended 31 December 2009 (continued)

15. End of service benefits

	2009 RO	2008 RO
At 1 January	**65,912**	43,817
Charge for the year (note 20)	**39,494**	62,243
Transfer to capital work in progress	**16,061**	-
Payments during the year	**(68,524)**	(40,148)
At 31 December	**52,943**	65,912

16. Trade and other payables

Trade payables	**3,431,426**	1,419,528
Accrued expenses	**621,789**	655,678
Advances from customers	**160,039**	71,015
Due to related parties (note 25)	**-**	19,373
Other payables	**34,014**	142,937
	4,247,268	2,308,531

17. Cost of sales

	2009 RO	2008 RO
Cost of materials consumed	**33,101,851**	68,084,386
Direct labour (note 20)	**1,187,708**	1,674,528
Depreciation (note 7)	**937,424**	558,908
Other direct expenses	**623,466**	623,849
	35,850,449	70,941,671

18. Selling and distribution costs

Packing and despatch charges	**1,829,462**	2,879,316
Sales promotion expenses	**167,065**	19,038
ECGA premium	**170,400**	326,187
Advertisement and publicity	**40,760**	35,092
Commission on sales	**93,065**	138,941
Other selling and distribution expenses	**9,051**	9,457
	2,309,803	3,408,031

Notes to the financial statements for the year ended 31 December 2009 (continued)

19. General and administrative expenses

	2009 RO	2008 RO
Employee costs (note 20)	**456,981**	659,549
Legal and professional charges	**57,017**	46,916
Communication expenses	**60,323**	68,667
Travelling and conveyance	**62,560**	102,998
Depreciation (note 7)	**42,175**	23,896
Insurance	**10,297**	4,470
Other expenses	**110,138**	132,580
	799,491	1,039,076

20. Employee costs

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

	2009 RO	2008 RO
Basic salaries and allowances	**1,361,920**	1,744,276
Staff rent	**158,708**	240,047
Employee welfare expenses	**46,645**	94,748
End of service benefits (note 15)	**39,494**	62,243
Social security costs	**37,922**	36,985
Staff bonus	**-**	155,778
	1,644,689	2,334,077
Allocated to :		
Cost of sales (note 17)	**1,187,708**	1,674,528
General and administrative expenses (note 19)	**456,981**	659,549
	1,644,689	2,334,077

Notes to the financial statements for the year ended 31 December 2009 (continued)

21. Net finance costs

	2009 RO	2008 RO
Interest on borrowings	**1,613,009**	1,408,554
Interest income	**(27,946)**	(177,187)
	1,585,063	1,231,367

Interest on bank borrowings are net of RO 471,392 (31 December 2008: RO 648,442) included in the capital work-in-progress.

22. Taxation

(a) In accordance with Ministerial Decision number 87/99 dated 11 August 1999, the Company was exempt from taxation 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) 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:

	2008 RO	**Charged to income RO**	**2009 RO**
Asset			
Provision	(4,215)	**185**	**(4,030)**
Liability			
Accelerated tax depreciation	475,141	**143,150**	**618,291**
	470,926	**143,335**	**614,261**

(c) 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 2008 will not be material to the financial position of the Company as at the reporting date.

Notes to the financial statements for the year ended 31 December 2009 (continued)

23. (Loss) / earnings per share – basic and diluted

(Loss) / earnings per share is calculated by dividing the (loss) / profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009	2008
(Loss) / profit attributable to shareholders (RO)	**(774,040)**	1,719,062
Weighted average of number of shares outstanding	**124,897,960**	124,897,960
(Loss) / earnings per share (RO) - basic and diluted	**(0.006)**	0.014

24. Net assets per share

	2009	2008
Net assets (RO)	**29,420,962**	31,069,288
Number of shares at the reporting date	**124,897,960**	124,897,960
Net assets per share (RO)	**0.236**	0.249

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

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 year, the following transactions were carried out with related parties:

	2009	2008
Sales and purchases of goods / services	**RO**	RO
Sales of goods	**544,710**	217,630
Purchases of services	**13,348**	25,673

Notes to the financial statements for the year ended 31 December 2009 (continued)

25. Related party transactions (continued)

	2009 RO	2008 RO
Key management compensation		
Basic salaries and allowances	**176,441**	157,971
Remuneration to directors		
Remuneration to directors	**-**	28,000
Directors sitting fees	**4,950**	5,450
	4,950	33,450

Balances arising from sales / purchases of goods / services

	2009 RO	2008 RO
Due from related parties (note 9)	**110,652**	10,520
Due to related parties (note 16)	**-**	19,373

No provision was required in respect of amounts due from related parties.

26. Commitments

(i) Lease commitments

At 31 December 2009, the future minimum lease commitments under the lease agreement in respect of the land, referred to in note 7(a) amounted to RO 1,227,602 (31 December 2008 - RO 1,282,260) for the total remaining lease period. Under the terms of the operating lease the future aggregate minimum lease payments are as follows:

	2009 RO	2008 RO
Not later than 1 year	**54,658**	54,658
Between year 2 and 5years	**273,079**	273,079
Later than 5 years	**899,865**	954,523
	1,227,602	1,282,260

Notes to the financial statements for the year ended 31 December 2009 (continued)

26. Commitments (continued)

(ii) Purchase commitments

At 31 December 2009, the value of outstanding purchase commitments amounted to RO 7,992,990 (31 December 2008 - RO 1,382,789).

(iii) Capital commitments

At 31 December 2009, the Company had capital commitments amounting to Nil (31 December 2008 - RO 365,279).

(iv) Customs duty

The Company was exempt from payment of customs duty on import of raw materials. The exemption expired on 31 December 2007. However, the Company is allowed to import raw materials without payment of customs duty on the basis of the letter given to the Directorate General of Customs (note 9(c)). The Ministry is presently in the process of giving an exemption certificate. In case the exemption is not renewed, the Company might be liable to pay custom duty in arrears amounting to approximately RO 3.6 million as of the reporting date. However, the management is confident of obtaining the exemption for the customs duty retrospectively.

27. Contingent liabilities

	2009	2008
	RO	RO
Bank guarantees	**543,893**	75,633

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

28. Approval of financial statements

The financial statements were approved by the Management and authorised for issue on 22 February 2010.