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

Report on the financial statements

We have reviewed the accompanying interim statement of financial position of **Al Jazeera Steel Products Company SAOG** as of 30 June 2011 and the related interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 2 to 31.

Management's and Auditor's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of this interim financial information 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 disclosures issued by the Capital Market Authority. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements. 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of **Al Jazeera Steel Products Company SAOG** as of 30 June 2011, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

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Muscat, Sultanate of Oman
27 July 2011

AL JAZEERA STEEL PRODUCTS COMPANY SAOG

Statement of financial position as at 30 June 2011

	Notes	Unaudited 30 June 2011 RO	Audited 31 December 2010 RO
ASSETS			
Non-current assets			
Property, plant and equipment	7	**27,878,167**	28,675,262
Current assets			
Inventories	8	**17,440,388**	15,823,114
Trade and other receivables	9	**25,153,352**	20,073,722
Cash and cash equivalents	10	**2,564,117**	1,718,534
Total current assets		**45,157,857**	37,615,370
Total assets		**73,036,024**	66,290,632
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	**1,761,053**	1,550,982
Retained earnings		**4,193,716**	3,427,161
Total equity		**32,301,049**	31,324,423
LIABILITIES			
Non-current liabilities			
Borrowings	13	**2,025,000**	2,895,000
End of service benefits	15	**80,717**	65,414
Deferred tax liability	22	**912,948**	834,205
Total non-current liabilities		**3,018,665**	3,794,619
Current liabilities			
Borrowings - current portion	13	**33,348,420**	26,487,461
Government soft loans - current portion	14	**120,638**	468,554
Deferred government grant	14	**7,540**	29,285
Trade and other payables	16	**4,239,712**	4,186,290
Total current liabilities		**37,716,310**	31,171,590
Total liabilities		**40,734,975**	34,966,209
Total equity and liabilities		**73,036,024**	66,290,632
Net assets per share	24	**0.259**	0.251

Chairman **Director**

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

AL JAZEERA STEEL PRODUCTS COMPANY SAOG

Statement of comprehensive income for the period ended 30 June 2011

	Notes	**Unaudited period from 1 January 2011 to 30 June 2011**	Unaudited period from 1 January 2010 to 30 June 2010
Revenue		**46,703,055**	32,076,605
Cost of sales	**17**	**(40,743,754)**	(27,552,620)
Gross profit		**5,959,301**	4,523,985
Selling and distribution costs	**18**	**(2,019,239)**	(1,663,123)
General and administrative expenses	**19**	**(748,623)**	(542,026)
Other operating (expenses)/income		**(19,609)**	3,320
Operating profit		**3,171,830**	2,322,156
Net finance costs	**21**	**(992,379)**	(1,002,028)
Profit before taxation		**2,179,451**	1,320,128
Taxation	**22**	**(78,743)**	(164,180)
Net profit for the period		**2,100,708**	1,155,948
Earnings per share - basic and diluted	**23**	**0.016**	0.009

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

Statement of changes in equity
for the period ended 30 June 2011 (unaudited)

	Share capital RO	Share premium RO	Legal reserve RO	Retained earnings RO	Total RO
At 1 January 2010	12,489,796	13,856,484	1,360,636	1,714,046	29,420,962
Profit for the period	-	-	-	1,155,948	1,155,948
Transfer to legal reserve	-	-	115,595	(115,595)	-
At 30 June 2010	**12,489,796**	**13,856,484**	**1,476,231**	**2,754,399**	**30,576,910**
At 1 January 2011	**12,489,796**	**13,856,484**	**1,550,982**	**3,427,161**	**31,324,423**
Dividends paid (note 11)	**-**	**-**	**-**	**(1,124,082)**	**(1,124,082)**
Profit for the period	**-**	**-**	**-**	**2,100,708**	**2,100,708**
Transfer to legal reserve	**-**	**-**	**210,071**	**(210,071)**	**-**
At 30 June 2011	**12,489,796**	**13,856,484**	**1,761,053**	**4,193,716**	**32,301,049**

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

AL JAZEERA STEEL PRODUCTS COMPANY SAOG

Statement of cash flows
for the period ended 30 June 2011(unaudited)

	Period from 1 January 2011 to 30 June 2011 RO	Period from 1 January 2010 to 30 June 2010 RO
Operating activities		
Profit before taxation	**2,179,451**	1,320,128
Adjustments for:		
Interest income	**(3,066)**	(5,701)
Interest on borrowings	**995,445**	1,007,729
Depreciation	**1,068,016**	1,016,213
Allowance for inventories	**88,854**	801,335
Allowance for doubtful debts	**55,000**	-
Loss / (gain) on disposal of property, plant and equipment	**19,610**	(3,320)
Net transfer to end of service benefits	**15,303**	842
Operating cash flow before movement in working capital	**4,418,613**	4,137,226
Decrease / (increase) in working capital :		
Inventories	**(1,706,128)**	(4,577,728)
Trade and other receivables	**(5,134,630)**	(4,659,899)
Trade and other payables	**8,856**	(1,587,905)
Cash used in operations	**(2,413,289)**	(6,688,306)
Interest paid	**(950,879)**	(965,329)
Net cash used in operating activities	**(3,364,168)**	(7,653,635)
Investing activities		
Purchase of property, plant and equipment	**(290,531)**	(206,733)
Proceeds from sale of property, plant and equipment	**-**	3,320
Interest received	**3,066**	5,701
Net cash used in investing activities	**(287,465)**	(197,712)
Financing activities		
Dividend paid	**(1,124,082)**	-
Net change in borrowings	**5,621,298**	7,573,512
Net cash from financing activities	**4,497,216**	7,573,512
Net change in cash and cash equivalents	**845,583**	(277,835)
Cash and cash equivalents at beginning of the period	**1,718,534**	1,578,450
Cash and cash equivalents at end of the period	**2,564,117**	1,300,615

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

Notes to the financial statements for the period ended 30 June 2011

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.

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

For the period ended 30 June 2011, the Company has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the year beginning on 1 January 2011.

2.1 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 7: Financial Instruments: Disclosures, *amendments enhancing disclosures about transfers of financial assets*	July 2011
• IAS 12: Income Taxes, *limited scope amendment (recovery of underlying assets)*	January 2012
• IFRS 9: Financial Instruments: *Classification and Measurement* (intended as complete replacement for IAS 39 and IFRS 7)	January 2013

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.

Notes to the financial statements for the period ended 30 June 2011 (continued)

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 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.

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

3. Summary of significant accounting policies (continued)

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.

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.

Notes to the financial statements for the period ended 30 June 2011 (continued)

3. Summary of significant accounting policies (continued)

Deferred government grant

Interest subsidy is recognised in the statement of financial position 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.

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.

Notes to the financial statements for the period ended 30 June 2011 (continued)

3. Summary of significant accounting policies (continued)

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.

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 period, net of discounts and returns.

Notes to the financial statements for the period ended 30 June 2011 (continued)

3. Summary of significant accounting policies (continued)

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.

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 financial statements for the period ended 30 June 2011 (continued)

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 30 June 2011 RO	Audited 31 December 2010 RO
Trade receivables	**24,078,152**	19,369,409
Other receivables	**1,004,406**	661,325
Cash at bank	**2,553,329**	1,714,675
	27,635,887	21,745,409

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

	Unaudited 30 June 2011		Audited 31 December 2010	
Group	**Limit RO**	**Balance RO**	Limit RO	Balance RO
A - Fully covered by letter of credit / cash against documents (CAD)	**1,386,790**	**1,386,790**	685,063	685,063
B - Covered by ECGA	**3,135,000**	**1,535,253**	9,687,000	4,389,472
C - Partly covered by ECGA	**-**	**-**	5,408,500	14,294,874
D – Not covered	**-**	**21,156,109**	-	-
	4,521,790	**24,078,152**	15,780,563	19,369,409

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

Notes to the financial statements for the period ended 30 June 2011 (continued)

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 30 June 2011 (unaudited)				
Borrowings	**35,373,420**	**33,348,420**	**1,740,000**	**285,000**
Government soft loans	**128,178**	**128,178**	**-**	**-**
Trade and other payables	**4,239,712**	**4,239,712**	**-**	**-**
	39,741,310	**37,716,310**	**1,740,000**	**285,000**
At 31 December 2010 (audited)				
Borrowings	29,382,461	26,487,461	1,740,000	1,155,000
Government soft loans	497,839	497,839	-	-
Trade and other payables	4,020,908	4,020,908	-	-
	33,901,208	31,006,208	1,740,000	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 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 interest rates were to shift by 0.5% there would be a maximum change in the net finance cost by RO 164,688 (31 December 2010 : RO 140,809).

Notes to the financial statements for the period ended 30 June 2011 (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.

	Unaudited 30 June 2011 RO	Audited 31 December 2010 RO
Borrowings (note 13)	**35,373,420**	29,382,461
Government soft loans (note 14)	**128,178**	497,839
Total borrowings	**35,501,598**	29,880,300
Less: cash and cash equivalents (note 10)	**(2,564,117)**	(1,718,534)
Net debt	**32,937,481**	28,161,766
Total equity	**32,301,049**	31,324,423
Total capital	**65,238,530**	59,486,189
Gearing ratio	**50%**	47%

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 financial statements for the period ended 30 June 2011 (continued)

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

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 financial statements for the period ended 30 June 2011 (continued)

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 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:

	Unaudited 30 June 2011		Audited 31 December 2010	
	Revenue RO	**Trade receivables RO**	Revenue RO	Trade receivables RO
GCC countries including Oman	**38,500,850**	**21,217,722**	50,574,256	16,199,572
North America	**8,190,749**	**2,860,430**	13,486,866	3,139,488
Others	**11,456**	**-**	851,037	30,349
	46,703,055	**24,078,152**	64,912,159	19,369,409

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

7. Property, plant and equipment

Unaudited	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	**-**	**18,279**	**62,793**	**-**	**3,223**	**13,362**	**192,874**	**290,531**
Disposals	**-**	**-**	**(26,354)**	**-**	**-**	**-**	**-**	**(26,354)**
At 30 June 2011	**7,936,559**	**25,282,814**	**1,751,953**	**128,060**	**233,237**	**304,263**	**495,234**	**36,132,120**
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	**196,783**	**632,761**	**186,914**	**-**	**-**	**-**	**-**	**1,016,458**
General and administrative	**-**	**-**	**-**	**11,503**	**11,136**	**28,919**	**-**	**51,558**
Disposals	**-**	**-**	**(6,744)**	**-**	**-**	**-**	**-**	**(6,744)**
At 30 June 2011	**1,884,231**	**5,386,339**	**591,562**	**77,970**	**171,845**	**142,006**	**-**	**8,253,953**
Carrying value								
At 30 June 2011	**6,052,328**	**19,896,475**	**1,160,391**	**50,090**	**61,392**	**162,257**	**495,234**	**27,878,167**

7. Property, plant and equipment (continued)

Audited	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 2010	7,913,884	25,059,955	1,569,940	129,332	219,547	127,601	-	35,020,259
Additions	22,675	235,381	145,574	16,600	10,467	163,300	302,360	896,357
Disposals	-	(30,801)	-	(17,872)	-	-	-	(48,673)
At 31 December 2010	7,936,559	25,264,535	1,715,514	128,060	230,014	290,901	302,360	35,867,943
Depreciation								
At 1 January 2010	1,291,105	3,501,570	81,405	63,093	139,417	72,205	-	5,148,795
Charge for the year:								
Cost of sales	396,343	1,270,250	329,987	-	-	-	-	1,996,580
General and administrative	-	-	-	21,246	21,292	40,882	-	83,420
Disposals	-	(18,242)	-	(17,872)	-	-	-	(36,114)
At 31 December 2010	1,687,448	4,753,578	411,392	66,467	160,709	113,087	-	7,192,681
Carrying value								
At 31 December 2010	6,249,111	20,510,957	1,304,122	61,593	69,305	177,814	302,360	28,675,262

Notes to the financial statements for the period ended 30 June 2011 (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

	Unaudited 30 June 2011 RO	Audited 31 December 2010 RO
Raw materials	**7,196,534**	8,132,767
Finished goods	**5,851,607**	4,889,377
Work-in-process	**1,550,215**	1,976,914
Stores and spares	**1,959,470**	1,568,251
Less : allowance for inventories	**(912,499)**	(823,645)
	15,645,327	15,743,664
Goods-in-transit	**1,795,061**	79,450
	17,440,388	15,823,114

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:

	Unaudited 30 June 2011 RO	Audited 31 December 2010 RO
Balance brought forward	**823,645**	567,387
Charge during the period / year	**88,854**	256,258
Balance carried forward	**912,499**	823,645

Notes to the financial statements for the period ended 30 June 2011 (continued)

9. Trade and other receivables

	Unaudited 30 June 2011 RO	Audited 31 December 2010 RO
Trade receivables	**24,078,152**	19,369,409
Allowance for doubtful debts	**(120,774)**	(65,774)
	23,957,378	19,303,635
Advances to suppliers	**460,740**	122,514
Prepaid expenses	**191,568**	108,762
Other receivables	**543,666**	538,811
	25,153,352	20,073,722

The movement in allowance for doubtful debts is given below:

Balance brought forward	**65,774**	33,581
Charge during the period / year (note 19)	**55,000**	32,193
Balance carried forward	**120,774**	65,774

(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 six months past due are not considered impaired. As at 30 June 2011, trade receivables of RO 1,630 (31 December 2010: 55,732) 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 30 June 2011 RO	Audited 31 December 2010 RO
Less than 90 days	**19,391,387**	15,159,459
Between 91 - 270 days	**4,564,361**	4,088,444
Between 271 - 365 days	**13,012**	34,441
Between 366 - 730 days	**15,806**	82,020
More than 730 days	**93,586**	5,045
	24,078,152	19,369,409

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.

Notes to the financial statements for the period ended 30 June 2011 (continued)

9. Trade and other receivables (continued)

(c) Other receivables include custom duty paid on imports of RO 520,475. 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 2010. The refund of RO 170,382 has also been received from the Ministry as the first instalment. The Management is following up with the Ministry for the balance refund.

10. Cash and cash equivalents

	Unaudited 30 June 2011 RO	Audited 31 December 2010 RO
Cash on hand	**10,788**	3,859
Cash at bank	**2,553,329**	1,714,675
	2,564,117	1,718,534

Included in cash at bank is a balance of RO 393,004 (31 December 2010 : RO 458,851) held in a call account in the United Arab Emirates which customers make deposits into and RO 1,738,597 (31 December 2010 : RO 454,249) in US Dollars held in Oman. These accounts bear an interest rate of 0.5% per annum (31 December 2010: 0.5% per annum).

11. Share capital

The share capital comprises 124,897,960 (31 December 2010 - 124,897,960) ordinary shares of RO 0.100 (31 December 2010: RO 0.100) each fully paid.

	Authorised		**Issued and fully paid**	
	30 June 2011 RO	31 December 2010 RO	**30 June 2011 RO**	31 December 2010 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) During the period, a cash dividend of RO 0.009 per share totaling RO 1,124,082 was paid as approved by shareholders in their annual general meeting held on 24 March 2011.

Notes to the financial statements for the period ended 30 June 2011 (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	**Unaudited 30 June 2011**		Audited 31 December 2010	
	No. of shares	**Holding %**	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. Borrowings

	Unaudited 30 June 2011 RO	Audited 31 December 2010 RO
Non-current		
National Bank of Oman SAOG - term loan	**3,765,000**	4,635,000
Less: current portion included under current liabilities	**(1,740,000)**	(1,740,000)
	2,025,000	2,895,000
Current		
Loans against trust receipts	**30,014,484**	22,192,179
Bills discounting	**1,593,936**	2,150,096
Bank overdrafts	**-**	405,186
Current portion of term loan	**1,740,000**	1,740,000
	33,348,420	26,487,461
Total borrowings	**35,373,420**	29,382,461

(a) Interest rate on term loan from National Bank of Oman SAOG drawn towards construction of Merchant Bar Rolling Mill, has been reduced to 6% per annum after negotiation with the Bank due to Company's good performance in 2011 (31 December 2010 : 8.5% 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 is payable in 62 equal monthly installments of RO 145,000 each starting from September 2008.

Notes to the financial statements for the period ended 30 June 2011 (continued)

13. Borrowings (continued)

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

	Unaudited 30 June 2011 RO	Audited 31 December 2010 RO
From 1 to 2 years	**1,740,000**	1,740,000
From 3 to 5 years	**285,000**	1,155,000
	2,025,000	2,895,000

(c) Bank overdrafts are at interest rates ranging from 6% to 8% per annum (31 December 2010 - 6% to 8% per annum). Loans against trust receipts are at an interest rate of 4% to 5% per annum (31 December 2010 - 5.5% to 6.5% per annum). Bills discounted at interest rates of 6% per annum (31 December 2010 - 6.5% 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 pari-pasu charge on the current assets of the Company.

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

	Unaudited 30 June 2011 RO	Audited 31 December 2010 RO
Rials Omani	**27,697,439**	21,077,871
US Dollars	**7,675,981**	8,304,590
	35,373,420	29,382,461

Notes to the financial statements for the period ended 30 June 2011 (continued)

14. Government soft loans

	Unaudited 30 June 2011 RO	Audited 31 December 2010 RO
National Bank of Oman SAOG – GSL – I	**-**	369,661
National Bank of Oman SAOG – GSL – II	**128,178**	128,178
	128,178	497,839
Less : deferred government grant	**(7,540)**	(29,285)
	120,638	468,554
Less: current portion	**120,638**	468,554
Non-current portion	**-**	-

(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 2010 - 3% per annum) and is secured by a first charge over the property, plant and equipment of the pipe mill. The loan was repaid 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 2010 - 3% per annum) and is secured by a first charge over the property, plant and equipment of the pipe mill. 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:

	Unaudited 30 June 2011 RO	Audited 31 December 2010 RO
Less than one year	**128,178**	497,839

(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 period ended 30 June 2011 (continued)

15. End of service benefits

	Unaudited 30 June 2011 RO	Audited 31 December 2010 RO
Balance brought forward	**65,414**	52,943
Charge for the period / year (note 20)	**41,205**	63,679
Payments during the period / year	**(25,902)**	(51,208)
Balance carried forward	**80,717**	65,414

16. Trade and other payables

Trade payables	**3,102,797**	3,100,090
Accrued expenses	**1,085,942**	896,142
Advances from customers	**-**	165,382
Other payables	**50,973**	24,676
	4,239,712	4,186,290

17. Cost of sales

	Unaudited period from 1 January 2011 to 30 June 2011 RO	Unaudited period from 1 January 2010 to 30 June 2010 RO
Cost of materials consumed	**37,807,930**	25,035,374
Direct labour (note 20)	**1,272,356**	1,093,364
Depreciation (note 7)	**1,016,458**	983,940
Other direct expenses	**647,010**	439,942
	40,743,754	27,552,620

Notes to the financial statements for the period ended 30 June 2011 (continued)

18. Selling and distribution costs

	Unaudited period from 1 January 2011 to 30 June 2011 RO	Unaudited period from 1 January 2010 to 30 June 2010 RO
Packing and despatch charges	**1,785,422**	1,460,082
Sales promotion expenses	**7,691**	3,936
ECGA premium	**141,241**	120,055
Advertisement and publicity	**9,186**	5,023
Commission on sales	**62,672**	66,266
Other selling and distribution expenses	**13,027**	7,761
	2,019,239	1,663,123

19. General and administrative expenses

Employee costs (note 20)	**450,430**	298,578
Legal and professional charges	**31,969**	24,428
Communication expenses	**43,419**	39,586
Travelling and conveyance	**43,773**	64,006
Depreciation (note 7)	**51,558**	32,273
Insurance	**5,128**	11,091
Provision for impaired debts (note 9)	**55,000**	-
Other expenses	**67,346**	72,064
	748,623	542,026

20. Employee costs

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

	Unaudited period from 1 January 2011 to 30 June 2011 RO	Unaudited period from 1 January 2010 to 30 June 2010 RO
Basic salaries and allowances	**1,501,168**	1,173,416
Staff rent	**89,281**	101,261
Employee welfare expenses	**65,405**	64,189
End of service benefits (note 15)	**41,205**	32,181
Social security costs	**25,727**	20,895
	1,722,786	1,391,942

Notes to the financial statements for the period ended 30 June 2011 (continued)

20. Employee costs (continued)

	Unaudited period from 1 January 2011 to 30 June 2011 RO	Unaudited period from 1 January 2010 to 30 June 2010 RO
Allocated to :		
Cost of sales (note 17)	**1,272,356**	1,093,364
General and administrative expenses (note 19)	**450,430**	298,578
	1,722,786	1,391,942

21. Net finance costs

Interest on borrowings	**995,445**	1,007,729
Interest income	**(3,066)**	(5,701)
	992,379	1,002,028

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. As the Company has carry forward tax losses, no current income tax charge has been made. 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:

Notes to the financial statements for the period ended 30 June 2011 (continued)

22. Taxation (continued)

Deferred taxation	**Audited 1 January 2011 RO**	**Unaudited charged to profit or loss RO**	**Unaudited 30 June 2011 RO**
Asset			
Provision	**(7,893)**	**(6,600)**	**(14,493)**
Liability			
Accelerated tax depreciation	**842,098**	**85,343**	**927,441**
	834,205	**78,743**	**912,948**

	1 January 2010 RO	Audited charged to profit or loss RO	31 December 2010 RO
Asset			
Provision	(4,030)	(3,863)	(7,893)
Liability			
Accelerated tax depreciation	618,291	223,807	842,098
	614,261	219,944	834,205

(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 2010 will not be material to the financial position of the Company as at the reporting date.

Notes to the financial statements for the period ended 30 June 2011 (continued)

23. Earnings per share – basic and diluted

Earnings per share are calculated by dividing the profit / (loss) 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 2011 to 30 June 2011	Unaudited period from 1 January 2010 to 30 June 2010
Profit attributable to shareholders (RO)	**2,100,708**	1,155,948
Weighted average of number of shares outstanding	**124,897,960**	124,897,960
Earnings per share - basic and diluted (RO)	**0.016**	0.009

24. Net assets per share

	Unaudited 30 June 2011	Audited 31 December 2010
Net assets (RO)	**32,301,049**	31,324,423
Number of shares at the reporting date	**124,897,960**	124,897,960
Net assets per share (RO)	**0.259**	0.251

Net assets per share are calculated by dividing the shareholders' equity at the reporting date 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 period, the following transactions were carried out with related parties:

Sales and purchases of goods / services	**Unaudited period from 1 January 2011 to 30 June 2011 RO**	Unaudited period from 1 January 2010 to 30 June 2010 RO
Sales of goods	**-**	206,497
Purchases of services	**-**	14,147
Key management compensation		
Basic salaries and allowances	**90,018**	90,113
Remuneration to directors		
Directors' sitting fees	**5,100**	2,675

26. Commitments

(i) Lease commitments

At 30 June, 2011, the future minimum lease commitments under the lease agreement in respect of the land, referred to in note 7(a) amounted to RO 1,421,442 (31 December 2010 - RO 1,466,830) for the total remaining lease period. Under the terms of the operating lease the future aggregate minimum lease payments are as follows:

	Unaudited 30 June 2011 RO	Audited 31 December 2010 RO
Not later than 1 year	**67,046**	67,046
Between 2 and 5 years	**268,182**	268,182
Later than 5 years	**1,086,214**	1,131,602
	1,421,442	1,466,830

(ii) Purchase commitments

At 30 June 2011, the value of outstanding purchase commitments amounted to RO16,285,220 (31 December 2010 - RO 13,612,277).

Notes to the financial statements for the period ended 30 June 2011 (continued)

26. Commitments (continued)

(iii) Capital commitments

At 30 June 2011, the value of outstanding capital commitments amounted to RO 79,041 (31 December 2010 - RO NIL).

27. Contingent liabilities

	Unaudited 30 June 2011 RO	Audited 31 December 2010 RO
Bank guarantees	**876,401**	541,486

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

28. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 27 July 2011.