Dear Shareholder

On behalf of the Board of Directors, I would like to welcome you to the 12th Annual General Meeting of the Company to present the Annual Report, Audited Financial Statements and Auditors Report for the year ended 31 December 2009.

Overview of the steel industry impact on our business

The year started off with HRC prices touching rock bottom due to economic recession, liquidity crisis and steel products over-stocking, prompting buyers to refrain from new commitments. Demand was severely impacted in the first quarter of the year, with destocking taking place as companies had significant inventory piled up from the previous year. Buyers started returning to the market slowly in the second quarter. The marginal improvement in demand did not last for even two quarters. The Dubai financial debacle took its toll on the financial and commodity market for the GCC. Not only was the financial sector affected, but also a sudden collapse in the construction sector occurred, which had a direct effect on steel demand.

Although most economies did not fully recover from the 2008-end recession, China persisted as the engine of growth and pushed up the prices of the basic input raw materials for making steel by third quarter. Furthermore, the majority of the steel plants globally had taken partial shutdown or was operating at below 50% capacity utilization. With destocking more or less over by mid-2009, the demand for steel improved and steel prices slowly moved upwards and this continued during the last six months.

During the last four months, consumer confidence returned and the announcement from US government on only a marginal decrease in the unemployment data was taken by the market as an encouraging signs. This was also reflected in our order book position from this region. With the stabilization of oil prices, we expect the GCC region to pump in more funds into the infrastructure and construction fields as can be seen from the huge Budgets approved by some GCC countries such as KSA and Kuwait. The construction industry in Oman, Qatar and Saudi has not been greatly affected by the recession or the Dubai out comes and several new projects have been announced by these Governments. During 2009 we witnessed that the initial slow down did not last too long and the new orders started coming out from all parts of the GCC, with the oil prices moving up beyond $60 per barrel in Q2 & Q3, but a fall was observed in Q4 resulting from Dubai World default.

Operational Performance

The overall demand we saw in 2008 was halved in the year 2009 due to the global economic slow-down coupled with an overall drop in prices/realizations of steel prices. Although the signs of recovery were seen, it was not that significant to take us through to the level of production or values achieved in 2008. As can be seen in the table below, operationally we were able to stabilize ourselves in the current scenario compared to that of the year 2008 where gradual growth was witnessed. It is indeed a great achievement that the management was successful in getting the Merchant Bar Mill functioning and come in-to commercial production by quarter four.

Financial Highlights

Particulars	31 December 2009	31 December 2008	Percentage of Increase / (Decrease)
Production – MT	138,493	179,314	(23%)
Sales – MT	139,133	176,702	(22%)
Sales – RO	39,966,713	78,435,733	(49%)
Profit / (Loss)(in RO)	(774,042)	1,718,328	NA

The MBM capacity utilization was only in the region of 20% as associated with any new plant coming on line the resultant loss-can be-wholly attributed to a large extent to the initial start up of the facility.

Outlook for the future

The world economies are slowly returning to normalcy and the US economy in particular is recovering at a faster pace than what was initially expected, Europe, on the other hand, is still to recover from the recessionary trend. Some countries in the GCC are doing quite well, as mentioned earlier, but UAE and Kuwait have still to recover from the economic and financial shocks of 2008-2009. Working within this environment will put the management through a lot of pressure and challenges. But I believe your company has many strong points that should not be forgotten; and to mention a few:

1. The capital injection which took place in 2007 by Global Buyout Fund has placed the company in a strong position and the balance sheet of the company is strong to absorb the loss.

2. The company was able to keep the receivables under control and to collect cash in advance, resulting in a better cash flow management. The effective turn-around cycle time helped the company to reduce borrowings substantially. Today, the company

has a healthy balance sheet, which we believe, cannot be seen for many of the steel related companies in GCC and in the world.

3. With the present economic and financial scenario I do see that the demand for our pipe products would slowly improve. We are in the process of increasing the size range of our MBM products with the market feed-back and we expect to have over seven-fold increase of the 2010 commercial figures in tonnage (compared to 2009 figures of 15,093 MT). Currently the production and supply level of merchant bars within the GCC is quite low, and a substantial quantity is met by imports. However the challenge remains with the management as to how they can tap the market to achieve higher tonnages.

4. Last year the management worked with low inventory levels. The same is expected in 2010, which will put the management under lots of stress and new challenges, but I have no doubt that the management will rise to the occasion.

In addition to the above points, we should not forget that most economies had a negative GDP growth in 2009, but for 2010 practically all economies have estimated positive GDP growth in 2010 and the company with the required facilities in place will be able to take full advantage of this growth situation. This is supplemented by:

- Proximity of the factory to Sohar port compared to other mills in the region.

- The company has continuously implemented various cost reduction measures and has been successful in negotiating with various service providers.

- With the addition of the Merchant Bar Mill the Company's capacity and product range also gets diversified and offers new spectrum to the products that are being sold by the company.

- The API certificate accreditation is likely to open up a lucrative segment to our products (oil field application) with oil prices trading at over USD 65 per barrel.

Internal Control System and their adequacy

The company has proper and adequate systems of internal controls in order to ensure that all assets are safeguarded and protected against unauthorized use or disposition and that all transactions are authorized and reported correctly. The internal control system is supplemented by an extensive program of internal audits, review by management, documented policies, guidance and procedures. The internal control is designed to ensure that the financial and other records are reliable for preparing and maintaining statements.

The company has an audit committee comprising of non-executive directors to review the audit which in turn is reviewed by the Board.

The greatest strength of your company is the quality and spirit of its people, in addition, it enjoys a good reputation in the market for its quality and dependability, and all these will contribute positively to its future prosperity. It should be noted that employees of the company had taken a salary cut, voluntarily, in 2009 when the market and financial condition of the Company was not comfortable.

M/S. Delloitte Touche, the company's Auditors have audited the accounts up to 31 December 2009, and their report is enclosed.

Finally, on behalf of the company and the Board of Directors, I would like to express my heartfelt gratitude to His Majesty Sultan Qaboos Bin Said for the encouragement and support given by his Government for the Industrial Development in the Sultanate of Oman.

At this juncture, on behalf of the Board I would like to thank MSM, DFM, Bankers, Customers and all the shareholders for their support and co-operation extended, which in turn reflects the confidence placed in the Board of Directors of the Company and also I would like to place on record our sincere appreciation to all the Management, Marketing, Production and workers for their efforts towards achieving this performance.

On Behalf of the Board

Mohamed A. Moosa
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

The Management of Al Jazeera Steel Products Co. SAOG is pleased to present the Management Discussion Analysis Report for the year ended 31st December, 2009.

Industry Structure and Development

The year 2009 started off with slow recovery mode and during the first quarter the market was facing huge liquidity crisis and people were reluctant to do business. Practically there was no buying activity in the market. From the second quarter of 2009, the buyers started returning to the market as inventory at various levels got depleted. An improvement in steel prices was also seen in this period due to cost push factor from the mills side. However the ultimate demand was slow and buyers were very cautious. Steel plants restarted their furnace during the third quarter and started increasing their capacity utilization. The emerging markets, specifically China and India, where local consumption was relentless, was able to absorb the major production that was done globally. Although the US is slowly recovering from the current recession, it is expected to take another two years for a full recovery; where as European markets are still in a recessionary mode with a very low demand and very few off buyers.

The GCC region also is witnessing mixed growth and uncertainty increased during the last quarter with-the financial meltdown in Dubai and Dubai World. This added to the lackluster growth in the region and caused concerns among GCC countries and traders especially in Dubai with some of them not able to withstand further slow down. As a result, regional construction activity took a back seat and all the steel mills in the UAE were forced to curtail production or shut down. However, around late December, markets started recovering with the re-scheduling/bail out of debts in Dubai institutions by banks and government. In the mean time, Abu Dhabi has become more active and the construction activity in the region has started to pick up again.

Key Opportunities and Threats

Price volatility remains the greatest risk, as reported in the past. The management will try to tackle the problem by maintaining economical inventory levels, improving its supply chain & customer service and trying to move up in its product segments.

In the pursuit of these goals, your company's management has concentrated on building and increasing its certification compliance. In this process, the company has obtained API, UL and CE marking certifications. In addition, the company has to open up more avenues to increase business in the Kingdom of Saudi Arabia (KSA) and in Africa. The FM and Aramco Certification and the movement into the API market are the two targets to be fulfilled in 2010.

The commercial production of the MBM started in the last quarter of 2009 and this mill is expected to increase its size range in the coming months and the mill is expected to reach 50% capacity utilization by end of 2010.

Outlook for the future:

Following the dramatic price decline in latter part of 2008 and in early 2009, prices of the metal markets today have almost settled. Recent economic data provide little respite from the gloom with plummeting industrial output, rising unemployment and little sign of any turnaround in key regional and international markets. We do expect consolidation in the industry among smaller players who have not been able to navigate the financial crisis. This coupled with the scale back in overall expenditures and loss of new projects, points to the potential for very tight markets further ahead.

Despite all this, metals prices have moved up, suggesting that while economists may still be surprised at just how bad the world looks, the further downturn in conditions in early 2009 may be largely priced in. Tentative improvement in some leading indicators, including a better though still fragile business confidence level, signals that the global steel market may be seeing a mini-revival, providing a modicum of encouragement. From an initial drop in steel production indicating a yearly reduction in figures of around 20%, the year-end figures only came to around 8% from that of 2008.

Risks and concerns:

The steel industry is facing a major challenge. For the first time after three decades and after an average CAGR of 6% in the last 6 years, from 2008, the growth has been negative by 8% in 2009. Several stalwarts in steel growth predications expect an increase in output by around 8% in 2010, and production levels of 2007 (1.34 billion tons of crude steel output) by 2011. Raw materials prices had fallen significantly, but from the latest trend, they are expected to increase substantially. The Iron ore and coke price negotiations are surely to be revised upwards and there has already been significant rise in scrap prices. The freight has only come down due to lower loads and decreased oil prices.

In spite of the global downturn and the lack of available projects, which got cancelled or deferred, the longer term outlook for the GCC steel market looks more promising. GCC governments continue to hold sufficient surpluses and major government backed players in the regional steel industry are well insulated from the effects of the global slowdown. In addition, the higher oil prices in 2009 from levels of $35 to $75 have fuelled regional economic growth and capital investment, especially in KSA, Qatar, Abu Dhabi and Oman.

Your Company has been constantly widening its market reach. In the last two years, the company has supplied products to the US and Canada through an innovative marketing approach. Having established itself as a quality manufacturer, the company is planning to leverage its performance in these markets to its advantage, by adding pipes of higher sizes and other grades and working closely to have warehousing facilities in North America.

The company maintains a premium pricing policy in the local market and a competitive pricing policy in the exports outside GCC Countries. The marketing team closely monitors prices of competitors such that the products of the company are also correctly priced in the market.

The market analysis reveals that market prospects for the tubes and sections are encouraging. The company's wide product range and continuous innovations for value-added products have given the company an edge over competitors. Furthermore, the company has obtained various quality certifications to approach high end customers. The quality image, which has been established in the past years, would be effectively leveraged to sell the expanded capacity and new products. We expect to strengthen the distribution network in the current year so that marketing of the new range of products would take off smoothly. The expansion would also help the unit in improving its purchasing power especially the critical raw materials (such as Hot Rolled coils, Steel Billets and Zinc) in the international market. The company plans to have its own offices and/or agencies in KSA so that there is direct interaction with the customers and value business.

Commercial production of MBM started in the last quarter of 2009. We also plan to get certification for Quality, primarily ISO: 9001 Certification, for which work has already started and the same would be obtained in 2010.

Internal Controls and their adequacy:

The Company's internal controls are well established. The Company has an internal audit firm that assesses the internal control systems. The Audit Committee reviews the reports regularly. In addition, during the year, the Board has also reviewed the internal control systems in the Company. Any change in the internal control systems that is recommended is studied and implemented. The Company also has an information technology system that supports the organization and ensures adequate information flow within the Company.

Analysis of segments and product-wise performance

The company sells three different types of steel products. The product wise performance is given below:

Sales Quantity in MT			
Particulars	**2009**	**2008**	**% of increase/ (Decrease)**
Black pipes	40,887	77,172	(47%)
Galvanized pipes	67,186	68,061	(1%)
Sections	16,732	30,860	(46%)
Merchant Bar Mill Products	14,328	-	-
Total	**139,133**	**176,093**	**(21%)**

Financial Review:

The financial performance of the company in 2009 as compared to that of 2008 is given below:

(Amount in RO)

Particulars	2009	2008	% of increase / (Decrease)
Sales	**39,966,718**	**78,435,733**	(49%)
Gross Profit	**4,116,269**	**7,494,062**	(45%)
Finance Cost – Net	(1,585,063)	(1,231,367)	29%
Administration Cost	(3,305,246)	(4,543,633)	(27%)
Net Profit	**(774,040)**	**1,719,062**	(145%)
Earnings Per Share	**(0.006)**	**0.014**	-

Operational Review

During the year under review, the company moved up from average sales of 8,000tpm in Q1 to over 12,000tpm in the other quarters. The company thus manufactured 138,407 MT of steel products in the year 2009 (2008: 179,314 MT).

Due to drop in the raw material prices, the turnover in terms of value dropped, from RO 78.435 million in 2008 to RO 39.967 million in the year 2009.

While the sales tonnages continued to rise in Q2 and Q3, the last quarter saw a large dip in sales in the GCC region as projects were suspended and the region witnessed its own collateral damages as a result of the Dubai deleveraging. While exports to North America, kept us going, we lost over 8,000MT (estimate) due to the lack of demand in GCC. At all points of time we maintained minimum stock levels.

The company currently has an operating and production capacity of 300,000 MT of pipes which includes 80,000MT of galvanized products per annum. However, the severe market conditions restricted our pipe mill to be operated at 42% of its capacity and there by resulting in 123,314MT of production. Through continuous modernization and expansion of its production facilities and innovative work in the market place, the company has focused its product mix to meet the high standards of customers in our segment.

The capital injection in 2007 strengthened the company's balance sheet and made it possible to with-stand the present loss. The new Merchant Bar Mill (MBM) has gone into commercial production from the last quarter of 2009. In the last quarter only about 15,093MT could be produced, as hereto the market for pipes was not at all buoyant in GCC and countries like Turkey and China were dumping in this market.

The management along with United Gulf Steel (UGS), KSA has taken up the issue of dumping with the Technical Secretariat for Anti-Dumping (TSAD), in Riyadh, KSA. A decision on the same is expected soon and would result in providing some relief to the industries in GCC. Overall, MBM is expected to increase the product range and meet customer demand for angles, squares, flats and channels for the rated production capacity of 300,000 MT per annum.

We at Jazeera believe that our greatest asset is our strong and wide customer base, and we are always striving to add on to this and also to enter into new markets. This will offer the company the ability to spread its risks over a wider base and pave our way for future expansions in our product range.

Omanisation

We are proud of the Omanisation level of this company, which currently stands at 36% and especially because they are productive and contributing a great deal in the success of our organization.

DIRECTOR

Deloitte.

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TO THE SHAREHOLDERS OF
Al JAZEERA STEEL PRODUCTS COMPANY SAOG

We have performed the procedures prescribed in Capital Market Authority (CMA) Circular No. 16/2003 dated 29 December 2003 with respect to the accompanying corporate governance report of **Al Jazeera Steel Products Company SAOG** and its application of corporate governance practices in accordance with CMA code of corporate governance issued under Circular No. 11/2002 dated 3 June 2002 and CMA Rules and Guidelines on disclosure, issued under CMA administrative decision 5, dated 27 June 2007. Our engagement was undertaken in accordance with the International Standards on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the Company's compliance with the code as issued by the CMA.

We report our findings as below:

We found that the company's corporate governance report fairly reflects the company's application of the provisions of the code and is free from any material misrepresentation, except for one instance where the interval between second and third board meetings exceeded the maximum permitted interval of four months.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose, This report relates only to the accompanying corporate governance report of **Al Jazeera Steel Products Company SAOG** to be included in its annual report for the year ended 31 December 2009 and does not extend to any financial statements of **Al Jazeera Steel Products Company SAOG**, taken as a whole.

Deloitte & Touche

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

P.O.Box 258, P.C. 112
Sultanate of Oman
Deloitte & Touche (M.E.) & Co. LLC

Pursuant to Capital Market Authority (CMA) circular dated 3 June 2002 and subsequent amendments, the Board has adopted a set of Governance policies that cover its relationship with the shareholders and the conduct by the Board of its own affairs.

A. Company's philosophy on code of Corporate Governance

Al Jazeera Steel Products Co SAOG (Jazeera) believes that for a company to succeed on a sustainable basis, it must maintain high standards of corporate governance towards its employees, consumers and society. To this we as a company have always focused on good corporate governance, which is a key driver of sustainable growth and profitable in the long-term and value addition for our shareholders.

In this report, Al Jazeera Steel Products Co SAOG confirms its compliance with the code as required by article 26.

The company has listed its shares in Dubai Financial Market the company has complied with various disclosure requirements of the DFM and complied with the same during 2009.

B. BOARD OF DIRECTORS

a) Composition of the Board

As of 31st December 2009, the Company had 7 members as its Board of Directors, during the year the composition of the Board is as given below:

Period	No of Directors
January 1– December 31	7

All the directors were elected in their individual capacities except Mr. Mukesh Sawhney (Representing M/s Middle East Investments LLC), Mr. Rajeev Kulkarni (Representing M/s Moosa Abdul Rahman Hassan & Co. LLC) and Mr. Joseph Joseph (Representing M/s Global Buyout LP)

Brief Profile of the Board of Directors

- **Mr. Mohamed A Moosa - Chairman**
  Business entrepreneur has a decade of experience in various industries and in particular the steel industry and founder of the Company, Responsible for the overall strategic management of the Company. He has resigned from the Managing Director & Vice chairman position on 21st October 2007 and has been appointed as chairman of the company from the same date.

- **Mr. Saleh Nasser Aboud Al-Habsi – Vice Chairman**
  He has an experience of 20 years in the field of banking and investment sector and has occupied senior positions in various organizations. He is a non executive and independent director.

- **Mr. Joseph Joseph - Director**
  An engineer cum finance professional has an experience of 12 years in the field of Finance and other industries. He has occupied Management positions in various companies. He is a Nominee of Global Buyout Fund LP.

- **Mr. Mukesh Sawhney - Director**
  A senior finance professional with a vast experience of 33 years in the field of finance and has occupied various senior positions in Oman. He is nominee of Middle East Investments LLC.

- **Mr. Rajeev Kulkarni - Director**
  A finance professional with an experience of 20 years in the field of finance and has occupied Management positions in companies. He is a nominee of Moosa Abdul Rahman Hassan & Co LLC.

- **Mr. Subrata Mitra - Director**
  A seasoned finance professional with experience of around 12 years in the field of private equity, corporate finance, investment banking and financial planning. He is a non executive and non independent director.

- **Mr. Ghanem Sulaiman Al-Ghenaiman – Director**
  A post graduate in International business with an experience of around 24 years in the field of securities portfolio, Alternative investment, management of equity funds, strategic planning, asset management and allocation and occupies various senior positions in companies. He is a non executive and non independent director.

b) Directors' attendance record at the Board meeting and Last Annual General Meeting

During the year 2009 four board meeting were held and the dates of the meeting are as follows.

1. 2rd March 2009	2. 26th March 2009
3. 18th August 2009	4. 28th October 2009

The maximum interval between any two meetings in 2009 was 145 days. The interval between the last meeting in 2008 and the first meeting in 2009 was 74 days.

The attendance record of each director at said board meetings and last AGM is given below:

Name of the Director	Category	Board Meeting				AGM
		02/03/09	26/03/09	18/08/09	28/10/09	26/03/09
Mr. Mohamed A. Moosa	NE & ID	√	√	√	√	√
Mr. Saleh Nasser Al Habsi	NE & ID	√	√	√	√	√
Mr. Omar M Elquqa	NE & ID	AB	AB	AB	ND	AB
Mr. Shailesh Kumar Dash	NE & ID	√	AB	√	AB	AB
Mr. Joseph Joseph	NE & ID	√	√	√	√	√
Mr. Mukesh Sawhney	NE & ID	AB	AB	AB	√	AB
Mr. Rajeev Kulkarni	NE & ID	√	√	√	√	√
Mr. Subarta Mithra	NE & ID	ND	ND	AB	√	ND
Mr. Ghanem Sulaiman Al–Ghanaiman	NE & ID	ND	ND	ND	AB	ND

NE → Non Executive Director, ID → Independent Director, MD → Managing Director
√ → Present, Ab→ Absent, ND → Not a Director

<u>Note:</u> Mr. Omar M. Elquqa resigned on 18th August 2009 and Mr. Subarta Mithra was appointed on the same day. Mr. Shailesh Kumar Dash resigned on 28th October 2009 and Mr. Ghanem Shlaiman Al-Ghanaiman was appointed on the same day.

The meetings were coordinated by the Board Secretary, under the guidance of the Board members. The meetings were conducted with exhaustive agenda and proceedings were minutes. Chief Executive Officer reports to the Board about the operations of the company and were reviewed in each of the meeting. All related issues were also discussed regarding the growth and progress of the company.

c) Other Companies or Committees the Directors is a Director / Member / Chairman

Name of Director	Name of the company	Position Held
Mr. Mohamed A Moosa	Al Jazeera Steel Products Co SAOG Oman Refreshments Co. SAOG	Chairman Director
Mr. Mukesh Sawhney	Al Jazeera Steel Products Co SAOG Oman United insurance Co. SAOG National Pharmaceuticals Industries Co. SAOG. Oman Ceramics Co. SAOG	Director Deputy Chairman Director Director
Mr. Rajeev Kulkarni	Al Jazeera Steel Products Co SAOG	Director
Mr. Saleh Nasser Al Habsi	Al Jazeera Steel Products Co SAOG Al Omaniya Financial Services Co SAOG National Bank of Oman SAOG Muscat Fund	Vice Chairman Director Director Director
Mr. Joseph Joseph	Al Jazeera Steel Products Co SAOG	Director
Mr. Subrata Mitra	Al Jazeera Steel Products Co SAOG	Director
Mr. Ghanem Sulaiman Al-Ghenaiman	Al Jazeera Steel Products Co SAOG	Director

No director is a member of the board for more than four public joint stock companies whose principal place of business is in the Sultanate of Oman, or is a chairman of more than two such companies. None of the directors is a member of the board of directors of a public and another joint stock company which carryout similar objectives and whose principal place of business is in the Sultanate of Oman. Hereby, Al Jazeera Steel Products Co. SAOG confirms compliance to the article 95 (as amended) of The Commercial Companies Law No. 4/1974.

Company Management

The names, designations, description of the responsibilities of the Key Management staff in Al Jazeera Steel Products Co SAOG and a brief profile of them are as follows:

- **Dr. Bhaskar Dutta – Chief Executive Officer**
  B.Tech (Hons) from IIT, India, and has completed his master's and doctorate from UK, Has over 40 years of experience in the steel industry in the field of operations and Project Management in the Steel Industry ranging in products of commercial quality to low and high alloy steels and stainless steel in both integrated steel plant. Have served in Tata Steel and Arcelor-Mittal and held positions of Vice-President, President and Managing Director in previous organizations and he reports to the Board of Directors.

- **Mr. P.K. Venkatesan – Chief Financial Officer**
  Chartered Accountant by profession with an experience of 20 years in the field of finance and accounts functions in various industries at the management level, responsible for all the finance related functions of the company and reports to Chief Executive officer and the Board of Directors.

- **Mr. Arun Kumar Sinha – DGM Marketing**
  Is a post graduate in marketing management and has an experience of 20 years in steel pipe industry at various management levels, Responsible for all the marketing activities of the company in the GCC region and reports to the Chief Executive Officer of the company.

- **Mr. Ravi Kulkarni – AGM Operations**
  Is a graduate engineer in Mechanical Engineering and has an experience of 25 years in the various steel plants at various levels, responsible for all the production, dispatch and plant related activities of Tube Mill for the company and reports to Chief Executive Officer of the company.

- **Mr. Indranil Chowdhry – Chief International Marketing**
  Post graduate in Economics and 26 years of experience in the steel industry in the field of marketing steel products globally, responsible for all the development and marketing activities in the non GCC countries and reports to Chief Executive Officer.

- **Mr. John Seshgiri Rao – Chief of Operations – MBM**
  Is a graduate engineer in Production Engineering and has an experience of 30 years in the various steel plants at various levels, responsible for all the production, dispatch and plant related activities of Merchant Bar Mill for the company and reports to Chief Executive Officer of the company.

d) Information supplied to the board

Among others, this includes:

- Capital and operating budgets and quarterly updates
- Quarterly results of the company before submission to MSM / CMA /DFM/ESCA
- Monthly Management Reports
- Minutes of the Audit and Other Committees
- Information of recruitment, resignation and removal of senior executives along with the updated organization chart
- Legal cases which are material
- Serious accidents, dangerous occurrences and pollution problems, if any
- Material default in financial obligations to or by the company
- Issues involving public or product liability claims of significance
- Joint Venture proposals and agreements
- Transactions involving payment towards intellectual property/goodwill/brand equity
- Any significant industrial relations problem including new wage agreement
- Sale of investments, assets and divisions which are not in the normal course of business
- Non-compliance with any regulatory requirement
- Details of any foreign exchange exposure and steps taken to hedge the risk

The Board of Al Jazeera Steel Products Co. SAOG is routinely presented with all the above information and whenever applicable and are materially significant. These are submitted either as part of the agenda well in advance of the board meetings or are being tabled during the course of the board meetings.

e) Directors with materially significant related party transactions, pecuniary or business relationship with the company

During the year, there were no materially significant related party transactions of pecuniary nature between Al Jazeera Steel Products Co SAOG and its directors who may have potential conflict with the interests of the company at large. The normal contracts and transactions in ordinary course of business are decided at arms length basis based on competitive quotes and on transparent mode of tendering.

f) Remuneration of Directors:

The company paid an amount of RO 200 to Chairman and Vice Chairman and RO 175 to all other directors towards sitting fees for every board meeting attended during the year. The Company also paid RO 125 to the directors towards sitting fees for every audit committee and the steering committee meetings attended during the year.

Sitting fees paid to individual directors during the year (in RO) are as set below

Name of the Director	Board Meetings	Audit Committee	Total – RO
Mr. Mohamed A. Moosa	800	-	**800**
Mr. Saleh Nasser Al Habsi	800	375	**1,175**
Mr. Omar M Elquqa	-	-	**-**
Mr. Shailesh Kumar Dash	350	-	**350**
Mr. Joseph Joseph	700	375	**1,075**
Mr. Mukesh Sawhney	175	-	**175**
Mr. Rajeev Kulkarni	700	500	**1,200**
Mr. Subrata Mitra	175	-	**175**
Mr. Ghanem Sulaiman Al–Ghanaiman	-	-	**-**
Grand Total	**3,700**	**1,250**	**4,950**

During the previous year Mr. Omar M Elquqa, Mr. Shailesh Kumar Dash, Mr. Joseph Joseph, and Mr. Subrata Mitra have not claimed Board sitting fees; Mr. Joseph Joseph has not claimed Audit Committee Sitting Fees.

g) Process of nomination of the Directors

The Company adheres to the process as has been laid down in the Commercial Companies Law and by the Capital Market Authority in conjunction with the Articles of the Association of the Company, which stipulates that the nomination of the Directors are usually done through AGM.

h) Audit Committees

The Board has established an Audit Committee comprising of three independent members. In compliance with the requirements of Article 7 of the Code, two members of the Audit Committee are knowledgeable in finance, industry and laws / regulations governing SAOG companies.

i. Terms of Reference of the audit committee are as set below

- To recommend to the Board, name of the independent auditors to audit the financial statements of the Company.
- To evaluate the performance of the independent auditors and where appropriate, replacing such auditors.
- To review the audited financial statements and discussing them with management and the independent auditors. Based on such review, the Committee shall make its recommendation to the Board as to the inclusion of the Company's audited financial statements in the Company's Annual Report.
- To monitor all reporting, accounting, control and the financial aspects of the executive management's activities.

- To investigate any activity with in the Company.
- To seek information from any employee.
- To discuss with a representative of management the interim financial information contained in the Company's Quarterly Report prior to its filing (These discussions may be held with the Committee as a whole, with the Committee chair in person, or by telephone.)
- To oversee internal audit activities, including discussing with management and the internal auditors the internal audit function's organization, objectivity, responsibilities, plans, results, budget, and staffing.
- Discussing with management, the internal auditors, and the independent auditors the quality and adequacy of and compliance with the Company's internal controls and provide assurance to the Board of Directors regarding the adequacy of the of the internal control environment within the Company.
- Discussing with management and/or the Company's lawyer any legal matters (including the status of pending litigation) that may have a material impact on the Company's financial statements and any material reports or inquiries from regulatory or governmental agencies.

It may be clarified that the role of the Audit Committee includes matters specified under Annexure 3 of the Code of Corporate Governance for MSM listed companies issued by Circular no. 11 / 2002 dated 3 June 2002. Further the company complies with the listing requirements of DFM and ESCA.

ii. Four Audit Committee meetings were held during the financial year ended 31 December 2009, the dates of the meeting and the member's attendance are as follows.

Name of the Director	Position	Audit Committee Meeting			
		02/03/09	28/10/09	10/12/09	28/12/09
Mr. Saleh Nasser Al Habsi	Chariman	AB	√	√	√
Mr. Joseph Joseph	Member	√	√	√	Ab
Mr. Rajeev Kulkarni	Member	√	√	√	√

√ → Present, Ab→ Absent, NM → Not a Member

Total sitting fees paid during the year to the audit committee members was RO 1,250.

i) Internal Control

The Audit Committee, on behalf of the Board regularly reviewed the internal control prevailing in the Company. The Company has an internal audit firm for reviewing and reporting on the various issues of the Company along with recommendations and Management comments thereupon. Audit committee reviews the report of the internal auditor on a regular basis. The Internal Controls prevailing in the company are adequate. The internal audit activities were carried by an Audit firm Moore Stephens, Chartered Accountants, Muscat and the fees paid to them was RO 12,500. Further the Board has appointed a full time internal auditor also from August 2009.

C. MANAGEMENT REMUNERATION

The remuneration package of the executives is made up of a fixed and variable component. Fixed component includes a salary, valued perquisites and retirement benefits. The variable component is a performance linked incentive which is calculated based on pre determined parameters of performance.

During the year 2009, the total cost of the top 6 executives of the Company was 176,441 (Salary RO 168,924, Gratuity RO 7,517).

The severance notice period of these executives is one month with end of service benefits payable as per the Omani Labour Law.

Over and above the periodic salary reviews, Jazeera also operates an incentive scheme for all its employees; the scheme is based on group productivity.

Employment Contract

Jazeera enters into a formal Contract of Employment with each employee and such contracts are in line with the regulation of Ministry of Manpower and Omani Labour Law.

Details of non-compliance by the Company

No penalties or strictures were imposed by MSM/CMA or any other authority on the company regarding any matter related to capital market during last three years.

D. MEANS OF COMMUNICATION WITH THE SHAREHOLDERS AND INVESTORS

Al Jazeera Steel Products Co SAOG., has its own web site by the name of www.jazeerasteel.com, which was built initially for our worldwide customers and other partners. We propose to upgrade the site as soon as possible and will be posting all the vital information relating to the company, its financial results, official press releases and presentation to analysts.

The quarterly results were published in the local newspaper both in Arabic as well as in English. The results were not sent individually to the shareholders in view of the above publication. Shareholders wishing to acquire a set of results were advised to contact our offices directly.

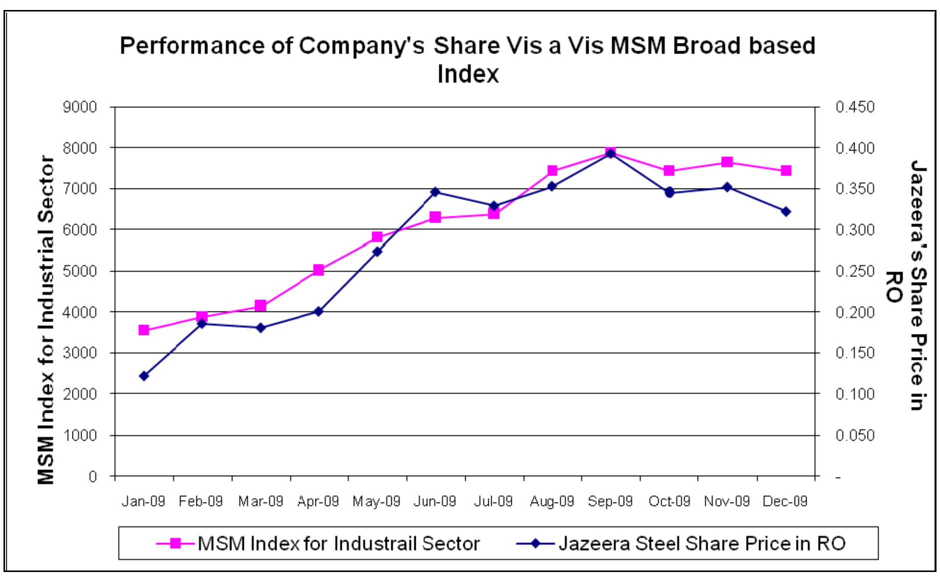
A copy of the Management Discussion and Analysis is circulated along with the financial statements.

E. MARKET PRICE DATA

Market Price Data – High / Low during each month in the Year 2009

		(Values in RO)
Month	**Highest**	**Lowest**
January-2009	0.266	0.116
February-2009	0.203	0.110
March-2009	0.237	0.170
April-2009	0.224	0.185
May-2009	0.293	0.192
June-2009	0.475	0.304
July-2009	0.384	0.260
August-2009	0.357	0.320
September-2009	0.417	0.350
October-2009	0.411	0.340
November-2009	0.385	0.332
December-2009	0.349	0.290

Performance of Company' share price in comparison to broad based MSM Index of the Industrial sector in Oman during the year 2009:



Distribution of shareholding

Distribution schedule of each class of equity security with number of holders and percentage in the following categories

Categories	No. of Shares	No. of Shareholders	% of Total Outstanding Shares
Less than 1%	25,329,012	1550	20.28%
1% to less than 5%	26,550,088	12	21.26%
5% to less than 10%	9,320,900	1	7.46%
More than 50%	63,697,960	1	51.00%
Total	**124,897,960**	**1564**	**100.00%**

The shareholding pattern more than 5% as on 31st December 2009 was:

Name of the Shareholders	Total Shares	% of Share Capital
Global Buyout Fund LP	63,697,960	51.00%
Moosa Abdul Rahman Hassan & Company LLC	9,320,900	7.46%
	73,018,860	58.46%

The Company does not have any GDRs / ADRs / warrants or any convertible instruments 31 December 2009 and hence the likely impact on equity is NIL.

F. PROFESSIONAL PROFILE OF THE STATUTORY AUDITOR

Deloitte Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice. Deloitte is focused on client service through a global strategy executed locally in over 140 countries. With access to the deep intellectual capital of approximately 168,000 people worldwide, Deloitte delivers services in four professional areas: audit, tax, consulting, and financial advisory services.

Deloitte & Touche in the Middle East is among the region's leading professional services firms, providing audit, tax, consulting, and financial advisory services through 25 offices in 14 countries with over 1,700 partners, directors and staff. The Oman Practice currently has three Partners and over 65 professionals. Total Audit Fees paid / payable for the whole year 2009 was amounting to RO 15,445.

G. DETAILS OF NON COMPLIANCE

There were delays in complying with regard to corporate governance rules with reference to point no. B(b) apart from this no other major instances of non-compliance on any matter relating to the Commercial Companies Law No. 4/1974, CMA's code of corporate governance for MSM listed companies, CMA regulations or the MSM listing agreements.

Further, no penalties, strictures imposed on the Company by MSM / CMA / DFM / ESCA or any statutory authority, on any matter related to capital markets, during the last three years.

H. BOARD OF DIRECTORS ACKNOWLEDGES THAT:

The company has all its systems and procedures formally documented and in place. The company has "Internal Regulations" separately compiled as per regulatory requirements. The Board of Directors have reviewed this manual and approved it. The "Internal Regulations" has all the necessary and prescribed procedures. The Board has reviewed these regulations.

The Board of Directors are responsible to ensure that the financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the requirements of the Commercial Companies Law of the Sultanate of Oman 1974 (as amended) and the rules for disclosure requirements prescribed by the Capital Market Authority.

There are no material events affecting the continuation of Jazeera and its ability to continue its production operations during the next financial year.

CHAIRMAN **DIRECTOR**

Deloitte.

Deloitte & Touche (M.E.) & Co. LLC
Muscat International Centre
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P.O. Box 258, Ruwi
Postal Code 112
Sultanate of Oman

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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

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

P.O.Box 258, P.C. 112
Sultanate of Oman
Deloitte & Touche (M.E.) & Co. LLC

Signed by
Alfred Strolla
Partner

AL JAZEERA STEEL PRODUCTS COMPANY SAOG

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.

AL JAZEERA STEEL PRODUCTS COMPANY SAOG

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.

AL JAZEERA STEEL PRODUCTS COMPANY SAOG

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.

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.

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.

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

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.

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.

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	2008
	RO	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

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	
	Limit	**Balance**	Limit	Balance
Group	**RO**	**RO**	RO	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.

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).

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.

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

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

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	2008
	RO	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	2008
	RO	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

9. Trade and other receivables

	2009	2008
	RO	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:

	2009	2008
Age	**RO**	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 RO	2008 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 **RO**	2008 RO	**2009** **RO**	2008 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.

11. Share capital (continued)

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

	2009		2008	
Name of the shareholder	**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 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.

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.

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

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

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.

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

25. Related party transactions (continued)

	2009	2008
Key management compensation	**RO**	RO
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	2008
	RO	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	2008
	RO	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

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.