Jazeera Steel حديد الجزيرة

THE ONE SOURCE FOR WORLD CLASS STEEL PRODUCTS

26TH ANNUAL REPORT 2023

Al Jazeera Steel Products Co. SAOG

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C.R.No.: 1550438

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The Quality Standard in Steel

CONTENTS

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Company Auditor

KPMG LLC

Internal Auditor

Moore Stephens LLC

Legal Advisor

Dr. Omar Al Balushi Law Firm &
Legal Consultants

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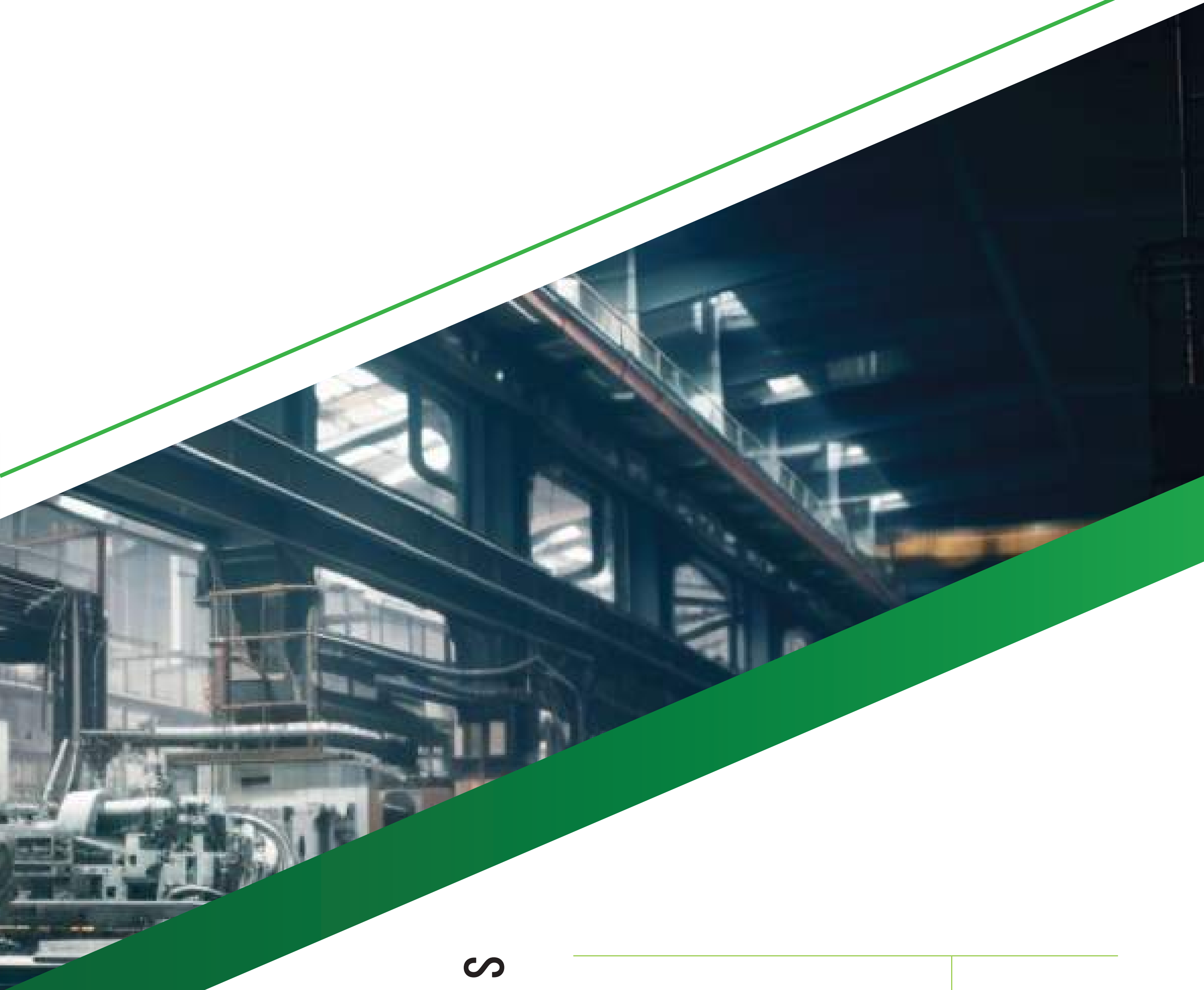
Bankers

Ahli Bank, Bank Dhofar, Bank Muscat, Gulf International Bank, National Bank of Oman, Oman Arab Bank, Sohar International Bank, Bank Nizwa, Bank of Baroda, Abu Dhabi Commercial Bank UAE, Emirates NBD Bank UAE.



BOARD OF DIRECTORS

Sheikha. Amal Suhail Salim Bahwan	Chairperson
Mr. Yasser Abdullah Salim Al Rashdi	Vice Chairman
Mr. Abdul Kader Darwish Al Balushi	Director
Mr. Rahul Kar	Director
Ms. Amna Bahwan Al Mukhaini	Director
Mr. Shihab Salim Al Barwani	Director
Mr. Ali Ahmed Ali Bahwan Al Mukhaini	Director

Chairperson's Report

Dear Shareholders,

By the grace, assistance, and direction of the Almighty God and in a period of renewed renaissance under the leadership of His Majesty Sultan Haitham Bin Tariq, it gives me pleasure on behalf of the Board of Directors of Al Jazeera Steel Products Co., SAOG, to invite you all to the 26th Annual General Meeting of the Company and to present the Annual Report for the company, Audited Financial Statement and Auditors Report for the year ended 31 December 2023.

Key points of 2023 Operational Performance

The Company focused on the health and safety of its employees as a paramount concern and continues to do everything possible to ensure that employees stay protected, and the plant operations continued uninterruptedly.

The company performed strongly in 2023. Sales for the year recorded a significant 25% jump in terms of volumes year on year. This was achieved by smart forecasting and inventory management at the same time optimizing the product mix and market penetration . The company could capitalize on the rebound in the construction sector along with new project awards notably in Saudi Arabia and the United Arab Emirates.

While the US economy and banking institutions have withstood the risk of meltdown, however the ongoing conflict in the Middle East on top of the Ukraine conflict have created new near-term risks for the world economy and the Middle East and North Africa (MENA) region. This comes even as economies grappled with sluggish global trade and the "tightest financial conditions in decades".

According to World Steel Association (WSA), global steel demand is expected to nominally reach 1,814 million MT following an increase of 1.8% in 2023. Chinese steel exports in 2023 were seen at a 7-year high topping 90 million MT.

Steel producers in the region and worldwide continued facing the additional challenge of coping with commodity price fluctuations, high interest rates along with disruptions to supply chain and inflationary pressures amid geo political uncertainties.

Nonetheless, the measures taken by the company helped in alleviating many of the challenges. The upgrades of our Merchant Bar Mill (MBM) and Tube Mills are being implemented as planned.

In spite of the multiple challenges faced, the company with its consistent operations, sales and smart procurement could end the year with a consolidated net profit of RO 4.12 million which represents a 31% jump year on year. This is commendable especially considering numerous unexpected challenges faced by the team.

Particulars	Group			Parent		
	2023	2022	Growth %	2023	2022	Growth %
Production quantity in MT	**449,061**	360,123	25%	**449,061**	360,123	25%
Sales quantity in MT	**476,319**	384,391	24%	**476,045**	382,798	24%
Sales Value in RO	**142,402,924**	149,266,823	(5%)	**140,676,654**	147,397,621	(5%)
Net Profit in RO	**4,099,514**	3,142,623	30%	**4,024,107**	3,102,705	30%

Looking Ahead

The ongoing conflict in the Middle East has heightened uncertainty and geopolitical risks in the Middle East and North Africa (MENA) region with risk of a wider contagion along with disruptions of shipping routes and supply chains.

According to the World Bank outlook January 2024, global growth is projected to slow for the third consecutive year with GDP growth dropping from 2.6% in 2023 to 2.4% in 2024. Similar sentiments are also echoed by IMF forecasts for 2024. The World Bank on a cautious note has a more optimistic growth forecast for the Middle East and North Africa region at 3.5% in 2024 and 2025 assuming that there is no escalation of the conflict. The major GCC economies of Saudi Arabia and United Arab Emirates are expected to grow at well above the global average at 4.1% and 3.7% respectively by the World Bank. The growth rate in major economies like Europe, China are expected to remain subdued on the back of tight monetary policies to rein in decade high inflation.

It is encouraging to note that inflation is seen to be declining in most regions due to the tighter monetary policies. IMF anticipates global inflation to ease to 5.8% in 2024 from 6.9% in 2023.

The GCC region has more than US $2.50 trillion worth of projects planned or underway with Saudi Giga projects market alone has more than US $750bn worth of contracts in the pipeline. There has been a rebound in construction sector in UAE, Saudi along with increased spending on Oil and Gas projects on the back of strong oil prices. There are also major investments into renewable and clean energy with Oman alone signing US $20 billion worth of agreements for green hydrogen.

We remain cautiously optimistic about the future growth of our company and the region with the hope of a speedy recovery from the Middle East conflict.

All our major upgrades in our Merchant bar as well as Tube Mills are progressing as planned. We are confident that with the actions we are taking, we will be in a reasonably good position to handle the challenges. The company continues with innovative planning and forecasting to mitigate risk and optimize opportunities.

Dividends:

The Board of Directors is pleased to recommend a cash dividend of Bz 19 for the year for every share held. The following table shows the dividend declared during the past years.

Year	2018	2019	2020	2021	2022
Cash Dividend (in Baiza)	16	5	14	44	15

Internal Control Systems and their adequacy

The Company has proper and adequate systems of internal controls required 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 system is designed to ensure that all data is reliable for preparing and maintaining financial statements.

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

The greatest strength of your Company is the quality and spirit of its people. Also, it enjoys a good reputation in the market for its quality and dependability. Both these factors have contributed positively to its growth and development. I would like to record my appreciation and sincere gratitude to all the employees of Jazeera Steel, who toiled under very difficult conditions taking all due precautions in producing positive results.

M/s KPMG the Company's Auditors have audited the accounts up to 31 December 2023 and their report is enclosed.

On behalf of the Board, I would like to thank all our stakeholders consisting of the Management, the Union, Bankers, Suppliers, Customers, Muscat Stock Exchange and all our Shareholders for their support and cooperation, which in turn reflects their confidence placed in us.

Above all, we pay tribute to the visionary leadership of His Majesty Sultan Haitham bin Tariq as he leads Oman into a new era and vow to support all his endeavors to take Oman to greater heights of prosperity and development.

On Behalf of the Board

Amal Suhail Salim Bahwan

Chairperson

5 February 2024

Management Discussion and Analysis Report

The Management of Al Jazeera Steel Products Co. SAOG is pleased to present the Management Discussion and Analysis Report for the year ended 31 December 2023.

Global Economic Environment

The year began on a positive note for the company as we saw steel demand recovery in the major GCC economies. However, the Middle east conflict has significantly increased the risk especially to the Middleeast region. The Middle east conflict comes at a time when the world was already dealing with the fallout from Ukraine conflict. We have started witnessing disruptions to the supply chain while ocean freight to many regions is going up significantly. We hope for a speedy resolution to the conflict.

While the US economy showed resilience and mitigated the risk from any potential banking crisis, other major economies notably Europe and China continued to underperform. Chinese are having to deal with a property market slowdown affecting construction activities and business sentiments in the country. The weak demand in China coupled with easing of steel production restrictions led to a surge in Chinese Steel exports globally. The steel exports from China reached 90 million MT in 2023 compared to 67 million MT in 2022 (CISA). This represented a whopping 34% increase year on year. The volume of steel exports from China in 2023 was last seen in 2016. The significantly higher exports in a year when global steel demand growth was less than 2% along with volatile commodity prices put additional pressures on Steel producers in the region and beyond.

Global Growth was projected to have grown at 2.6% in 2023, the Middle East and North Africa Region (MENA) slowed sharply down to 1.9% in 2023 according to World Bank. Notwithstanding the lower projected growth for MENA region in 2023, the major GCC economies reported healthy project activity with rebound in the construction as well as oil and gas sectors. The renewed project activity comes on the back of strong oil prices. The report further projects MENA region to grow at 3.5% in 2024 subject to the early containment of the Middle east conflict.

2023 also witnessed continued high interest rates causing liquidity crisis. Major economies of the world witnessed slow growth amidst economic and geopolitical uncertainties. The global interest rates averaged 6.9% during 2023 as per IMF.

Industry Structure and Company Development

The GCC recorded strong performance in terms of project awards both in the construction and oil and gas sectors. The strong energy prices have provided support and GCC economies so far. However, steel producers continue to have to deal with volatile commodity pricing as well as increasing lead time.

The company continues its high level of preparedness to deal with contingencies. We are progressing with major upgrades to our Merchant Bars as well as Tube Mills for product diversification and value-added products. It gives me great pleasure to note that the company is proceeding with its diversification.

We strive to attain greater efficiency in our production process and adopt more innovative processes for internal workflows. One of the major improvements has been smart inventory controls as well as forecasting.

Future Outlook

The trend witnessed in 2023 of high exports from China and modest recovery of steel demand growth is expected to continue in 2024.

The recent conflict in the Middle East, coming on top of the Ukraine conflict has heightened geopolitical risks. Analysts warn that conflict escalation could lead to surging energy prices, with broader implications for global trade and inflation. Some other risks to growth include financial stress related to elevated real interest rates, persistent inflation, weaker-than-expected growth in China along with trade barriers, protectionism and increasing cost of compliance.

As per World bank and IMF projections, the global economy is expected to slow down for the third year in a row in 2024. While the global GDP growth rate is seen dropping from 2.6% in 2023 to 2.4% in 2024, major GCC economies of Saudi Arabia and United Arab Emirates are expected to grow at well above the global average at 4.1% and 3.7 % respectively. The GCC has a strong pipeline of projects worth over US$ 2 trillion with significant project awards in both construction as well as oil and gas sectors.

Saudi Giga Projects alone have a project pipeline of more than US $750 billion and we are seeing increasing project awards. Oman also is increasing project spending on construction, transportation, oil and gas as well as renewables among other sectors. In 2023, Oman signed contracts worth US $20 billion for Green Hydrogen, which we will continue into 2024.

All the preceding augurs well for the region and our company and we remain cautiously optimistic about the long-term prospects. Of course, the growth expectations are tempered and subject to the containment and resolution of the Middle East conflict.

Analysis of segments and product-wise performance

The Company sells five different types of steel products. The product-wise performance is given below:

Sales Quantity in MT

Particulars	Group			Parent		
	2023	2022	Growth %	2023	2022	Growth %
Black Pipes	118,135	90,377	31%	117,750	89,880	31%
Galvanized Pipes	72,972	62,771	16%	72,709	63,301	15%
Hollow Sections	29,293	13,402	119%	29,666	13,402	121%
CTL Sheets	8,422	7,963	6%	8,422	7,963	6%
Merchant Bar Mill	247,497	209,878	18%	247,498	208,252	19%
Total	**476,319**	**384,391**	24%	**476,045**	**382,798**	24%

Financial Review

The financial performance of the Company in 2023 as compared to that of 2022 is given below:

(Amount in RO)

Particulars	Group			Parent		
	2023	2022	Variance %	2023	2022	Variance %
Sales	142,402,924	149,266,823	(5%)	140,676,654	147,397,621	(5%)
Gross Profit	19,683,769	19,393,531	1%	18,643,665	18,581,904	0%
Other Income	4,530	608,922	(99%)	414,946	967,985	(57%)
Selling and Distribution Expenses	8,546,205	11,020,131	(22%)	8,434,780	10,944,581	(23%)
Administration Expenses	4,865,260	4,031,793	21%	4,432,384	3,808,895	16%
Other operating expenses	14,957	45,927	(67%)	15,582	48,158	(68%)
Provision for ECL on trade receivables	72,179	(155,982)	(146%)	63,841	(164,849)	(139%)
Finance Cost – Net	1,426,680	1,355,446	5%	1,366,863	1,278,481	7%
Income Tax expenses	663,504	562,515	18%	721,054	531,918	36%
Net Profit	4,099,514	3,142,623	30%	4,024,107	3,102,705	30%
Earnings Per Share	0.033	0.025	31%	0.032	0.025	31%

Operational Review

In 2023, monthly sales volumes averaged 39,670 mt in 2023 against 31,899 mt in 2022 which represented a 24% increase. Sales value though was marginally lower by 5% year on year because of steel prices correction at the beginning of the year. Overall, the net profit jumped by 31% Y-O-Y to RO 4.12 million at the group level.

During the year, the Tube Mill division produced and sold 228,547 mt as compared to 174,546 mt in the previous year.

In the Merchant Bar Mill (MBM) division, in 2023, we sold 247,498 mt as against 208,252 mt of products in 2022.

A combination of smart procurement, inventory control, better forecasting and greater market penetration strategy helped us improve our market share and helped the company to significantly improve its year on year performance.

Human Resources and Omanisation

Our total employee strength is 674. One of the ways in which the Company improves its competence in the present market is through employee training and personal development.

Our trained and skilled workforce, along with their hard work, has contributed to enhancing productivity and sales. We are proud to have 43% Omanisation.

Health and Safety

The Company considers the health and safety of its employees to be of the utmost importance. Our primary focus during the pandemic was to keep our employees safe and keep COVID afflictions to a minimum. We faced many challenges post COVID; however, with constant vigil and awareness, we were able to overcome those challenges. In this regard, we would like to thank all the public health authorities in Oman.

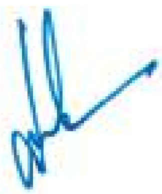
The hard work and dedication of each of our employees ensured that we could sustain our operations during some of the most challenging times. I want to express my heartfelt gratitude to each and every colleague for their dedication and hard work in one of the most difficult periods of our lives.

The Company has its own clinic with facilities to provide basic medical assistance to the employees. The clinic employs a full-time male nurse, and a doctor is available part-time every day.

The Company has also obtained a group medical policy for its employees and eligible dependents from a reputed insurance company in Oman. Furthermore, the Company also has a group life policy for all its employees.

Corporate Social Responsibility

The Company sees Corporate Social Responsibility as an essential element of any corporate development. The Company sees itself as part of the wider Suhar and Omani society. We actively support the underprivileged in medical treatment, employability, and education. Further, the Company sponsored events that support the promotion of various arts, cultural forums, and sports.



A N Venkat

Chief Executive Officer

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Private and confidential
Our ref: aud/mc/sm/9905/24

Agreed-upon procedures on Code of Corporate Governance ("the Code") of Al Jazeera Steel Products SAOG

To the Board of Directors of Al Jazeera Steel Products Company SAOG

Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting Al Jazeera Steel Products Company SAOG for submission of agreed upon procedures report on the compliance with the Code of Corporate Governance (the "Code") to Capital Market Authority ("CMA") to assist in compliance of requirements prescribed in the CMA Circular No. E/10/2016 dated 1 December 2016 (together the "Governance Code") and may not be suitable for another purpose. This report is intended solely for the Al Jazeera Steel Products Company SAOG and the intended users and should not be used by, or distributed to, any other parties.

Responsibilities of Al Jazeera Steel Products Company SAOG

Al Jazeera Steel Products Company SAOG has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

Al Jazeera Steel Products Company SAOG (also the Responsible Party) is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioners' Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with Al Jazeera Steel Products Company SAOG, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

KPMG

Practitioners' Responsibilities (continued)

Professional Ethics and Quality Control

We have complied with the relevant ethical requirements including independence requirements of International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethical Standards Board for Accountants.

Our firm applies International Standard on Quality Management *(ISQM)* 1, *Quality Management for Firms that perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with Al Jazeera Steel Products Company SAOG in the terms of engagement dated 01 November 2023, on the compliance with the Code:

S. No	Procedures	Findings
(a)	We checked that the corporate governance report (the report) issued by the Board of Directors includes as a minimum, all items suggested by CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in the Annexure 3	No exceptions noted.
(b)	We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2023. With respect to procedure above, we inquired from and obtained written representation from management and those charged with governance for non-compliance with the Code for the year ended 31 December 2023.	No non-compliance with the Code noted during the year.

This report relates only to the items specified above and does not extend to the Company's financial statements taken as a whole.

Mobeen Chaudhri
7 February 2024

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KPMG

KPMG LLC

Corporate Governance Report

Pursuant to the Code of Corporate Governance laid out by the Capital Market Authority (CMA), 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. The Company is pleased to present the Corporate Governance Report for the year ended 31 December 2023. The Company's external auditors, KPMG LLC has issued a separate report on the Company's Corporate Governance Report for the year ended 31 December 2023.

A. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Al Jazeera Steel Products Co SAOG ("Al Jazeera" or "the Company") 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. Al Jazeera has always focused on good Corporate Governance, which is a key driver of sustainable growth and profitability 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.

B. BOARD OF DIRECTORS

a) Composition of the Board

As of 31 December 2023, the Company had 7 members as its Board of Directors. During the year, the composition of the Board was as given below:

Brief Profile of the Board of Directors

Ms. Amal Suhail Salim Bahwan – Chairperson

An accomplished leader and a proven business professional with a track record of successful business transformations and consolidation, initiation of new business models & ventures and revamping businesses into robust profit centers while creating corporate value and enhancing brand reputation. Goal-oriented with a relentless drive to succeed, sharp business acumen and foresight, pro-active and creative approach to solving problems, effective blend of intuitive and cognitive analytics, prudent decision-making skills, ability to quickly comprehend and adopt new technology trends and business models, superior communication skills, "humane yet performance oriented" working style.

Sheikha Amal Suhail Bahwan is the Vice Chairperson of Suhail Bahwan Group Holding and has extensive experience in managing companies within the Suhail Bahwan Group.

She is also the Chairperson of National Bank of Oman SAOG, Al Jazeera Steel Products Co. SAOG, Al Afia Health Development & Investment Company SAOC and DHL Global Forwarding & Partners LLC. She is also a member of the Board of Directors of Oman Oil Marketing Company SAOG (OOMCO) and Vice Chairperson of National Pharmaceutical Industries Company SAOC, in addition to membership of the Board of Trustees of Silatech Institution.

She is the first Omani woman to have her profile published on the cover of Forbes Middle East magazine. She is consistently ranked among the most influential women in the Middle East by Forbes Middle East and in the list of the most powerful Arab women during the last five years.

She holds a Master Degree in Administration and BA in Education from Sultan Qaboos University, Muscat, Sultanate of Oman.

Mr. Yasser Abdullah Salim Al Rashdi – Vice Chairman

Currently he is a Group Director – Finance at ITHCA Group (Oman Information, Communication and Technology Group) – a subsidiary of Oman Investment Authority - and has a membership in the Board of Directors of Oman Cables Industries SAOG. He previously held the role of Senior Manager of Investment Transactions Support at Oman Investment Authority. With over 22 years of experience in Accounts, Finance, and Investment, he boasts a distinguished career. Academically, he holds a Bachelor's degree in Accounting from Sultan Qaboos University and an MBA from Franklin University (USA). Committed to professional growth, he participated in Executive Programs at institutions like HEC Paris University and PWC Academy, enhancing his leadership and financial management skills. His comprehensive expertise positions him as a seasoned professional in navigating complex financial landscapes and implementing effective investment strategies.

Mr. Abdul Kader Darwish Al Balushi – Director

Mr. Abdul Kader has over 43 years of experience in the banking sector out of which 25 years with Bank Muscat SAOG in various managerial positions before retiring as General Manager-Credit Policy & Planning. He holds a master's degree in business administration from Heriot-Watt University, UK and CPA from Oregon State Board of Accountancy, USA.

Mr. Rahul Kar – Director

Mr. Rahul Kar is a Chartered Accountant and is currently working as the Financial Advisor to the Chairman of Suhail Bahwan Group Holding LLC. Mr. Kar is a Director and Nomination & Remuneration Committee member of Oman United Insurance Company SAOG.

Ms. Amna Bahwan Al Mukhaini – Director

After venturing into the competitive and fast-paced world of finance followed by an exciting and educational period in strategic planning and events, Ms. Bahwan has confidently garnered an array of experiences and is proudly deputy CEO of Inventure Metal Product Industries.

Having a background in accounting and finance coupled with a creative mindset, she has had a wide variety of experience which has helped her develop the versatile techniques through which she deals with new challenges daily.

It is because of this that her perspective has widened, and her unorthodox outlook has proved beneficial to any business or company she has worked with.

Ms. Amna Bahwan holds a bachelor's degree in accounting and finance from University of Bradford and Certification on Circular Economy and Sustainability Strategies from University of Cambridge with 10+ years of experience in finance field.

Mr. Shihab Salim Al-Barwani – Director

Mr. Shihab Al Barwani holds B.Eng. (Hons) in Instrumentation and Control System Engineering from UK (1987) with over 40 years of experience in oil and gas industry, both in Oman and internationally. He worked with Petroleum Development Oman in diverse roles and held position of Senior VP Project Delivery and HSSE at OQ. Additionally, Mr. Shihab is also a Director at Galfar Engineering & Contracting SAOG.

Mr. Ali Ahmed Ali Bahwan Al Mukhaini – Director

Mr. Ali Bahwan holds a Mechanical Engineering degree MEng (hons) from the University of Bath, United Kingdom, with various past enriching experiences with reputable companies such as Steyr Mannlicher in Austria, Oman India Fertilizer Co. SAOC, Suez Tractabel Operation & Maintenance Oman LLC in Oman, and most recently as a Materials and Processes Engineer at Leonardo Aircraft in Varese, Italy with a prominent role in the strategic planning and initiation of new R&D projects, in particular from the aspect of sustainability.

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

During the year 2023, seven board meetings were held on the following dates:

1. 18 January 2023	2. 05 February 2023	3. 20 March 2023
4. 30 April 2023	5. 07 August 2023	6. 29 October 2023
7. 26 November 2023		

The maximum interval between any two meetings in 2023 was 99 days. The interval between the last meeting in 2022 and the first meeting in 2023 was 83 days.

The attendance record of each director at the Board meetings and at the General meetings held during the year 2023 is given below:

Name of the Director	Category	Board Meeting							AGM
		18 Jan	5 Feb	20 Mar	30 Apr	7 Aug	29 Oct	26 Nov	26 Mar
Ms. Amal Suhail Salim Bahwan	NE	√	√	√	√	√	√	√	√
Mr. Yasser Abdullah Salim Al Rashdi	NE & ID	√	√	√	√	√	√	√	√
Mr. Abdul Kader Darwish Al Balushi	NE & ID	√	√	√	√	√	√	√	√
Mr. Rahul Kar	NE & ID	√	√	√	√	√	√	√	√
Ms. Amna Bahwan Al Mukhaini	NE	ND	√	√	√	√	√	√	ND
Mr. Shihab Salim Al Barwani	NE & ID	ND	ND	ND	ND	√	√	Ab	ND
Mr. Ali Ahmed Ali Bahwan Al Mukhaini	NE	ND	ND	ND	ND	ND	Ab	√	ND
Mr. Taqi Ali Sultan*	NE & ID	Ab	Ab	Ab	Ab	ND	ND	ND	Ab
Mr. Abdulla Salim Said Al Araimi*	NE & ID	√	√	√	√	√	ND	ND	√

NE: Non-Executive Director   ID: Independent Director   √: Present   Ab: Absent   ND: Not a Director

* Mr. Taqi Ali Sultan resigned on 17 July 2023; Mr. Shihab Salim Al Barwani was appointed on 18 July 2023.

*Mr. Abdulla Salim Al Araimi resigned on 11 October 2023; Mr. Ali Ahmed Ali Bahwan Al Mukhaini was appointed on 29 October 2023.

The Board Secretary, under the guidance of the Board members, coordinated the meetings. The meetings were conducted with exhaustive agendas and proceedings were minuted. The Chief Executive Officer reports to the Board the operations of the Company and all related issues were discussed, ensuring the growth and progress of the Company.

c) Public Joint Stock Companies where our Director is a Chairman / Director

Name of Director	Name of the Company	Position
Ms. Amal Suhail Salim Bahwan	Al Jazeera Steel Products Co. SAOG National Bank of Oman SAOG Oman Oil Marketing Co. SAOG	Chairperson Chairperson Director
Mr. Rahul Kar	Al Jazeera Steel Products Co. SAOG Oman United Insurance SAOG	Director Director
Mr. Yasser Abdullah Salim Al Rashdi	Oman Cables Industry SAOG	Director
Mr. Shihab Salim Al Barwani	Galfar Engineering & Contracting SAOG	Director

No Director is a member of the Board for more than four public joint stock companies whose principal place of business is the Sultanate of Oman or is a chairperson of more than two such companies. No Director is a member of the Board of Directors of a public and another joint stock company which carry-out similar objectives and whose principal place of business is in the Sultanate of Oman.

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:

Mr. AN Venkat – Chief Executive Officer

Mr. AN Venkat is an engineering graduate in Metallurgy from IIT- Roorkee, India, with additional Financial Certifications from Xavier School of Management (XLRI), Jamshedpur, India & London School of Economics. He has more than 32 years' experience in the international steel industry at various management levels across the globe, with a special focus on GCC, Middle East and India. In his previous engagement, he worked as Vice President - Sales at Emirates Steel Company, Abu Dhabi, the UAE. As a part of the executive management committee, he was instrumental in the growth of 1.5 million tonnes predominantly a re-rolling facility to a 3.5 million tonnes completely integrated steel facility. His experience spans across geographies, markets and product segments in the steel industry, which lends him a unique blend of product & market knowledge. He has proven abilities in operations management, marketing, sales & commercial functions, with a proven track record of leading multi-cultural teams and bringing out record-breaking performances within a very short span of time. He has successfully handled change management in large enterprises in extremely challenging market conditions. Mr. AN Venkat started his career with Tata Steel as a graduate engineer, later moved to ArcelorMittal & was finally designated as Managing Director of AMI GCC & India. He is currently also serving as an Independent Board Member in Steel1, an advanced steel fabrication facility in India.

Mr. Bejoy John – Chief Financial Officer

Mr. Bejoy is a Chartered Accountant by profession with an experience of 26 years in the field of finance and accounts functions in various industries at the management level, responsible for all the Finance and Commercial functions of the Company and reports to the Chief Executive Officer and the Board of Directors of the Company.

Mr. Arun Kumar Sinha – Chief Marketing Officer

Mr. Arun is a post-graduate in Marketing Management and has an experience of 34 years in steel industry at various management levels; responsible for all the marketing activities of the Company and reports to the Chief Executive Officer of the Company.

Mr. Yousuf Al Kamali – Chief of HR & Administration

Mr. Yousuf holds graduate degree in History and has a total experience of 41 years. He retired from Ministry of Education as a School Headmaster. He is with the Company since its inception and is responsible for all HR & Administration related activities and reports to the Chief Executive Officer. He holds the additional responsibility of being Advisor to the CEO on Government affairs and relations & external corporate affairs.

Mr. Milind Kulkarni – Chief Operating Officer

A Mechanical Engineering graduate from Dr Ambedkar Marathwada University with distinction throughout. Started career with Ispat Profiles India limited (a formerly Ispat group company). Worked in Saudi Arabia, Oman & Indonesia, specifically in Section Rolling Mills, with total 29 years of experience in operations of different types of section mills and projects.

Mr. Virendra Kumar Sharma – Asst. General Manager - Merchant Bar Mill

Is a graduate Mechanical Engineer and has experience of over 34 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 the Chief Operating Officer.

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 MSX / CMA
- Monthly Management Reports
- Minutes of the Audit and Other Committee meetings
- 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 agreements
- Sale of investments, assets and divisions which are not in 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 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

All Directors are eligible for sitting fees of RO 400 for every Board meeting attended during the period. The Company also pays RO 300 to all members towards sitting fees for every Audit Committee and Nomination and Remuneration Committee meeting attended during the period.

An amount of RO 100,000 was paid during the year as Directors' Remuneration for 7 Directors for the previous year.

Directors' Remuneration payable as per CMA regulations and subject to the approval of the shareholders in the forth-coming Annual General Meeting amounted to RO 100,000 for the year ended 31 December 2023.

Sitting fees payable/paid to individual directors for the year (in RO) are as set out below:

Name of the Director	Board Meetings	Audit Committee	Executive and Nomination & Remuneration Committee	Total
Ms. Amal Suhail Salim Bahwan	2,800	-	600	3,400
Mr. Yasser Abdullah Salim Al Rashdi	2,800	-	600	3,400
Mr. Abdul Kader Darwish Al Balushi	2,800	1,200	-	4,000
Mr. Rahul Kar	2,800	1,200	-	4,000
Ms. Amna Bahwan Al Mukhaini	2,400	-	-	2,400
Mr. Shihab Salim Al Barwani	800	600	-	1,400
Mr. Ali Ahmed Ali Bahwan Al Mukhaini	400	-	-	400
Mr. Abdulla Salim Said Al Araimi	2,000	-	600	2,600
Total	**16,800**	**3,000**	**1,800**	**21,600**

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 Association of the Company, which stipulate that the nomination of the Directors is usually done by the shareholders in the Annual General Meeting.

h) Audit Committee (AC)

The Board has established an Audit Committee comprising of three independent members.

i. Terms of Reference of the Audit Committee are as set out 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, replace such auditors.
- To review the audited financial statements and discuss them with the management and the independent auditors. Based on such review, the Committee makes 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 within 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 either with the Committee as a whole, or with the Committee chairperson, 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 the 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 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.

The Committee carries out its functions in accordance with the policy approved by the Board and in line with the resolutions issued by the Capital Market Authority.

ii. Four Audit Committee meetings were held during the financial year ended 31 December 2023. The dates of the meetings and the member's attendance are as follows:

Name of the Director	Position	Audit Committee Meeting			
		5 Feb 23	30 Apr 23	7 Aug 23	26 Oct 23
Mr. Abdul Kader Darwish Al Balushi	Chairman	√	√	√	√
Mr. Rahul Kar	Member	√	√	√	√
Mr. Shihab Salim Al Barwani	Member	ND	ND	√	√
Mr. Taqi Ali Sultan*	Member	Ab	Ab	ND	ND

√: Present Ab: Absent

* Mr. Taqi Ali Sultan resigned on 17 July 2023; Mr. Shihab Salim Al Barwani was appointed on 18 July 2023.

Total sitting fees payable/paid to the Audit Committee members is RO 3,000 for the year 2023.

i) Internal Control

The Audit Committee, on behalf of the Board regularly reviewed the internal control prevailing in the Company. The Audit Committee (AC) has appointed a full time in-house internal auditor from August 2011 onwards.

The Company has an internal audit firm for reviewing and reporting on various issues of the Company along with recommendations and management comments thereupon. The Audit Committee reviews the internal auditor's reports on a regular basis. The Internal Controls prevailing in the Company are adequate. The internal audit activities for the whole year were carried out by an audit firm, Moore Stephens LLC and the total audit fees paid / payable for the whole year 2023 was RO 11,250.

j) Executive and Nomination & Remuneration Committee (ENRC)

Executive and Nomination & Remuneration Committee operates within its terms of reference issued by the Board of Directors.

i) ENRC's key responsibilities include:

- Set performance-based criteria to determine the bonus and remuneration of the Directors and Executive Management
- Succession planning for Directors and Executive Management
- Look for and nominate qualified persons to the Board of Directors
- Assist in selecting qualified persons for the Executive Management

(ii) Two ENRC meetings were held during the financial year ended 31 December 2023, the dates of the meeting and the member's attendance are as follows.

Name of the Director	Position	Executive and Nomination & Remuneration Committee	
		5 Feb 23	7 Aug 23
Ms. Amal Suhail Salim Bahwan	Chairman	√	√
Mr. Yasser Abdullah Salim Al Rashdi	Member	√	√
Mr. Abdulla Salim Said Al Araimi*	Member	√	√

√: Present

* Mr. Abdulla Salim Said Al Araimi resigned on 11 October 2023; Ms. Amna Bahwan Al Mukhaini was appointed as the member on 29 October 2023.

Total sitting fees payable/paid to the ENRC committee members amounted to RO 1,800 for the year 2023.

C. MANAGEMENT REMUNERATION

The remuneration package of the executives is made up of a fixed and a variable component. The 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 2023, the total cost of the top executives of the Company was RO 651,510 (Salary & others RO 628,234 Gratuity RO 23,276).

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

Employment Contract

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

D. EVALUATION OF BOARD PERFORMANCE

In accordance with the Fourth Principle of the Corporate Governance of Public Shareholding Companies issued by the Capital Market Authority, the shareholders appointed Moore Stephens LLC to evaluate the performance of the Board. Accordingly, Moore Stephens submitted the report to the shareholders and was approved by them in the Annual General Meeting held on 23 March 2022.

This evaluation process will be carried out once in each electoral session as authorized by the shareholders.

E. DETAILS OF NON-COMPLIANCE BY THE COMPANY

There were no penalties or strictures imposed by the Capital Market Authority (CMA) or Muscat Stock Exchange (MSX) or any other authorities on the Company for any matters related to the capital market during the last three years. Following shortcomings have been identified by Management in implementation of requirements of Code of Corporate governance: The interval between two board meetings during the year exceeded the stipulated period of 90 days. There was an interval of 99 days between the fourth and fifth board meeting.

F. MEANS OF COMMUNICATION WITH THE SHAREHOLDERS AND INVESTORS

Al Jazeera Steel Products Co SAOG has its own web site at the URL www.jazeerasteel.com, which was built for our worldwide customers and partners. The website contains detailed specifications on the various product ranges manufactured, along with timely updates on all the vital information relating to the Company, yearly financial results, official press releases and presentation to analysts.

The quarterly/annual results were published in the local newspapers both in Arabic and English. Also, results were uploaded in the Muscat Stock Exchange (www.msx.om) website. The results were not sent individually to the shareholders in view of the above. Shareholders wishing to acquire a set of results can download them from the MSX website or were advised to contact our offices directly.

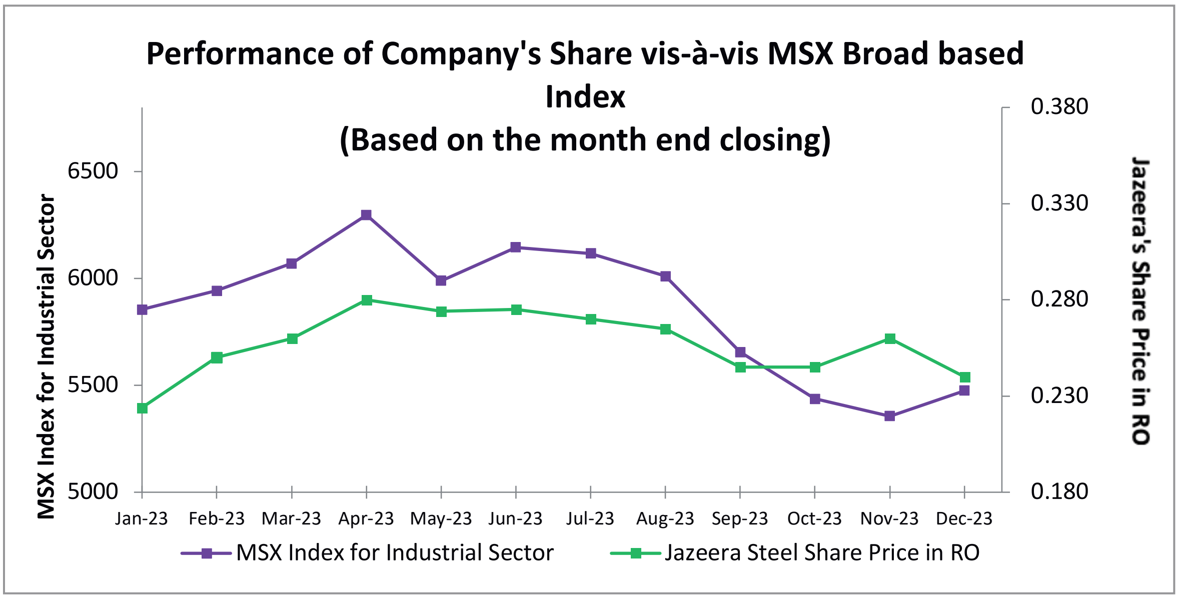
A copy of the Management Discussion and Analysis is circulated along with the financial statements.

G. MARKET PRICE DATA

Market Price Data for the year 2023 – High / Low during each month:

Month	Company Share Price (RO)		MSX Industrial Index	
	High	Low	High	Low
January 2023	0.234	0.220	6,491	5,815
February 2023	0.255	0.224	6,022	5,841
March 2023	0.300	0.252	6,229	5,942
April 2023	0.281	0.244	6,309	6,034
May 2023	0.300	0.256	6,343	5,966
June 2023	0.282	0.275	6,158	5,974
July 2023	0.295	0.260	6,288	6,061
August 2023	0.272	0.265	6,178	5,931
September 2023	0.265	0.245	6,001	5,596
October 2023	0.245	0.238	5,666	5,350
November 2023	0.260	0.225	5,440	5,281
December 2023	0.250	0.238	5,475	5,265

Performance of the Company's share price in comparison to the broad-based MSX Index of the Industrial sector in Oman during the year 2023 based on month-end closing is illustrated in the below chart:



H. Distribution of shareholding

Distribution schedule of each class of equity security with number of holders and percentage in the following categories as at 31 December 2023 is as follows:

Categories	No. of Shares	No. of Shareholders	% of Total Outstanding Shares
Less than 1%	16,373,299	822	13.11%
1% to less than 5%	18,845,098	8	15.09%
5% to less than 10%	25,981,603	3	20.80%
More than 50%	63,697,960	1	51.00%
Total	124,897,960	834	100.00%

The shareholding pattern of shareholders holding more than 5% as on 31 December 2023 was:

Name of the Shareholders	Total Shares	% of Share Capital
Ms. Amal Suhail Salem Bahwan	63,697,960	51.00%
Oman Investment Authority-2	9,785,576	7.83%
Civil Service Employees Pension Fund	8,318,686	6.66%
Oman Investment Authority-1	7,877,341	6.31%
Total	89,679,563	71.80%

The Company does not have any GDRs, ADRs, warrants or any convertible instruments as of 31 December 2023 and hence the likely impact on equity is NIL.

I. PROFESSIONAL PROFILE OF THE STATUTORY AUDITOR

The shareholders of the Company appointed KPMG as its auditors for 2023. KPMG LLC in Oman was established in 1973 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 160 people, amongst whom are five partners and five directors, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. It operates in 143 countries and territories and have 273,000 people working in member firms around the world. KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms. KPMG LLC is accredited by the Capital Market Authority to audit publicly listed joint stock companies (SAOGs) in Oman. KPMG LLC billed an amount of RO 26,800 towards professional services (audit and related services) rendered to the Company for the year 2023.

J. DETAILS OF NON-COMPLIANCE WITH THE PROVISIONS OF CORPORATE GOVERNANCE

This Corporate Governance Report is prepared in compliance with the Code of Corporate Governance issued by the Capital Market Authority.

K. BOARD OF DIRECTORS ACKNOWLEDGES THAT:

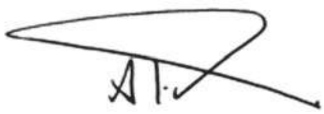
The Company has all its systems and procedures formally documented and in place. The Company has "Internal Regulations" separately compiled as per regulatory requirements. The Board of Directors has reviewed this manual and approved it. The "Internal Regulations" has all the necessary and prescribed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

The Board of Directors is 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), the requirements of the Commercial Companies Law of the Sultanate of Oman and the Rules and Guidelines on disclosure prescribed by the Capital Market Authority.

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

Amal Suhail Salim Bahwan

Chairperson



Abdul Kader Darwish Al Balushi

Director

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Independent auditors' report

To the Shareholders of Al Jazeera Steel Products Company SAOG

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Al Jazeera Steel Products Company SAOG ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2023, the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Parent Company as at 31 December 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with International Ethics Standards Board for Accountants *International* Code of Ethics for Professional Accountants *(including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

CR No. 1358131
Tax Card No. 8063052

Key Audit Matters (continued)

Revenue Recognition	
See note 4(l) and note 19 to the consolidated and separate interim financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Total revenue recognized during the year by the Parent Company amounted to RO 140.6 million and the Group amounted to RO 142.4 million. Revenue from the sale of steel products, under IFRS 15, is based on the terms specified in the contract with customers and is recognised when the performance obligation is satisfied for the transaction. We have identified it as a key audit matter, because of the voluminous transactions with varying incoterms across the different geographical locations.	Our audit procedures in this area included, among others: – Obtaining an understanding of the process relating to revenue recognition. – Testing the design and implementation of the relevant internal controls over recognition of revenue. – Assessing the appropriateness of the Group's revenue recognition policies with the relevant IFRS. – Performing test of details on a sample basis and for the samples selected inspected the relevant underlying supporting documents to verify that revenue recognition for the sample sales transactions is appropriate as per IFRS in line with the applicable incoterms. – Performing sales cut-off procedures by selecting a sample of invoices for goods delivered by road and sea to test whether sales are recorded in the appropriate period.

Other Matter – Comparative Information

The consolidated and separate financial statements of the Group and the Parent Company as at and for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on February 5, 2023.

Other Information

Management is responsible for the other information. The other information comprises the Chairman's report, the Corporate Governance Report and Management Discussion and Analysis Report, but does not include the consolidated and separate financial statements and our auditors' report thereon.

Other Information (continued)

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards, and their preparation in compliance with the relevant disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

KPMG

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, we report that consolidated and separate financial statements of the Group and the Parent Company as at and for the year ended 31 December 2023, comply, in all material respects, with the:

- relevant disclosure requirements of the Capital Market Authority; and
- applicable provisions of the Commercial Companies Law of 2019.

KPMG

Mobeen Chaudhri
7 February 2024

KPMG LLC

KPMG
KPMG LLC
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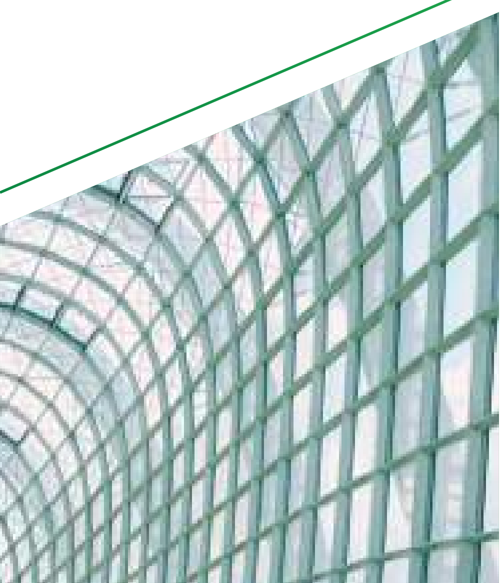
Sultanate of Oman
CR.No: 1358131

FINANCIAL STATEMENTS



Al Jazeera Steel Products Company SAOG
Consolidated and separate statement of financial position as at
(Expressed in Omani Rial)

	Notes	Group		Parent Company	
		31 Dec 2023	31 Dec 2022*	**31 Dec 2023**	31 Dec 2022*
ASSETS					
Non-current assets					
Property, plant and equipment	6	**18,561,586**	14,372,589	**17,061,353**	14,333,163
Right-of-use assets	7	**12,429,096**	1,444,715	**2,923,897**	1,385,987
Intangible assets	8	**320,781**	413,914	**320,781**	413,914
Investment in a subsidiary	9	**-**	-	**1,914,283**	258,244
Deferred tax assets	26	**137,800**	279,615	**68,127**	279,615
Total non-current assets		**31,449,263**	16,510,833	**22,288,441**	16,670,923
Current assets					
Inventories	10	**27,422,174**	30,657,894	**26,781,209**	29,844,264
Trade and other receivables	11	**39,194,446**	40,399,926	**37,168,132**	40,460,325
Prepayments		**225,031**	139,170	**189,993**	123,300
Bank deposits	12 (i)	**654,218**	320,631	**593,156**	320,631
Cash and cash equivalents	12 (ii)	**10,753,793**	5,570,904	**9,692,215**	5,201,599
Total current assets		**78,249,662**	77,088,525	**74,424,705**	75,950,119
Total assets		**109,698,925**	93,599,358	**96,713,146**	92,621,042
EQUITY AND LIABILITIES					
Equity					
Share capital	13	**12,489,796**	12,489,796	**12,489,796**	12,489,796
Share premium	13	**13,856,484**	13,856,484	**13,856,484**	13,856,484
Legal reserve	14	**4,166,344**	4,166,344	**4,163,266**	4,163,266
Retained earnings		**21,513,187**	19,031,773	**20,826,135**	18,429,038
Equity attributable to owners		**52,025,811**	49,544,397	**51,335,681**	48,938,584
Non-controlling interest		**399,132**	-	**-**	-
Total Equity		**52,424,943**	49,544,397	**51,335,681**	48,938,584
Non-current liabilities					
Bank borrowings	16	**1,319,246**	-	**-**	-
Employees› end of service benefits	17	**2,044,383**	1,894,253	**1,997,428**	1,870,205
Lease liabilities - non-current portion	7	**13,292,909**	1,475,833	**3,057,790**	1,441,970
Total non-current liabilities		**16,656,538**	3,370,086	**5,055,218**	3,312,175
Current liabilities					
Trade and other payables	18	**18,749,020**	14,688,606	**18,481,169**	14,424,737
Bank borrowings	16	**21,102,981**	25,375,475	**21,102,981**	25,375,475
Lease liabilities - current portion	7	**233,560**	196,603	**223,664**	164,349
Income tax payable	26	**531,883**	424,191	**514,433**	405,722
Total current liabilities		**40,617,444**	40,684,875	**40,322,247**	40,370,283
Total liabilities		**57,273,982**	44,054,961	**45,377,465**	43,682,458
Total equity and liabilities		**109,698,925**	93,599,358	**96,713,146**	92,621,042
Net assets per share	29	**0.417**	0.397	**0.411**	0.392

* Certain numbers are reclassified, please refer note 37.

The audited consolidated and separate financial statements, and the accompanying notes, were approved and authorised for issue by the Board of Directors on 05 February 2024 and signed on their behalf by:

Amal Suhail Salim Bahwan	Abdul Kader Darwish Al Balushi	A N Venkat	Bejoy John
Chairperson	Director	Chief Executive Officer	Chief Financial Officer

Al Jazeera Steel Products Company SAOG

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December

(Expressed in Omani Rial)

	Notes	Group 2023	Group 2022	Parent 2023	Parent 2022
Revenue from contract with customers	19	142,402,924	149,266,823	140,676,654	147,397,621
Cost of revenue	20	(122,719,155)	(129,873,292)	(122,032,989)	(128,815,717)
Gross profit		19,683,769	19,393,531	18,643,665	18,581,904
Other income	23	4,530	608,922	414,946	967,985
		19,688,299	20,002,453	19,058,611	19,549,889
Expenses					
Selling and distribution expenses	21	(8,546,205)	(11,020,131)	(8,434,780)	(10,944,581)
General and administrative expenses	22	(4,865,260)	(4,031,793)	(4,432,384)	(3,808,895)
Other operating expenses	24	(14,957)	(45,927)	(15,582)	(48,158)
(Allowance for)/ Release of expected credit losses on trade receivables	11	(72,179)	155,982	(63,841)	164,849
		(13,498,601)	(14,941,869)	(12,946,587)	(14,636,785)
Operating profit for the year		6,189,698	5,060,584	6,112,024	4,913,104
Finance expense	25 (a)	(1,528,467)	(1,440,793)	(1,468,650)	(1,363,828)
Finance income	25 (b)	101,787	85,347	101,787	85,347
Profit before tax for the year		4,763,018	3,705,138	4,745,161	3,634,623
Income tax expense	26	(663,504)	(562,515)	(721,054)	(531,918)
Profit for the year		4,099,514	3,142,623	4,024,107	3,102,705
Profit attributable to:					
Parent Company		4,114,392	3,142,623	4,024,107	3,102,705
Non-controlling interest		(14,878)	-	-	-
		4,099,514	3,142,623	4,024,107	3,102,705
Basic and diluted earnings per share attributable to shareholders of the Parent Company	28	0.033	0.025	0.032	0.025

Al Jazeera Steel Products Company SAOG
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December (continued)
(Expressed in Omani Rial)

Other comprehensive income

		Group		Parent	
Items not to be reclassified to profit or loss in subsequent periods		**2023**	2022	**2023**	2022
	Notes				
Remeasurement of defined benefit liability	17	**283,984**	-	**289,952**	-
Related tax on OCI	26	**(43,493)**	-	**(43,493)**	-
Other comprehensive income for the year, net of tax		**240,491**	-	**246,459**	-
Total comprehensive income for the year		**4,340,005**	3,142,623	**4,270,566**	3,102,705
Total comprehensive income attributable to:					
Parent Company		**4,354,883**	3,142,623	**4,270,566**	3,102,705
Non-controlling interest		**(14,878)**	-	**-**	-
		4,340,005	3,142,623	**4,270,566**	3,102,705

Al Jazeera Steel Products Company SAOG
Consolidated statement of changes in shareholders' equity for the year ended 31 December 2023
(Expressed in Omani Rial)

Group	Notes	Share capital	Share premium	Legal reserve	Retained earnings	Attributable to Parent Company Shareholders	Non-controlling Interests	Total
Balance at 1 January 2022		12,489,796	13,856,484	4,166,344	19,885,885	50,398,509	-	50,398,509
Profit for the year and total comprehensive income for the year		-	-	-	3,142,623	3,142,623	-	3,142,623
Dividends paid	15	-	-	-	(3,996,735)	(3,996,735)	-	(3,996,735)
Balance at 31 December 2022		12,489,796	13,856,484	4,166,344	19,031,773	49,544,397	-	49,544,397
Balance at 1 January 2023		12,489,796	13,856,484	4,166,344	19,031,773	49,544,397	-	49,544,397
Profit for the year		-	-	-	4,114,392	4,114,392	(14,878)	4,099,514
Other comprehensive income net of tax								
Defined benefit plan actuarial gain, net of tax		-	-	-	240,491	240,491	-	240,491
Dividends paid	15	-	-	-	(1,873,469)	(1,873,469)	-	(1,873,469)
Transactions with NCI		-	-	-	-	-	414,010	414,010
Balance at 31 December 2023		**12,489,796**	**13,856,484**	**4,166,344**	**21,513,187**	**52,025,811**	**399,132**	**52,424,943**

Al Jazeera Steel Products Company SAOG
Consolidated statement of changes in shareholders' equity for the year ended 31 December 2023
(Expressed in Omani Rial)

Parent Company	Notes	Share capital	Share premium	Legal reserve	Retained earnings	Total
Balance at 1 January 2022		12,489,796	13,856,484	4,163,266	19,323,068	49,832,614
Net profit after tax and total comprehensive income for the year		-	-	-	3,102,705	3,102,705
Transactions with owners for the Company						
Dividends paid	15	-	-	-	(3,996,735)	(3,996,735)
Balance at 31 December 2022		12,489,796	13,856,484	4,163,266	18,429,038	48,938,584
Balance at 1 January 2023		**12,489,796**	**13,856,484**	**4,163,266**	**18,429,038**	**48,938,584**
Profit for the year		-	-	-	**4,024,107**	**4,024,107**
Other comprehensive income for the year						
Defined benefit plan actuarial gain, net of tax		-	-	-	**246,459**	**246,459**
Dividends paid	15	-	-	-	**(1,873,469)**	**(1,873,469)**
Balance at 31 December 2023		**12,489,796**	**13,856,484**	**4,163,266**	**20,826,135**	**51,335,681**

Al Jazeera Steel Products Company SAOG
Consolidated and separate statement of cash flows for the year ended 31 December
(Expressed in Omani Rial)

	Notes	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Cash flows from operating activities					
Profit for the year		4,763,018	3,705,138	4,745,161	3,634,623
Adjustments for:					
Finance expense	25 (a)	1,528,467	1,440,793	1,468,650	1,363,828
Finance income	25 (b)	(101,787)	(85,347)	(101,787)	(85,347)
Depreciation on property, plant and equipment	6	1,530,406	1,506,589	1,522,418	1,502,199
Depreciation on right-of-use assets	7	188,778	186,467	165,275	162,964
Amortisation of intangible assets	8	98,771	76,655	98,771	76,655
Provision for obsolete and slow-moving inventories	10	447,697	(114,839)	444,097	(108,785)
Allowance for expected credit losses on trade receivables	11	72,179	(155,982)	63,841	(164,849)
Loss on disposal of property, plant and equipment	24	14,957	45,927	15,582	48,158
Rent Concession	20	-	(45,764)	-	(45,764)
Dividend income from a subsidiary	23	-	-	(410,416)	(359,114)
Provision for employees' end of service benefits	17	479,671	295,949	462,732	291,024
		9,022,157	6,855,586	8,474,324	6,315,592
Changes in:					
Inventories		2,788,024	(7,507,912)	2,618,958	(7,952,570)
Trade and other receivables		1,143,870	8,768,320	3,238,921	9,240,594
Prepayments		(85,861)	99,450	(66,693)	101,871
Trade and other payables		4,231,798	(2,175,730)	4,227,816	(2,250,258)
Cash generated from operating activities		17,099,988	6,039,714	18,493,326	5,455,229
Income tax paid		(457,492)	(2,039,068)	(444,350)	(2,007,444)
Employees' benefit liabilities paid	17	(45,557)	(48,333)	(45,557)	(38,768)
Net cash generated in operating activities		16,596,939	3,952,313	18,003,419	3,409,017
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(4,947,913)	(1,160,706)	(4,273,391)	(1,136,630)
Purchase of intangible assets	8	(5,638)	(490,569)	(5,638)	(490,569)
Increase in bank deposits	12 (ii)	(333,587)	(11,046)	(272,525)	(11,046)
Proceeds from disposal of property, plant and equipment		7,826	12,088	7,201	9,857
Investment in a subsidiary		-	-	(1,656,039)	-
Dividend income from a subsidiary	23	-	-	410,416	359,114
Interest income received	25 (b)	91,219	85,347	91,219	85,347
Net cash used in investing activities		(5,188,093)	(1,564,886)	(5,698,757)	(1,183,927)
Cash flows from financing activities					
Interest paid		(1,699,850)	(1,349,791)	(1,640,033)	(1,272,826)
Dividends paid	15	(1,873,469)	(3,996,735)	(1,873,469)	(3,996,735)
Proceeds from Non-controlling Interest		414,010	-	-	-
Payment of lease liabilities	7	(113,400)	(160,539)	(28,050)	(129,820)
Proceeds from term loan	16	1,319,246	-	-	-
Proceeds from bank borrowings	16	80,150,091	89,446,764	80,150,091	89,446,764
Repayments against bank borrowings	16	(84,422,585)	(87,670,085)	(84,422,585)	(87,670,085)
Net cash used in financing activities		(6,225,957)	(3,730,386)	(7,814,046)	(3,622,702)
Net change in cash and cash equivalents		5,182,889	(1,342,959)	4,490,616	(1,397,612)
Cash and cash equivalents, beginning of the year		5,570,904	6,913,863	5,201,599	6,599,211
Cash and cash equivalents, end of the year	12 (ii)	10,753,793	5,570,904	9,692,215	5,201,599

Disclosure as required by IAS 7 "Statement of Cash Flows" has been shown in Note 36 to the financial statements.
* Certain numbers are reclassified, please refer note 37.

1. Legal status and principal activities

Al Jazeera Steel Products Company SAOG ("the Parent Company") is an Omani public joint stock company registered with the Ministry of Commerce, Industry and Investment Promotion in accordance with the requirements of the Commercial Companies Law and Regulations of the Sultanate of Oman. The Company's shares are listed on the Muscat Stock Exchange. The principal activities of the Parent Company are manufacturing and sale of steel products including associated works.

The Parent Company operates two plants namely tube mill and merchant bar mill. The commercial operations of the tube mill commenced in May 1999 and the merchant bar mill commenced in October 2009. During the year 2015, the Parent Company also added a new facility to manufacture rebar products in the existing merchant bar mill. The Parent Company has following subsidiaries:-

- Al Jazeera Oman Steel Products Company, single member Company, Saudi Arabia

The Parent Company holds 100% shares in Al Jazeera Oman Steel Products Company Ltd., a limited liability company registered in the Kingdom of Saudi Arabia. The principal activities of the subsidiary are import and sale of steel products manufactured by the Parent Company. The Parent Company acquired 51% shareholding in the subsidiary on 15 June 2015 and acquired the remaining 49% shareholding on 31 March 2017.

- Al Jazeera Steel Products Co L.L.C., United Arab Emirates

The Parent Company holds 80% shares in Al Jazeera Steel Products Company LLC., a limited liability company registered in the United Arab Emirates. The subsidiary company is setting up a 450,000 metric tons per annum state of the art new medium section mill in Khalifa Economic Zone Abu Dhabi (KEZAD), UAE. The subsidiary was incorporated on 4 October 2022.

The consolidated and separate financial information as at, and for the year ended, 31 December 2023, comprise the results of the Company and its subsidiaries (together referred to as "the Group").

The Parent Company's principal place of business is located at Suhar, Sultanate of Oman.

These consolidated and separate financial statements were approved for issue by the Board of Directors on 05 February 2024.

2. Basis of preparation

(a) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by IASB, and the applicable requirements of the Commercial Companies Law 2019 and Ministerial Decision 146/2021 issuing Commercial Companies' Regulations, and the applicable regulations of Capital Market Authority of the Sultanate of Oman.

(b) Basis of measurement

The consolidated and separate financial statements have been prepared on a historical cost basis except for end of service benefits which are measured at fair value. The preparation of consolidated and separate financial statements is in conformity with IFRS that requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies as mentioned in note 5 of these financial statements.

(c) Functional currencies

The consolidated and separate financial statements are presented in Omani Rials (RO) which is the functional and reporting currency of the Parent Company. All amounts have been rounded to the nearest Omani rial, unless otherwise indicated.

3. Adoptions of new and revised international financial reporting standards (IFRS)

3.1 New standards or amendments for 2023 and forthcoming requirements

A number of new standards, amendments to standards and interpretations are effective for the year beginning on or after 1 January 2023. Those which are relevant to the consolidated and separate financial statements of the Group and the Parent Company, are set out below.

3. Adoptions of new and revised international financial reporting standards (IFRS) (continued)

3.1 New standards or amendments for 2023 and forthcoming requirements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimate – Amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	1 January 2023
International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12	23 May 2023

The above standards do not have an impact on the consolidated and separate financial statements of the Group and the Parent Company.

3.2 New and revised IFRS issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group and the Parent Company's financial statements are disclosed below. The Group and the Parent Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

The following new or amended standards are not expected to have a significant impact on the Group and the Parent Company's financial statements.

New and revised IFRSs	Effective for annual periods beginning on or after
Non-current Liabilities with Covenants - Amendments to IAS 1	1 January 2024
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2024
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	1 January 2024
Supplier Finance Arrangements (Amendments to IAS 7, Statement of Cashflows and IFRS 7, Financial Instruments: Disclosures)	1 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	‹Available for optional adoption/ effective date deferred indefinitely.

Early adoption of amendments or standards in the year 2023

The Group and the Parent Company did not early-adopt any new or amended standards in the year ended 31 December 2023.

Classification of Liablities as Current or Non-Current and Non-Current Liablities with Covenants (Amendments to IAS1)

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024.

As disclosed in Notes 16(i), the Group has a secured bank loan that is subject to specific covenants. While the liability is classified as non-current at 31 December 2023, a future breach of the related covenants may require the Group to repay the liability earlier than the contractual maturity dates. The Group is in the process of assessing the potential impact of amendments on the classification of this liability and the related disclosures.

Material accounting policy information

The Group also adopted Disclosure of Accounting Policies(Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information diclosed is Note 4 Material accounting policies(2022: Significant accounting policies) in certain instances in line with the amendments.

4. Material accounting policies

The material accounting policies adopted in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policy information disclosed in Note 4 in certain instances, refer Note (3) for further information.

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiary up to the reporting date. Control is achieved where the Parent Company has the power over the investee, is exposed or has rights to variable return from its involvement with the investee and has the ability to use its power to affect its returns.

Entities are consolidated from the date on which control is transferred to the Parent Company and ceases to be consolidated from the date on which control is transferred out of the Parent Company. Specifically, income and expenses of a subsidiary acquired or disposed-off during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary. The Parent Company applies the acquisition method to account for business combinations in accordance with IFRS 3.

Non-controlling interests are presented in the consolidated statement of financial position within shareholders' equity, separate from the equity attributable to the shareholders. Non-controlling interests are separately disclosed in the consolidated statement of profit or loss and other comprehensive income. Non-controlling interest are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with those used by the Parent Company.

All inter-company transactions, balances and gains or losses on transactions between the Parent Company and its subsidiary are eliminated as part of the consolidation process.

b) 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 profit or loss as an expense when incurred.

Depreciation is calculated in accordance with the straight-line method to write-off the cost of each asset to its estimated residual value over its useful life.

The estimated useful lives are as follows:

	Useful lives
Buildings	20 - 25
Plant and equipment	15 - 25
Motor vehicles	5
Tools and spares	4
Furniture and fixtures	5
Computer and other equipment	3 - 5

The assets' residual values, depreciation methods and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Repairs and renewals are charged to the profit or loss when the expenditure is incurred.

Gains or losses on disposals of items of property, plant and equipment are determined as the difference between the sales proceeds and their carrying amounts and are recognised in the profit or loss.

4. Material accounting policies (continued)

c) Capital work-in-progress

Capital work-in-progress is stated at cost less any recognised impairment loss including capital advances incurred up to the date of the consolidated and separate statement of financial position and is not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

The interest costs on borrowings to finance the construction of qualifying assets are capitalized during the period that is required to complete and prepare the asset for its intended use. All other finance costs are charged to the statement of profit or loss using the effective interest method.

Capital work-in-progress includes all expenditure incurred on process design, development, engineering, construction, project management and other costs directly attributable to bringing the the assets to the location and condition necessary for them to be capable of operating in the manner intended by the management. Certain costs which are attributable to the project though cannot be identified to a specific asset are being charged to capital work in progress.

d) Intangible assets

Software

Software comprise the amount paid for acquiring the licence and implementation of ERP software's which are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to write-off the cost of the software over its estimated useful life of 5 years. The amortisation expense on intangible assets is recognised in profit or loss.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure is recognised in profit or loss as incurred.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

e) Investment in a subsidiary

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The investment in the subsidiary is stated at cost less impairment.

f) Financial instruments

Recognition and Initial measurement of financial instruments

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group and the Parent Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss account, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The principal financial instruments used by the Group and the Parent Company, from which financial instrument risk arises, are as follows:

1) Trade and other receivables

2) Bank deposits

3) Cash and cash equivalents

4) Borrowings

5) Trade and other payables

4. Material accounting policies (continued)

f) Financial instruments (continued)

Classification and initial measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income [FVOCI] – debt instruments; fair value through other comprehensive income - equity instruments; or fair value through profit or loss account [FVTPL].

Financial assets are not reclassified subsequent to their initial recognition unless the Group and the Parent Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

Financial assets – Business model assessment

The Group and the Parent Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operations of these policies in practice.
- How the performance of portfolio is evaluated and reported to the management.
- The risks that affect the performance of the business model and how these risks are managed.
- How managers of the business are compensated.
- The frequency, volume and timing of sale of financial assets in prior periods.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

Business model test: The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes).

Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

Equity instruments which are not held for trading or issued as contingent consideration in business combination, and for which the company has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss. This election is made on an investment-by-investment basis.

A debt investment is measured at FVOCI if is meets both of the following conditions and it is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss account

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss account. This includes derivative financial assets.

On initial recognition, the Group and the Parent Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

4. Material accounting policies (continued)

f) Financial instruments (continued)

Financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit and loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gain and losses are recognised in profit and loss. Any gain or loss on derecognition is also recognised in profit or loss.

Subsequent measurement and gain or losses of financial assets

Financial assets at amortised cost:

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Any gain or loss on derecognition is recognised in the profit or loss account.

Financial assets at fair value through other comprehensive income

Debt instruments

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Other net gains and losses are recognised in the statement of other comprehensive income. On derecognition, gains and losses accumulated in the statement of other comprehensive income are reclassified to the profit or loss account.

Equity instruments

These assets are subsequently measured at fair value. Dividends are recognised as income in the profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in the statement of other comprehensive income and are never reclassified to the profit or loss account.

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit or loss account.

Subsequent measurement and gain or losses of financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, if applicable. The effective interest method is the method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss account. Any gain or loss on derecognition is also recognised in the profit or loss account.

Reclassification of financial assets

The Group and the Parent Company will only reclassify financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Company’s operations and demonstrable to external parties.

If the Group and the Parent Company determines that its business model has changed in a way that is significant to its operations, then it reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

4. Material accounting policies (continued)

f) Financial instruments (continued)

Reclassification of financial liabilities

The Group and the Parent Company determines the classification of financial liabilities on initial recognition. Subsequent reclassification is not allowed.

Derecognition of financial assets

The Group and the Parent Company derecognise financial asset when:

a) The contractual rights to receive cash flows from the financial asset have expired; or

b) The Group and the Parent Company transfers the right to receive the contractual cash flows in a transaction in which either:

- Substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- The Group and the Parent Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group and the Parent Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Derecognition of financial liabilities

A financial liability is derecognised when the contractual obligation under the liability is discharged or cancelled or expired. The Group and the Parent Company also recognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group and the Parent Company updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. Material accounting policies (continued)

f) Financial instruments (continued)

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets, interest income is recognised using the effective interest rate (EIR), which is the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

When a loan or receivable is impaired, the Group and the Parent Company reduces the carrying amount to their recoverable amount, being the estimated future cash flows discounted at the original EIR of the instrument, and continues unwinding the discount as interest income. Interest income on impaired financial assets is recognised using the original EIR.

Interest expense

Interest expense includes interest on bank borrowings and lease liability. Interest expense is recognised using the EIR method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments.

Impairment of financial assets

The Group and the Parent Company recognizes expected credit loss on financial assets measured at amortized cost, contract assets receivables, lease receivables and debt investments at FVOCI, but not on investments in equity instruments. The financial assets at amortized cost consist of trade receivables and cash and cash equivalents.

The Group and the Parent Company measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured as 12- month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Finance assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

General approach

The Group and the Parent Company applies a three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset. The Group and the Parent Company applies general approach to all financial assets except trade receivable without significant financing component.

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and the Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group and the Parent Company's historical experience and informed credit assessment and including forward- looking information.

4. Material accounting policies (continued)

f) Financial instruments (continued)

Impairment of financial assets (continued)

Default

The Group and the Parent Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Group and the Parent Company to actions such as realising security (if any is held) or based on the certain delinquency period (days past due).

Simplified approach

The Group and the Parent Company applies simplified approach to measuring credit losses, which mandates recognition of lifetime expected loss allowance for trade receivables without significant financing component. Under simplified approach, there is no need to monitor for significant increases in credit risk and the Group and the Parent Company will be required to measure lifetime expected credit losses at all times.

Credit- impaired financial assets

At each reporting date, the Group and the Parent Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group and the Parent Company’s procedures for recovery of amounts due.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

g) Impairment of non-financial assets

The carrying amounts of the Group and the Parent Company’s non-financial assets other than inventories, contract assets, and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped into smaller group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost of disposals.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

h) Inventories

Inventories, which include goods-in-transit, are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined by the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In respect of finished goods and work-in-progress, costs comprise of material, labour costs and proportionate direct expenses. Provision is made, where necessary, for slow and non-moving inventories.

4. Material accounting policies (continued)

i) Cash and cash equivalents

For the purposes of the consolidated and separate statement of cash flows, cash and cash equivalents comprise cash on hand and bank balances.

j) Provisions

Provisions are recognised when the Group and the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Parent Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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.

k) Employees' benefit liabilities

Employees' end-of-service benefits are accrued in accordance with the terms of employment of the Parent Company's qualifying employees at the reporting date, having regard to the requirements of the Oman Labour Law, as amended. Provision for staff indemnities of the Saudi subsidiary is made for the amounts payable under Saudi Labour Law applicable to employees' accumulated period of service at the reporting date. Provision for Employees' end of service benefit for the subsidiary registered in UAE is recorded in accordance with the terms of UAE Labour Law. The obligation is calculated using the projected unit credit method and is discounted to its present value.

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 part of non-current liabilities.

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

l) Revenue from contracts with customers

The Group and the Parent Company manufactures and sells steel products which are used in various industries. Revenue is measured based on the consideration specified in the contract with the customers. Revenue is recognised at a point-in-time i.e. when control of the products has been transferred, the recovery of the consideration is probable and there is no unfulfilled obligation. To determine the point in time at which a customer obtains control of products based on relevant inco terms, below indicators of the transfer of control are considered:

i) The entity has a present right to payment for the asset

ii) The customer has legal title to the asset

iii) The entity has transferred physical possession of the asset

iv) The customer has the significant risks and rewards of ownership of the asset

v) The customer has accepted the asset

Revenue is recognised on fulfilment of performance obligations and transfer of control, which is mainly on delivery of goods and acceptance of goods, as per the applicable inco terms.

4. Material accounting policies (continued)

l) Revenue from contracts with customers (continued)

If the consideration promised in a contract includes a variable amount, the Group and the Parent Company estimates the amount of consideration to which it expects to be entitled. Consideration can vary because of discounts, rebates, refunds, credits, price concessions or other similar items.

Type of product and performance obligation	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policy
Manufacturing and delivery of steel and related products to customers by road.	Customers obtain control of goods when the goods are delivered at the Customer's premises and have been accepted by the customers. Revenue is generated at that point in time. Invoices are paid as per the agreed payment terms which are normally within 120 days.	Revenue is recognised at a point of time when the goods are delivered and have been accepted by customers.
Manufacturing and delivery of steel and related products to customers by sea.	Customers obtain control of goods as per the Inco terms mentioned in the contract. Revenue is generated at that point in time. Invoices are paid as per the agreed payment terms which are normally within 120 days.	Revenue is recognised on fulfilment of performance obligations and transfer of control, which is mainly on delivery of goods, either at port of origin or port of destination as per the applicable inco terms.

m) Other income

Other income is accounted for on the accruals basis, unless collectability is in doubt.

n) Directors' remuneration

The Parent Company follows the Commercial Companies Law of the Sultanate of Oman, and other latest relevant directives issued by the Capital Market Authority, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to profit or loss in the year to which they relate.

o) Dividend

The Board of Directors recommends to the shareholders the dividend to be paid out of the Group's net profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law and Regulations of the Sultanate of Oman while recommending the dividend.

Dividend distribution is recognised as a liability in the period in which the dividends are approved by the Parent Company's shareholders.

Dividend received from subsidiary is recorded as an income in Parent Company's financial statements.

p) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group and the Parent Company as a lessee

The Group and the Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Parent Company recognises lease liability to make lease payments and right-of-use assets representing the right to use the underlying assets.

At commencement or on modification of a contract that contains a lease component, the Group and the Parent Company allocates the consideration in the contract on the basis of its relative stand-alone prices.

4. Material accounting policies (continued)

p) Leases (continued)

(i) Right of use assets

The Group and the Parent Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred less any lease incentive received.

The right of use assets are subsequently depreciated using straight-line method from the date of commencement till the end of lease term. Right-of-use assets are subject to impairment.

(ii) Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, the Group and the Parent Company's incremental borrowing rate as the discount rate. Generally, the Group and the Parent Company uses its incremental borrowing rate as the discount rate.

The Group and the Parent Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

All leases of the Group and the Parent Company are based on a discount rate of 5% to 7% with the lease term ranging from 2 years to 50 years.

The lease payments include fixed payments (including in- substance fixed payments), variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees and exercise price under a purchase option that the Group and the Parent Company is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index of rate , if there is a change in the Group and the Parent Company's estimate of the amounts expected to be payable under a residual value guarantee, if the Group and the Parent Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

(iii) Short-term leases and leases of low-value assets

The Group and the Parent Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

q) Earnings per share

The Parent Company presents earnings per share (EPS), diluted earnings per share (DEPS) and net assets per share for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

The DEPS is calculated by dividing profit or loss attributable to ordinary shareholders of the Parent Company by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

4. Material accounting policies (continued)

r) Net assets per share

The Company presents net assets per share for its ordinary shareholders. Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders by the weighted average number of shares outstanding as at the statement of financial position date.

s) Share premium

The share premium is the amount subscribed to the share capital in excess of the nominal value. The share premium is stated net of share issuance costs.

t) Operating segments

A segment is a distinguishable component of the Group and the Parent Company that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) whose operating results are regularly reviewed by the Group's and Parent Company's Chief Operating Decision Maker ("CODM"). Operating segment information in disclosed in note 30 of these financial statements.

u) Foreign currency transactions

Foreign currency transactions are accounted for at the rates of exchange prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the end of the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of transaction.

v) Foreign operations

The assets and liabilities of foreign operations are translated into Omani rial at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Omani rial at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

w) Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent it relates to a business combination, or items recognised directly in equity or in OCI.

The Company has determined the interest and penalties related to income tax, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current tax

Income tax is provided for in accordance with the fiscal regulations of the Sultanate of Oman.

Current tax is recognised in the profit or loss and as the expected tax payable on the net taxable income for the year, using tax-rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

4. Material accounting policies (continued)

w) Taxation (continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is not recognised for:

- Temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and associates to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on initial recognition of goodwill.

The Group previously accounted for deferred tax on leases and decommissioning liabilities applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets are reviewed at each reporting period date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset only if certain criteria is met.

Zakat provisions are computed in accordance with the regulation of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia for the subsidiary.

x) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's and the Parent Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities

When one is available, the Group and the Parent Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group and the Parent Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group and the Parent Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

5 Critical accounting estimates and key source of estimation uncertainty

Preparation of consolidated and separate financial statements in accordance with IFRS requires the Group's and the Parent Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates require judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates. The most significant areas requiring the use of management estimates and assumptions in these consolidated and separate financial statements relate to:

i) Economic useful lives of property, plant and equipment

The Group's and the Parent Company's property, plant and equipment are depreciated on a straight-line basis over their economic useful lives. The economic useful lives of property, plant and equipment are reviewed periodically by management. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group and the Parent Company.

ii) Write down of inventories to NRV

Inventories are held at the lower of cost and net realisable value (NRV). When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

iii) Impairment losses on trade receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance for ECL applied according to the length of time and historical recovery rates.

iv) Significant judgement in determining the term of lease contracts

The Group and the Parent Company determines the lease term as non-cancellable term of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group and the Parent Company have an option, under some of its leases to lease the assets for additional terms. The Group and the Parent Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group and the Parent Company reassesses the lease-term if there is a significant event or change in the circumstances that is within its control and effects its ability to exercise (or not exercise) the option to renew or to terminate (e.g., a change in business strategy, construction of significant leasehold improvements or significant customisation to the leased assets).

6. Property, plant and equipment

(a) The movement in property, plant and equipment is as set out below:

Group 2023	Buildings	Plant and equipment	Motor vehicles	Tools and spares	Furniture and fixtures	Computer and other equipment	Capital work-in-progress	Total
Cost								
Balance at 1 January 2023	**9,027,038**	**29,127,650**	**257,978**	**2,702,512**	**258,422**	**781,014**	**649,759**	**42,804,373**
Additions during the year	4,491	83,723	25,639	-	15,664	21,771	5,590,898	5,742,186
Transfers during the year	-	825,762	-	247,186	-	8,643	(1,081,591)	-
Disposals during the year	-	-	(17,709)	(160,232)	(17,901)	(18,692)	-	(214,534)
Balance at 31 December 2023	**9,031,529**	**30,037,135**	**265,908**	**2,789,466**	**256,185**	**792,736**	**5,159,066**	**48,332,025**
Accumulated depreciation								
Balance at 1 January 2023	**6,305,190**	**18,893,259**	**191,400**	**2,240,552**	**193,683**	**607,700**	**-**	**28,431,784**
Charge for the year to:								
Cost of revenue (Note 20)	221,227	969,117	-	209,020	-		-	1,399,364
General and administrative expenses (Note 22)	1,631	-	23,566	-	23,196	82,649	-	131,042
								-
Relating to disposals	-	-	(17,709)	(137,449)	(17,901)	(18,692)	-	(191,751)
Balance at 31 December 2023	**6,528,048**	**19,862,376**	**197,257**	**2,312,123**	**198,978**	**671,657**	**-**	**29,770,439**
Carrying amounts								
At 31 December 2023	**2,503,481**	**10,174,759**	**68,651**	**477,343**	**57,207**	**121,079**	**5,159,066**	**18,561,586**

6 Property, plant and equipment (continued)

Group 2022	Buildings	Plant and equipment	Motor vehicles	Tools and spares	Furniture and fixtures	Computer and other equipment	Capital work-in-progress	Total
Cost								
Balance at 1 January 2022	8,938,099	28,504,528	225,537	2,623,317	334,361	601,656	788,652	42,016,150
Additions during the year	77,160	97,978	64,951	-	41,892	68,558	810,167	1,160,706
Transfers during the year	11,779	567,223	-	244,913	-	125,145	(949,060)	-
Disposals during the year	-	(42,079)	(32,510)	(165,718)	(117,831)	(14,345)	-	(372,483)
Balance at 31 December 2022	9,027,038	29,127,650	257,978	2,702,512	258,422	781,014	649,759	42,804,373
Accumulated depreciation								
Balance at 1 January 2022	6,085,000	17,966,391	196,904	2,175,054	286,327	529,987	-	27,239,663
Charge for the year to:								
Cost of revenue	217,743	936,489	-	205,659	-	-	-	1,359,891
General and administrative expenses	2,447	-	27,006	-	25,187	92,058	-	146,698
Relating to disposals	-	(9,621)	(32,510)	(140,161)	(117,831)	(14,345)	-	(314,468)
Balance at 31 December 2022	6,305,190	18,893,259	191,400	2,240,552	193,683	607,700	-	28,431,784
Carrying amounts								
At 31 December 2022	2,721,848	10,234,391	66,578	461,960	64,739	173,314	649,759	14,372,589

(i) Property, plant and equipment of the subsidiary, Al Jazeera Steel Products Co LLC, UAE are subject to first charge against the term loans obtained from commercial banks (Note 16).

(ii) Capital work-in-progress of the Group at 31 December 2023 represents mainly building under construction, machineries, rolls under grooving and includes borrowing cost capitalised.

6. Property, plant and equipment (continued)

(a) The movement in property, plant and equipment is as set out below:

Parent Company 2023	Buildings	Plant and equipment	Motor vehicles	Tools and spares	Furniture and fixtures	Computer and other equipment	Capital work-in-progress	Total
Cost								
Balance at 1 January 2023	**8,994,410**	**29,127,650**	**206,821**	**2,702,512**	**255,621**	**771,267**	**649,759**	**42,708,040**
Additions during the year	4,491	83,723	25,639	-	15,664	20,978	4,122,896	4,273,391
Transfers during the year	-	825,762	-	247,186	-	8,643	(1,081,591)	-
Disposals during the year	-	-	(13,605)	(160,232)	(17,901)	(18,692)	-	(210,430)
Balance at 31 December 2023	**8,998,901**	**30,037,135**	**218,855**	**2,789,466**	**253,384**	**782,196**	**3,691,064**	**46,771,001**
Accumulated depreciation								
Balance at 1 January 2023	**6,288,728**	**18,893,259**	**161,188**	**2,240,552**	**191,026**	**600,124**	**-**	**28,374,877**
Charge for the year to:								
Cost of revenue (Note 20)	221,227	969,117	-	209,020	-	-	-	1,399,364
General and administrative expenses (Note 22)	-	-	18,136	-	23,138	81,780	-	123,054
Relating to disposals	-	-	(13,605)	(137,449)	(17,901)	(18,692)	-	(187,647)
Balance at 31 December 2023	**6,509,955**	**19,862,376**	**165,719**	**2,312,123**	**196,263**	**663,212**	**-**	**29,709,648**
Net book amount								
At 31 December 2023	**2,488,946**	**10,174,759**	**53,136**	**477,343**	**57,121**	**118,984**	**3,691,064**	**17,061,353**

6 Property, plant and equipment (continued)

Parent Company 2022	Buildings	Plant and equipment	Motor vehicles	Tools and spares	Furniture and fixtures	Computer and other equipment	Capital work-in-progress	Total
Cost								
Balance at 1 January 2022	8,905,471	28,504,528	185,840	2,623,317	331,560	594,265	788,652	41,933,633
Additions during the year	77,160	97,978	43,231	-	41,892	66,202	810,167	1,136,630
Transfers during the year	11,779	567,223	-	244,913	-	125,145	(949,060)	-
Disposals during the year	-	(42,079)	(22,250)	(165,718)	(117,831)	(14,345)	-	(362,223)
Balance at 31 December 2022	8,994,410	29,127,650	206,821	2,702,512	255,621	771,267	649,759	42,708,040
Accumulated depreciation								
Balance at 1 January 2022	6,070,985	17,966,391	157,206	2,175,054	283,971	523,279	-	27,176,886
Charge for the year to:								
Cost of revenue	217,743	936,489	-	205,659	-	-	-	1,359,891
General and administrative expenses	-	-	26,232	-	24,886	91,190	-	142,308
Relating to disposals	-	(9,621)	(22,250)	(140,161)	(117,831)	(14,345)	-	(304,208)
Balance at 31 December 2022	6,288,728	18,893,259	161,188	2,240,552	191,026	600,124	-	28,374,877
Net book amount								
Balance at 31 December 2022	2,705,682	10,234,391	45,633	461,960	64,595	171,143	649,759	14,333,163

(iii) Buildings included in property, plant and equipment of the Parent Company are built on land leased from the Public Establishment for Industrial Estate - Madayn, Suhar Industrial City, expiring over different dates (Note 7).

(iv) Property, plant and equipment of the Parent Company are subject to a pari-passu charge against the borrowings obtained from commercial banks (Note 16).

(v) Capital work-in-progress of the Parent Company at 31 December 2023 represents mainly building under construction, machineries and rolls under grooving.

7. Right-of-use assets and lease liabilities

a) Leasehold land

The Parent Company has mainly leased land which constitutes the manufacturing facility. These leases have a lease term ranging from 2 years to 25 years, with an option to renew the lease after that date.

During the year 2023, the subsidiary company in UAE has leased land to construct the manufacturing facility. This lease has a lease term of 50 years, ending in 2073, with an option to renew the lease after that date.

	Group		Parent Company	
	2023	2022	**2023**	2022
Cost				
Balance at 1 January	**1,914,629**	1,143,313	**1,761,824**	990,508
Modification/ Additions during the year	**11,354,297**	771,316	**1,703,185**	771,316
Balance at 31 December	**13,268,926**	1,914,629	**3,465,009**	1,761,824
Accumulated amortisation				
Balance at 1 January	**469,914**	283,447	**375,837**	212,873
Charge for the year to:				
Cost of revenue (Note 20)	**105,426**	114,654	**105,426**	114,654
General and administrative expenses (Note 22)	**83,352**	71,813	**59,849**	48,310
Capital work in progress	**181,138**	-	**-**	-
Balance at 31 December	**839,830**	469,914	**541,112**	375,837
Net book amount				
Balance at 31 December	**12,429,096**	1,444,715	**2,923,897**	1,385,987

b) Lease liabilities

	Group		Parent Company	
	2023	2022	**2023**	2022
Balance at 1 January	**1,672,436**	1,107,423	**1,606,319**	1,010,587
Additions during the year	**11,354,297**	771,316	**1,703,185**	771,316
Add: interest expense (Note 25 (a))	**221,425**	65,504	**218,988**	61,532
Add: Capital work in progress	**613,136**	-	**-**	-
Less: lease concession	**-**	(45,764)	**-**	(45,764)
Less: lease payments	**(334,825)**	(226,043)	**(247,038)**	(191,352)
Balance at 31 December	**13,526,469**	1,672,436	**3,281,454**	1,606,319
Current portion	**233,560**	196,603	**223,664**	164,349
Non-current portion	**13,292,909**	1,475,833	**3,057,790**	1,441,970
Balance at 31 December	**13,526,469**	1,672,436	**3,281,454**	1,606,319

8. Intangible assets

	Group		Parent Company	
	2023	2022	**2023**	2022
Cost				
Balance at 1 January	**490,569**	-	**490,569**	-
Additions during the year	**5,638**	490,569	**5,638**	490,569
Balance at 31 December	**496,207**	490,569	**496,207**	490,569
Accumulated amortisation				
Balance at 1 January	**76,655**	-	**76,655**	-
Charge for the year	**98,771**	76,655	**98,771**	76,655
Balance at 31 December	**175,426**	76,655	**175,426**	76,655
Carrying amounts				
At 31 December	**320,781**	413,914	**320,781**	413,914

Intangible assets comprise of ERP software licenses which are being amortised over a period of 5 years and is charged to general and administrative expenses. The remaining amortisation period as at 31 December 2023, is three years (31 December 2022: four years).

9. Investment in a subsidiary

	Parent Company	
	2023	**2022**
Carrying value of investment in the Saudi Arabia subsidiary (i)	**258,244**	258,244
Investment in the UAE subsidiary (ii)	**1,656,039**	-
	1,914,283	258,244

(i) Al Jazeera Oman Steel Products Company, single member Company, Saudi Arabia

On 15 June 2015, the Parent Company acquired 51% shareholding in Al Jazeera Oman Steel Products Company Ltd. ("the subsidiary"), a limited liability company incorporated in the Kingdom of Saudi Arabia. On 31 March 2017, the Parent Company acquired an additional 49% shareholding interest in the subsidiary, increasing its ownership interest to 100% at a consideration of RO 258,244, paid to the non-controlling shareholder.

The investment in the subsidiary is stated at cost less impairment. The Parent Company has performed an impairment testing of its investment in the subsidiary and, has concluded that, no provision is considered necessary. This is primarily based on cash flow forecasts prepared by the management which indicates that the subsidiary is expected to continue to report profits in the foreseeable future.

(ii) Al Jazeera Steel Products Co L.L.C., United Arab Emirates

The Parent Company invested AED 15,801,900 (RO 1,656,039), comprising 80% shares of Al Jazeera Steel Products Co L.L.C. ("the subsidiary"), a limited liability company incorporated in 2022 in United Arab Emirates.

10. Inventories

	Group		Parent Company	
	2023	2022	**2023**	2022
Raw materials	**11,534,402**	18,663,328	**11,534,402**	18,663,328
Finished goods	**7,866,051**	8,500,738	**7,210,618**	7,676,240
Stores and spares	**3,291,413**	3,018,333	**3,291,413**	3,018,333
Goods-in-transit	**5,718,316**	494,643	**5,718,316**	494,643
Work-in-progress	**1,480,014**	2,001,177	**1,480,014**	2,001,177
	29,890,196	32,678,219	**29,234,763**	31,853,721
Less: provision for obsolete and slow-moving inventories	**(2,468,022)**	(2,020,325)	**(2,453,554)**	(2,009,457)
	27,422,174	30,657,894	**26,781,209**	29,844,264

The movement in provision for obsolete and slow-moving inventories is as follows:

	Group		Parent Company	
	2023	**2022**	**2023**	**2022**
At 1 January	**2,020,325**	2,135,164	**2,009,457**	2,118,242
Charge/ (Reversal) for the year	**447,697**	(114,839)	**444,097**	(108,785)
At 31 December	**2,468,022**	2,020,325	**2,453,554**	2,009,457

10. Inventories (continued)

Inventories of the Parent Company are subject to a pari-passu charge in favour of the lenders against bank short term borrowings (Note 16).

Inventories of RO 113,712,209 (December 2022: RO 122,293,775) were consumed and recognised as an expense during the year and included in cost of sales of Group.

Inventories of RO 113,029,643 (December 2022: RO 121,230,146) were consumed and recognised as an expense during the year and included in cost of sales of Parent Company.

Inventories have been reduced by RO 447,697 (increase in December 2022: RO 114,839) of Group and RO 444,097 (increase in December 2022: RO 108,785) of the Parent Company.

11. Trade and other receivables

	Group		Parent Company	
	2023	**2022**	**2023**	**2022**
Trade receivables, gross	**32,114,489**	36,768,339	**32,803,671**	37,487,087
Less: provision for ECL	**(1,026,410)**	(954,231)	**(1,672,630)**	(1,608,789)
Trade receivables, net	**31,088,079**	35,814,108	**31,131,041**	35,878,298
Other receivables	**2,047,872**	593,412	**2,041,055**	589,621
Total financial assets other than cash and cash equivalents classified at amortised cost	**33,135,951**	36,407,520	**33,172,096**	36,467,919
Advances to suppliers	**6,058,495**	3,992,406	**3,996,036**	3,992,406
	39,194,446	40,399,926	**37,168,132**	40,460,325

(a) Trade and other receivables at amortised cost are non-interest bearing and are generally on 90 to 180 days' credit terms. They are recognised at the original amounts which represents their transaction price on initial recognition.

(b) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable, mentioned above, after taking into account the related ECL provision.

(c) The Group and the Parent Company applies the IFRS 9 simplified approach to measure ECL using a lifetime ECL allowance for trade receivables. To measure ECL on a collective basis, trade receivables are grouped based on similar credit risk and aging. The ECL rates are based on the Group's and the Parent Company's historical credit losses experienced over the five-years period prior to the year-end. The historical losses are then adjusted for the current and forward-looking information on macro-economic factors affecting the Group's and the Parent Company's customers such as crude oil prices and Gross Domestic Product (GDP) of those countries where the Group and the Parent Company has exposure.

The movement in ECL allowance of trade receivables is as follows:

	Group		Parent Company	
	2023	2022	**2023**	2022
Opening balance	**954,231**	2,274,381	**1,608,789**	2,468,208
Charge / (Reversal) for the year	**72,179**	(155,982)	**63,841**	(164,849)
Write-off during the year	**-**	(1,164,168)	**-**	(694,570)
Closing balance	**1,026,410**	954,231	**1,672,630**	1,608,789

11. Trade and other receivables (continued)

(d) Trade receivables of the Parent Company are subject to a pari-passu charge in favour of the lenders against bank short term borrowings (Note 16).

(e) The aging analysis of trade receivables is as follows:

	Group		Parent Company	
	2023	2022	**2023**	2022
Less than 120 days (not past due)	**28,706,685**	28,333,435	**29,486,500**	29,070,196
Between 121-365 days	**3,233,379**	8,228,658	**3,029,056**	8,228,658
Above 365 days	**174,425**	206,246	**288,115**	188,233
	32,114,489	36,768,339	**32,803,671**	37,487,087

12 (i) Bank deposits

This balance is subject to restrictions imposed by the banks against the guarantees given by banks on behalf of the Group and the Parent Company for payment of dumping duty, custom duty and lease rent to various authorities. The Company can not withdraw any amount from the bank account till the guarantee period is completed.

12 (ii) Cash and cash equivalents

	Group		Parent Company	
	2023	2022	**2023**	2022
Cash on hand	**20,531**	24,542	**16,648**	15,238
Call account	**6,037,660**	3,216,032	**6,037,660**	3,216,032
Current account	**4,695,602**	2,330,330	**3,637,907**	1,970,329
Fixed Deposit	**654,218**	320,631	**593,156**	320,631
Cash and cash equivalents in the statement of financial position	**11,408,011**	5,891,535	**10,285,371**	5,522,230
Less: Fixed Deposit	**(654,218)**	(320,631)	**(593,156)**	(320,631)
Cash and cash equivalents in the statement of cashflows	**10,753,793**	5,570,904	**9,692,215**	5,201,599

For the consolidated and separate statement of cash flows, cash and cash equivalents comprise the above figures.

The current account balances with banks are non-interest bearing. The call account balances with banks earn annual interest rates ranging between 0.75% and 3.00% per annum (2022: between 0.75% and 3.00% per annum).

13 Share capital and share premium

The authorised share capital of the Parent Company as registered with the Ministry of Commerce, Industry and Investment Promotion is RO 15,000,000 (2022: RO 15,000,000), comprising of 150,000,000 shares of RO 0.100 per share (2022: RO 0.100). The issued and fully paid-up share capital comprises of 124,897,960 (2022: 124,897,960) ordinary shares of RO 0.100 per share (2022: RO 0.100 per share).

	Authorised		Issued and fully paid-up	
	2023	2022	**2023**	2022
Share capital	**15,000,000**	15,000,000	**12,489,796**	12,489,796

13. Share capital and share premium (continued)

The share premium is the amount subscribed to the share capital in excess of the nominal value. The share premium is stated net of share issuance costs.

Shareholders who own 5% or more of the Parent Company's share capital and the number of shares they hold are as follows:

	2023		2022	
Name of the shareholder	**Shareholding percentage**	**Number of shares**	Shareholding percentage	Number of shares
Ms. Amal Suhail Salim Bahwan*	**51.00%**	**63,697,960**	51.00%	63,697,960
Oman Investment Authority - 2	**7.83%**	**9,785,576**	7.50%	9,362,776
Civil Service Employees Pension Fund	**6.66%**	**8,318,686**	6.66%	8,318,686
Oman Investment Authority - 1	**6.31%**	**7,877,341**	5.97%	7,456,341
	71.80%	**89,679,563**	71.13%	88,835,763

* Ultimate controlling party of the Group is Ms. Amal Suhail Salim Bahwan.

14. Legal reserve

(i) Al Jazeera Steel Products Company SAOG

In accordance with the provisions of the Commercial Companies Law and Regulations of the Sultanate of Oman, annual appropriations of 10% of the net profit are made to this reserve until the accumulated balance of the reserve is equal to one-third of the Parent Company's issued and fully paid-up share capital, which was achieved during the year 2017. This reserve is not available for distribution. As the legal reserve equals one third of the paid up share capital, no transfer was made during the year.

(ii) Al Jazeera Oman Steel Products Company, single member Company, Saudi Arabia

In accordance with the provisions of the Saudi Regulations, annual appropriations of 10% of the net profit are made to this reserve until the accumulated balance of the reserve is equal to 30% of the subsidiary's issued and fully paid-up share capital, which was achieved during the year 2020. This reserve is not available for distribution.

(iii) Al Jazeera Steel Products Co L.L.C., United Arab Emirates

In accordance with the provisions of the UAE Federal law 2015, annual appropriations of 5% of the net profit are made to this reserve of UAE subsidiary. The Company has option to stop such allocation if the reserve balance reaches 50% of the share capital. This reserve is not available for distribution.

15. Dividend

Dividend is not accounted for until it has been approved at the shareholders' general meeting. At the Board of Directors meeting held on 05 February 2024, a cash dividend of 19 baiza per share, amounting to RO 2,373,061, has been recommended for shareholders' approval at the forthcoming annual general meeting. The consolidated and separate financial statements for the period ended 31 December 2023 do not reflect this resolution, which will be accounted for in the consolidated and separate shareholders' equity as an appropriation from the retained profits as at 31 December 2024.

A cash dividend of 15 baiza per share amounting to RO 1,873,469 was paid as approved by the shareholders in the annual general meeting held on 26 March 2023. (2022: 32 baiza per share amounting to RO 3,996,735).

During the year, unclaimed dividend amounting to RO 1,670 (2022: RO 4,747) was transferred to the Investor's Trust Fund account based on the guidelines issued by the Capital Market Authority of the Sultanate of Oman.

16. Bank borrowings

Bank borrowings - non current

	Group		Parent Company	
	2023	2022	**2023**	2022
Term Loan (i)	**1,319,246**	-	**-**	-
	1,319,246	-	**-**	-

(i) The term loan of subsidiary, Al Jazeera Steel Products Co LLC, UAE is denominated in US Dollar, secured over the present and future assets of the subsidiary, and carries interest at a variable rate of SOFR plus applicable margin. The loan amortises, with quarterly repayments starting from March 2026 to March 2031. As of date, the undrawn amount is RO 18.5 million. The Loan has also been secured by the corporate guarantee provided by the parent company.

As at 31 December 2023, the subsidiary is compliant with the required covenants.

Bank borrowings - current

	Group		Parent Company	
	2023	2022	**2023**	2022
Short term borrowings (ii)	**21,102,981**	25,375,475	**21,102,981**	25,375,475
	21,102,981	25,375,475	**21,102,981**	25,375,475

(ii) The Parent Company has credit facilities in the amount of RO 82.3 million (31 December 2022: RO 71.22 million) from local and foreign commercial banks. The credit facilities are secured by a pari-passu charge on all the assets amounting to RO 97.0 million as at 31 December 2023 (RO 92.6 million as at 31 Dec 2022) of the Parent Company.

These short term borrowings carry an interest rate of money market rate + 0.5% per annum (31 December 2022: money market rate + 0.5% per annum). The interest costs on borrowings to finance the construction of qualifying assets are capitalized using a captitalisation rate of 8.8% for the Group and 6% for the Parent Company.

The carrying amount of the Group's and the Parent Company's bank borrowings is denominated in Omani Rial and US Dollars. There is no impact of foreign exchange fluctuation as RO is pegged to USD.

Change in cash flows from financing activities

	Group		Parent Company	
	2023	2022	**2023**	2022
Bank borrowings				
At 1 January	**25,375,475**	23,598,796	**25,375,475**	23,598,796
Proceeds from borrowings	**80,150,091**	89,446,764	**80,150,091**	89,446,764
Repayment of borrowings	**(84,422,585)**	(87,670,085)	**(84,422,585)**	(87,670,085)
At 31 December	**21,102,981**	25,375,475	**21,102,981**	25,375,475
Change in cash flows	**(4,272,494)**	1,776,679	**(4,272,494)**	1,776,679

17. Employees' end of service benefits

	Group		Parent Company	
	2023	2022	**2023**	2022
At 1 January	**1,894,253**	1,646,637	**1,870,205**	1,617,949
Accrued during the year	**479,671**	295,949	**462,732**	291,024
Net actuarial gain through OCI	**(283,984)**	-	**(289,952)**	-
Payments during the year	**(45,557)**	(48,333)	**(45,557)**	(38,768)
At 31 December	**2,044,383**	1,894,253	**1,997,428**	1,870,205

The following table shows a reconciliation from opening balances to the closing balances for the defined benefit liability and its components

	Group	Parent Company
	2023	**2023**
At 1 January	**1,894,253**	**1,870,205**
Included in the Profit or Loss		
-Current Service Cost	**259,175**	**243,198**
-Past service cost	**145,537**	**145,537**
-Interest cost	**74,959**	**73,997**
	2,373,924	**2,332,937**
Benefit paid	**(45,557)**	**(45,557)**
	2,328,367	**2,287,380**
Included in the Other Comprehensive Income (OCI)		
-Actuarial gain	**(283,984)**	**(289,952)**
At 31 December	**2,044,383**	**1,997,428**

All retirement benefits plans are defined benefit plans, which are unfunded. The actuarial valuations using the projected unit credit method as per IAS 19 were undertaken using the following assumptions:

	Group	Parent Company
	2023	**2023**
Discount rate	**5.19%**	**5.19%**
Future salary increases	**5.00%**	**5.00%**
Retirement age in years - Workers	**60**	**60**
Retirement age in years - Staff	**65**	**65**

17. Employees' end of service benefits (continued)

The amount recognised in the statement of profit or loss is as follows:

	Group	Parent Company
	2023	2023
Service cost	404,712	388,735
Interest cost	74,959	73,997
	479,671	462,732

The amount recognised in the statement of other comprehensive income

	Group	Parent Company
	2023	2023
Actuarial gain (experience adjustment)	283,984	289,952

Sensitivity analysis 2023

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Group	Parent Company
	2023	2023
+1% Discount Rate	1,656,446	1,615,185
-1% Discount Rate	1,868,083	1,820,596
+1% Salary Increase Rate	1,875,849	1,828,171
-1% Salary Increase Rate	1,647,626	1,606,588

18. Trade and other payables

	Group		Parent Company	
	2023	2022	2023	2022
Trade payables	6,331,984	4,823,855	6,332,610	4,819,147
Accrued expenses	11,480,572	9,053,075	11,445,084	9,034,679
Contract liabilities (note 18 (b))	550,474	467,080	550,474	467,080
Other payables	385,990	344,596	153,001	103,831
	18,749,020	14,688,606	18,481,169	14,424,737

Trade payables are generally settled within 0 to 90 days of the suppliers' invoice date.

(a) Accrued expenses include dumping duty provision amounting to RO 4,263,378 (31 December 2022: RO 3,559,170) to be paid on export to United States of America ("USA"). The DOC has completed their administrative review up to November 2021. However, the periods for which administrative reviews are pending, the Group has recorded a provision. Since the year 2016, the US Department of Commerce ("DOC") imposed anti-dumping duty on the parent's export to USA at the rate of 7.36% which was reduced to 3.84% in June 2019. Further, in April 2020, DOC has revised the rate to 1.10% and subsequently in April 2021, DOC has revised the rate to 1.56% for 2018-19. In June 2023, the DOC has revised the rate to 4.61% for 2019-20 and 2.31% for 2020-21.

18. Trade and other payables (continued)

(b) The movement of contract liabilities is as follows:

	Group		Parent Company	
	2023	2022	**2023**	2022
As at 1 January	**467,080**	560,389	**467,080**	560,389
Advances received during the year	**17,340,500**	1,345,995	**17,340,500**	1,345,995
Revenue recognised during the year	**(17,257,106)**	(1,439,304)	**(17,257,106)**	(1,439,304)
As at 31 December	**550,474**	467,080	**550,474**	467,080

The advances from customers outstanding at the reporting date are expected to be adjusted within a year.

19. Revenue

The Group generates revenue primarily from sale of manufactured steel products which is the major product line. In the following table, revenue from contracts with customers is disaggregated by primary geographical market. All of the revenue is being recognised at a point-in-time. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Group		Parent Company	
	2023	2022	**2023**	2022
Revenue recognised at a point-in-time				
Regional	**119,410,746**	119,107,770	**117,684,476**	117,238,568
International	**22,992,178**	30,159,053	**22,992,178**	30,159,053
	142,402,924	149,266,823	**140,676,654**	147,397,621

20. Cost of revenue

	Group		Parent Company	
	2023	2022	**2023**	2022
Cost of materials consumed	**113,712,209**	122,293,775	**113,029,643**	121,230,146
Charge/ (Reversal) of provision on slow moving inventory	**447,697**	(114,839)	**444,097**	(108,785)
Direct wages	**4,429,479**	3,977,173	**4,429,479**	3,977,173
Depreciation of property, plant and equipment (Note 6)	**1,399,364**	1,359,891	**1,399,364**	1,359,891
Amortisation of right-of-use assets (Note 7)	**105,426**	114,654	**105,426**	114,654
Utility expenses	**1,867,945**	1,542,315	**1,867,945**	1,542,315
Other direct expenses	**757,035**	746,087	**757,035**	746,087
COVID-19 lease concession	**-**	(45,764)	**-**	(45,764)
	122,719,155	129,873,292	**122,032,989**	128,815,717

21. Selling and distribution expenses

	Group		Parent Company	
	2023	2022	**2023**	2022
Packaging and dispatch charges	**8,312,829**	10,767,493	**8,201,404**	10,694,421
Commission on sales	**54,403**	69,805	**54,403**	67,327
Advertisement and publicity	**36,674**	16,742	**36,674**	16,742
Sales promotion expenses	**9,800**	17,639	**9,800**	17,639
Other selling and distribution expenses	**132,499**	148,452	**132,499**	148,452
	8,546,205	11,020,131	**8,434,780**	10,944,581

22. General and administrative expenses

	Group		Parent Company	
	2023	2022	**2023**	2022
Indirect employee costs	**3,277,850**	2,838,794	**3,048,589**	2,686,751
Other expenses	**373,596**	349,210	**323,093**	327,900
Legal and professional fees	**522,277**	281,380	**474,944**	275,328
Depreciation of property, plant and equipment (Note 6)	**131,043**	146,698	**123,054**	142,308
Travelling and conveyance	**209,420**	134,805	**175,657**	130,351
Communication expenses	**115,808**	118,995	**111,430**	115,566
Amortisation of intangible assets (Note 8)	**98,771**	76,655	**98,771**	76,655
Amortisation of right-of-use assets (Note 7)	**83,352**	71,813	**59,849**	48,310
Insurance	**53,143**	13,443	**16,997**	5,726
	4,865,260	4,031,793	**4,432,384**	3,808,895

	Group		Parent Company	
Employees related costs	**2023**	2022	**2023**	2022
Salaries and wages	**6,496,319**	5,841,235	**6,305,845**	5,707,272
Contribution of social security	**235,794**	225,387	**227,218**	219,282
End of service benefits expense	**479,671**	295,949	**462,732**	291,024
Other benefits	**495,545**	453,396	**482,273**	446,346
	7,707,329	6,815,967	**7,478,068**	6,663,924

The professional fees due to the external auditor for the year 2023 amount to RO 26,800 (plus actual outlays) which include the audit fees, interim reviews of the financial statements, the fees related to Agreed-Upon Procedures report on the Company's Corporate Governance report and XBRL report.

23. Other income

	Group		Parent Company	
	2023	2022	**2023**	2022
Other refunds	**-**	608,871	**-**	608,871
Dividend income from a subsidiary	**-**	-	**410,416**	359,114
Miscellaneous income	**4,530**	51	**4,530**	-
	4,530	608,922	**414,946**	967,985

24. Other operating expenses

	Group		Parent Company	
	2023	2022	**2023**	2022
Loss on disposal of property, plant and equipment	**14,957**	45,927	**15,582**	48,158
	14,957	45,927	**15,582**	48,158

25 (a) Finance expense

	Group		Parent Company	
	2023	2022	**2023**	2022
Finance expense	**1,307,042**	1,375,289	**1,249,662**	1,302,296
Interest on lease liabilities (Note 7)	**221,425**	65,504	**218,988**	61,532
	1,528,467	1,440,793	**1,468,650**	1,363,828

25 (b) Finance income (note 12(ii))

	Group		Parent Company	
	2023	2022	**2023**	2022
	101,787	85,347	**101,787**	85,347

Finance income relate to interest earned from banks on call account balances and deposits

26. Taxation

	Group		Parent Company	
	2023	2022	**2023**	2022
Consolidated and separate statement of profit or loss				
Current tax:				
- Current year	**547,077**	442,146	**534,954**	423,678
- Change in estimates related to prior years	**18,105**	12,129	**18,105**	-
	565,182	454,275	**553,059**	423,678
Deferred tax:				
Origination and reversal of temporary differences	**98,322**	108,240	**167,995**	108,240
	98,322	108,240	**167,995**	108,240
Total expense	**663,504**	562,515	**721,054**	531,918

	Group		Parent Company	
	2023	2022	**2023**	2022
Amount recognized in other comprehensive income				
Remeasurement of defined benefit liability				
Tax expense	**43,493**	-	**43,493**	-

26. Taxation (continued)

	Group		Parent Company	
Consolidated and separate statement of financial position				
	2023	2022	**2023**	2022
Non-current assets				
Deferred tax	**137,800**	279,615	**68,127**	279,615
Current liabilities				
Current year tax payable	**531,883**	424,191	**514,433**	405,722

(a) The Parent Company has calculated income tax at an effective tax rate of 15% for the year ended 31 December 2023 (31 December 2022: 15%). The subsidiary has a tax liability of RO 17,450 (31 December 2022: RO 18,469) at the Zakat rate of 2.5% (31 December 2022: 2.5%) as at the reporting date. The reconciliation of tax based on the accounting profit and tax profit of the Group and the Parent Company is as follows:

	Group		Parent Company	
	2023	2022	**2023**	2022
Net profit before tax for the year				
	4,763,018	3,705,138	**4,745,161**	3,634,623
Tax expense at Oman tax rate	**714,453**	555,771	**711,774**	545,193
Tax effect on non-deductible expenses	**1,560**	270	**1,560**	270
Tax effect on foreign tax rates	**(60,229)**	20,019	**-**	-
Tax effect of adjustments in respect of prior years	**7,720**	(13,545)	**7,720**	(13,545)
Total tax charge for the year	**663,504**	562,515	**721,054**	531,918

(b) Deferred tax asset

	Group		Parent Company	
	2023	2022	**2023**	2022
At 1 January	**279,615**	387,855	**279,615**	387,855
Movement during the year				
- Profit or loss	**(98,322)**	(108,240)	**(167,995)**	(108,240)
-Other Comprehensive income	**(43,493)**	-	**(43,493)**	-
At 31 December	**137,800**	279,615	**68,127**	279,615

26. Taxation (continued)

Group	At 1 January 2023	Addition during the year	Charge to the profit or loss	At 31 December 2023
- Profit or loss				
Property, plant and equipment	**(762,200)**	**-**	**26,512**	**(735,688)**
Right-of-use asset	**(207,898)**	**(1,063,686)**	**40,292**	**(1,231,292)**
Lease liability	**240,950**	**1,063,686**	**49,965**	**1,354,601**
Provisions	**1,008,763**	**-**	**(215,091)**	**793,672**
	279,615	**-**	**(98,322)**	**181,293**
-Other Comprehensive income				
Remeasurement of defined benefit liability	**-**	**-**	**(43,493)**	**(43,493)**
	279,615	**-**	**(141,815)**	**137,800**

Parent Company	At 1 January 2023	Addition during the year	Charge to the profit or loss	At 31 December 2023
- Profit or loss				
Property, plant and equipment	**(762,200)**	**-**	**26,512**	**(735,688)**
Right-of-use asset	**(207,898)**	**(255,478)**	**24,792**	**(438,584)**
Lease liability	**240,950**	**255,478**	**(4,208)**	**492,220**
Provisions	**1,008,763**	**-**	**(215,091)**	**793,672**
	279,615	**-**	**(167,995)**	**111,620**
-Other Comprehensive income				
Remeasurement of defined benefit liability	**-**	**-**	**(43,493)**	**(43,493)**
	279,615	**-**	**(211,488)**	**68,127**

Group and Parent Company	At 1 January 2022	Addition during the year	Charge to the profit or loss	At 31 December 2022
Property, plant and equipment	(775,500)	-	13,300	(762,200)
Right-of-use asset	(116,645)	(115,698)	24,445	(207,898)
Lease liability	151,588	115,698	(26,338)	240,948
Provisions	1,128,412	-	(119,647)	1,008,765
	387,855	-	(108,240)	279,615

(c) Tax assessments up to the year 2019 have been completed and agreed with the Oman Tax Authority for the Parent Company and up to the year 2019 for the Saudi subsidiary. The management believes that additional taxes, if any, for open tax years would not be material to the consolidated and separate financial position of the Group and the Parent Company at the reporting date.

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime has become effective for accounting periods beginning on or after 1 June 2023.

26. Taxation (continued)

A rate of 9% will apply to taxable income exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance), a rate of 0% will apply to taxable income not exceeding this threshold and a rate of 0% on qualifying income of free zone entities. In addition, there are several other decisions that are yet to be finalized by way of a Cabinet Decision that are significant in order for entities to determine their tax status and taxable income. Therefore, pending such important decisions, the Company has considered that the Law, as it currently stands, is not substantively enacted as at 31 December 2023 from the perspective of IAS 12 – Income Taxes. The company shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine their tax status and the application of IAS 12 -Income Taxes.

27. Related party transactions and balances

The Group and the Parent Company has entered into transactions with related parties as specified under IAS 24. Prices and terms of these transactions, which are entered into in the normal course of business, are on mutually agreed terms and conditions, who provide goods and render services to the Group and the Parent Company. During the year, the following transactions were carried out with the related parties:

		Group		Parent Company	
		2023	2022	**2023**	2022
a)	**Transactions with subsidiaries:**				
	Revenue	-	-	12,325,691	11,915,783
	Payments on behalf of the subsidiary	-	-	374,268	7,072
	Receivables from subsidiaries*				
	Al Jazeera Oman Steel Products Co	-	-	3,645,853	3,017,558
	Al Jazeera Steel Products Co LLC	-	-	18,009	-
		-	-	3,663,862	3,017,558

* The balances are included in trade and other receivables.

		Group		Parent Company	
		2023	2022	**2023**	2022
b)	**Other related parties (common control)**				
	Revenue	516	193,947	516	193,947
	Purchases	53,036	62,679	53,036	62,679
	Amount due from related parties:				
	Bahwan Project & Telecom	-	84,744	-	84,744
	Amount due to related parties:				
	Bahwan IT	-	1,575	-	1,575
	DHL Global Forwarding	-	5	-	5
	Bahwan Logistics	-	4,761	-	4,761
		-	6,341	-	6,341

27. Related party transactions and balances (continued)

	Group		Parent Company	
	2023	2022	**2023**	2022
c) Compensation of key management personnel**				
Short term employment benefits	**481,305**	415,676	**481,305**	415,676
Post-employment benefits	**23,276**	21,790	**23,276**	21,790
	504,581	437,466	**504,581**	437,466
Non key management personnel directors				
Remuneration to directors	**100,000**	84,000	**100,000**	84,000
Directors' sitting fees	**21,600**	21,400	**21,600**	21,400

** Key management personnel (KMP) are same for Parent Company and its subsidiaries and total compensation paid to KMP is borne by the Parent Company.

d) Amounts due from and to related parties are unsecured, bear no interest, arise in the ordinary course of business and have no fixed repayment terms.

28. Earnings per share

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

	Group		Parent Company	
	2023	2022	**2023**	2022
Profit for the year, attributable to the owners of the Parent Company	**4,114,392**	3,142,623	**4,024,107**	3,102,705
Weighted average number of shares outstanding	**124,897,960**	124,897,960	**124,897,960**	124,897,960
Earnings per share attributable to shareholders of the Parent Company	**0.033**	0.025	**0.032**	0.025

As there are no dilutive potential shares issued by the Parent Company, the diluted earnings per share is the same as the basic earnings per share.

29. Net assets per share

The calculation of net assets per share is based on dividing the net assets attributable to ordinary shareholders by the weighted average number of shares outstanding as at 31 December.

	Group		Parent Company	
	2023	2022	**2023**	2022
Net assets	**52,025,811**	49,544,397	**51,335,681**	48,938,584
Shares outstanding at reporting date	**124,897,960**	124,897,960	**124,897,960**	124,897,960
Net assets per share	**0.417**	0.397	**0.411**	0.392

30. Segment information

The Group and the Parent Company operate in one business segment that of manufacturing and sale of steel products. The operating segment is identified based on internal reports about components of the Company that are regularly reviewed by the Board of Directors in order to allocate resources to the segments and to assess their performance. All the relevant information relating to this segment is disclosed in the financial statements. There is no single major customer of the Group.

a) The following geographical analysis has been compiled based on the location of the customers of the Group and the Parent Company:

	2023	2023	2022	2022
Group	**Revenue**	**Trade receivables (gross)**	Revenue	Trade receivables (gross)
Regional	**119,410,746**	**32,086,943**	119,107,770	29,238,171
International	**22,992,178**	**27,546**	30,159,053	7,530,168
	142,402,924	**32,114,489**	149,266,823	36,768,339

	2023	2023	2022	2022
Parent Company	**Revenue**	**Trade receivables (gross)**	Revenue	Trade receivables (gross)
Regional	**117,684,476**	**32,776,125**	117,238,568	29,956,919
International	**22,992,178**	**27,546**	30,159,053	7,530,168
	140,676,654	**32,803,671**	147,397,621	37,487,087

b) Geographical location of non-current assets owned by the Company is as follows:

Non-current assets other than financial assets of RO 20,104,448 (December 2022: RO 16,133,064) are located in Sultanate of Oman.

31. Capital risk management

The capital is managed by the Group in a way that it is able to continue to operate as a going concern while maximising returns to the shareholders.

The capital of the Parent Company consists of share capital, reserves and retained earnings. The Parent Company manages its capital by making adjustments in bringing additional capital in light of changes in business conditions.

32. Financial assets and liabilities and risk management

a) Financial assets and liabilities

Financial assets and liabilities carried on the consolidated and separate statement of financial position include cash and bank balances, trade and other receivables, bank borrowings, and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

32. Financial assets and liabilities and risk management (continued)

a) Financial assets and liabilities (continued)

Financial asset classification

	Group		Parent Company	
	2023	2022	**2023**	2022
Trade receivables	**32,114,489**	36,768,339	**32,803,671**	37,487,087
Other receivables	**2,047,872**	593,412	**2,041,055**	589,621
Bank deposits	**654,218**	320,631	**593,156**	320,631
Bank balances	**10,733,262**	5,546,362	**9,675,567**	5,186,361
	45,549,841	43,228,744	**45,113,449**	43,583,700

	Group		Parent Company	
	2023	2022	**2023**	2022
Financial liability classification				
Bank short term borrowings	**21,102,981**	25,375,475	**21,102,981**	25,375,475
Trade and other payables*	**6,400,188**	4,847,197	**6,389,171**	4,839,692
Total	**27,503,169**	30,222,672	**27,492,152**	30,215,167

*Trade and other payables exclude accrued expenses, VAT payable and contract liability

Financial assets and liabilities are largely aligned with fair values of the Group and the Parent Company.

b) Risk management

Financial risk management is carried out by the Finance Department under policies approved by the Board of Directors. The Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Board of Directors. The Parent Company provides principles for overall risk management, as well as policies covering specific areas.

c) Capital management

The primary objective of the management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group and the Parent Company manages their capital structure and make adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies and processes during the year ended 31 December 2023 and year ended 31 December 2022.

The Group and the Parent Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group and the Parent Company includes within net debt, bank borrowings less cash and bank balances. Capital includes share capital, reserves and retained earnings.

32. Financial assets and liabilities and risk management (continued)

c) Capital management (continued)

	Group		Parent Company	
	2023	2022	**2023**	2022
Bank borrowings	**22,422,227**	25,375,475	**21,102,981**	25,375,475
Less: cash and bank balances	**(10,753,793)**	(5,570,904)	**(9,692,215)**	(5,201,599)
Net debt	**11,668,434**	19,804,571	**11,410,766**	20,173,876
Share capital	**12,489,796**	12,489,796	**12,489,796**	12,489,796
Share premium	**13,856,484**	13,856,484	**13,856,484**	13,856,484
Legal reserve	**4,166,344**	4,166,344	**4,163,266**	4,163,266
Retained earnings	**21,513,187**	19,031,773	**20,826,135**	18,429,038
Total capital	**52,025,811**	49,544,397	**51,335,681**	48,938,584
Total capital and net debt	**63,694,245**	69,348,968	**62,746,447**	69,112,460
Gearing ratio	**18%**	29%	**18%**	29%

33. Financial risk management

a) Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Group and the Parent Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates(referred to as 'IBOR reform'). In 2023, the Group and the Parent Company undertook amendments to most financial instruments with contractual terms indexed to IBORs such that they incorporate new benchmark rates, e.g. SOFR. As at 31 December 2023, the Group's remaining IBOR exposure is indexed to Secured Overnight Financing Rate (SOFR). The Group finished the process of implementing appropriate fallback clauses for all US dollar LIBOR indexed exposures in 2021. The committee reports to the Company's board of directors quarterly and collaborates with other business functions as needed. It provides periodic reports to management of interest rate risk.

Non derivative financial liabilities

During the year 2021, the Group modified all of its floating-rate liabilities indexed to SOFR. As a result, the Group's IBOR exposures to non-derivative financial liabilities as at 31 December 2023 were secured bank borrowings indexed to SOFR.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Group and the Parent Company are exposed to interest rate risk as the Group and the Parent Company have interest-earning call deposits and bank borrowings at commercial interest rates.

33. Financial risk management (continued)

a) Market risk (continued)

The interest rate profile of the Group and Parent Company's interest-bearing financial instruments as reported to the management of the Group is as follows.

	Group		Parent Company	
	2023	2022	**2023**	2022
Variable rate bank borrowings	**22,422,227**	25,375,475	**21,102,981**	25,375,475

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss	
	100 bp increase	**100 bp decrease**
31-Dec-23		
Variable-rate instruments	**297,753**	**508,783**
31-Dec-22		
Variable-rate instruments	309,753	563,508

(iii) Currency risk

Foreign exchange risk is the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The Group and the Parent Company are exposed to foreign exchange risk arising from various currency exposures. Significant portion of revenues and major operating costs are either denominated in RO or USD. As this currency is pegged against the RO, the management does not believe that the Group and the Parent Company are exposed to any material foreign exchange risk.

Management considers that sensitivity analysis is not necessary due to the Group's and the Parent Company's limited exposure to foreign exchange risk.

(iv) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group and the Parent Company do not have any equity instruments and are therefore not exposed to price risk.

b) Credit risk

Credit risk on trade receivables is limited to their carrying values as management regularly reviews these balances to assess recoverability and makes provision for balances whose recoverability is in doubt. Credit risk is managed mainly through credit terms to customers backed by confirmed letters of credit. There is no concentration of credit risk with respect to trade receivables as the Group and the Parent Company have a large number of customers, both locally and internationally.

33. Financial risk management (continued)

b) Credit risk (continued)

The Group and the Parent Company allocate each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating.

Exposures within each credit risk grade are segmented by geographic region and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past five years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's and the Parent Company's view of economic conditions over the expected lives of the receivables.

Since, as for each potential customer there is no independent rating, the Group'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.

Expected credit loss assessment for trade receivables

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers:

Group

31 December 2023	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
Days		RO	RO	RO
Less than 120 days (not past due)	1%	28,706,685	422,878	28,283,807
Between 121-365 days	13%	3,233,379	429,107	2,804,272
Above 365 days	100%	174,425	174,425	-
	3%	32,114,489	1,026,410	31,088,079

31 December 2022	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
Days		RO	RO	RO
Less than 120 days (not past due)	1%	28,333,435	171,870	28,161,565
Between 121-365 days	7%	8,228,658	576,115	7,652,543
Above 365 days	100%	206,246	206,246	-
	3%	36,768,339	954,231	35,814,108

33. Financial risk management (continued)

b) Credit risk (continued)

Parent

31 December 2023	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
Days		**RO**	**RO**	**RO**
Less than 120 days (not past due)	**3%**	**29,486,500**	**982,524**	**28,503,976**
Between 121-365 days	**13%**	**3,029,056**	**401,991**	**2,627,065**
Above 365 days	**100%**	**288,115**	**288,115**	**-**
	5%	**32,803,671**	**1,672,630**	**31,131,041**

31 December 2022	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
Days		**RO**	**RO**	**RO**
Less than 120 days (not past due)	3%	29,070,196	844,441	28,225,755
Between 121-365 days	7%	8,228,658	576,115	7,652,543
Above 365 days	100%	188,233	188,233	-
	4%	37,487,087	1,608,789	35,878,298

The maximum exposure to credit risk at the reporting date, without taking into account collateral or other credit enhancements was:

	Group		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO	**RO**	**RO**	**RO**
Classified as financial assets measured at amortised cost				
Cash and cash equivalents	**11,408,011**	5,891,535	**10,285,371**	5,522,230
Trade receivables	**31,088,079**	35,814,108	**31,131,041**	35,878,298
Other receivables	**2,047,872**	593,412	**2,041,055**	589,621
	44,543,962	42,299,055	**43,457,467**	41,990,149

The table below shows the balances with banks categorised by short-term credit rating as published by Moody's investor's service at the reporting date. Although one of the bank has been rated as not prime, management does not foresee any default risk.

33. Financial risk management (continued)

b) Credit risk (continued)

Bank	**Rating agency**	**Credit rating**
Bank Muscat SAOG	Moody's	Ba1
National Bank of Oman SAOG	Moody's	Ba1
Oman Arab Bank SAOG	Moody's	Ba1
Sohar International Bank SAOG	Moody's	Ba1
Ahli Bank SAOG	Fitch	BB
Bank Dhofar SAOG	Moody's	Ba1
Gulf International Bank	Fitch	A-
Bank Nizwa SAOG	Moody's	Ba2
Emirates NBD Bank	Fitch	A+
Abu Dhabi Commercial Bank	Fitch	A+
First Abu Dhabi Bank	Fitch	AA-
Bank of Baroda	Fitch	BBB-

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's and the Parent Company's management monitors liquidity requirements on a regular basis to help ensure that sufficient funds are available, including unutilised credit facilities with banks, to meet any future commitments. The Group and the Parent Company manage liquidity risk by maintaining adequate reserves and by continuously monitoring forecasted and actual cash flows.

The liquidity risk profile of the Group is as follows:

		Contractual cashflows		
Liabilities as at 31 December 2023	**Carrying amount**	**Less than 1 year**	**1 - 5 years**	**More than 5 years**
Trade and other payables*	**6,717,974**	**6,717,974**	**-**	**-**
Bank borrowings	**22,422,227**	**21,102,981**	**1,319,246**	**-**
Lease liabilities	**13,526,469**	**318,318**	**3,922,177**	**52,893,249**
	42,666,670	**28,139,273**	**5,241,423**	**52,893,249**

Liabilities as at 31 December 2022	**Carrying amount**	**Less than 1 year**	**1 - 5 years**	**More than 5 years**
Trade and other payables*	5,168,451	5,168,451	-	-
Bank borrowings	25,375,475	25,375,475	-	-
Lease liabilities	1,672,436	274,476	952,287	1,076,726
	32,216,362	30,818,402	952,287	1,076,726

* Trade and other payables exclude accrued expenses and contract liability.

33. Financial risk management (continued)

c) Liquidity risk (continued)

The liquidity risk profile of the Parent Company is as follows:

Liabilities as at 31 December 2023	Carrying amount	Less than 1 year	1 - 5 years	More than 5 years
Trade and other payables	6,485,611	6,485,611	-	-
Bank borrowings	21,102,981	21,102,981	-	-
Lease liabilities	3,281,454	230,530	1,086,554	6,542,663
	30,870,046	27,819,122	1,086,554	6,542,663

Liabilities as at 31 December 2022	Carrying amount	Less than 1 year	1 - 5 years	More than 5 years
Trade and other payables	4,922,978	4,922,978	-	-
Bank borrowings	25,375,475	25,375,475	-	-
Lease liabilities	1,606,319	239,786	917,597	1,076,726
	31,904,772	30,538,239	917,597	1,076,726

d) Commodity price risk

The Group and the Parent Company are affected by the volatility in steel prices. Their operating activities require ongoing purchasing and manufacturing and, therefore, a continuous supply of steel. Due to the significantly increased volatility of the price, the Board of Directors have developed and enacted a risk management strategy regarding commodity price risk and its mitigation. To manage metal price fluctuation risk, the management cautiously manages the inventory at economical levels. The Group and the Parent Company are having a robust supply chain with diversified supplier base to achieve competitive prices and reduce the cycle time for procurement. The Group's and the Parent Company's existing production facilities are also flexible in terms of reacting to the customer demands.

34. Commitments

(i) Purchase commitments

At 31 December 2023, the value of outstanding purchase commitments for the Group and the Parent amounted to RO 21,114,821 (31 December 2022: RO 10,716,516).

(ii) Capital commitments

At 31 December 2023, the value of outstanding capital commitments for the Group amounted to RO 12,602,518 (31 December 2022: RO 2,584,850) and for the Parent amounted to RO 1,030,621 (31 December 2022: O 2,584,850).

35. Contingent liabilities

	Group		Parent Company	
	2023	2022	2023	2022
Outstanding bank guarantees	5,369,564	5,128,100	5,369,564	5,128,100

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

36. Notes supporting the consolidated and separate statement of cash flows

Transactions from financing activities shown in the reconciliation of liabilities from financing transactions is as follows:

	Accrued interest	Lease liabilities	Bank borrowings	Total
Dec-23				
Group				
1 January 2023	353,500	1,672,436	25,375,475	27,401,411
Cash inflows	-	-	80,150,091	80,150,091
Cash outflows	(1,699,850)	(334,825)	(84,422,585)	(86,457,260)
Non-cash changes	1,528,467	12,188,858	-	13,717,325
31 December 2023	182,117	13,526,469	21,102,981	34,811,567
Parent Company				
1 January 2023	338,500	1,606,319	25,375,475	27,320,294
Cash inflows	-	-	80,150,091	80,150,091
Cash outflows	(1,640,033)	(247,038)	(84,422,585)	(86,309,656)
Non-cash changes	1,670,234	1,922,173	-	3,592,407
31 December 2023	368,701	3,281,454	21,102,981	24,753,136

	Accrued interest	Lease liabilities	Bank borrowings	Total
Dec-22				
Group				
1 January 2022	196,994	1,107,423	23,598,796	24,903,213
Cash inflows	-	-	89,446,764	89,446,764
Cash outflows	(1,349,791)	(226,043)	(87,670,085)	(89,245,919)
Non-cash changes	1,506,297	791,056	-	2,297,353
31 December 2022	353,500	1,672,436	25,375,475	27,401,411
Parent Company				
1 January 2022	185,966	1,010,587	23,598,796	24,795,349
Cash inflows	-	-	89,446,764	89,446,764
Cash outflows	(1,272,826)	(191,352)	(87,670,085)	(89,134,263)
Non-cash changes	1,425,360	787,084	-	2,212,444
31 December 2022	338,500	1,606,319	25,375,475	27,320,294

37. Comparative figures

Following corresponding figures for prior periods have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported profit or shareholder's equity.

Statement of financial position

	As previously reported	Re-classification	As currently reported
As at 31 December 2022			
Group			
Assets			
Trade and other receivable	41,417,938	(1,018,012)	40,399,926
Prepayments	-	139,170	139,170
Cash and cash equivalents	5,891,535	(320,631)	5,570,904
Bank deposits	-	320,631	320,631
Other assets	47,168,727	-	47,168,727
Total assets	94,478,200	(878,842)	93,599,358
Liabilities			
Trade and other payables	15,567,448	(878,842)	14,688,606
Other liabilities	29,366,355	-	29,366,355
Total liabilities	44,933,803	(878,842)	44,054,961
Total equity	49,544,397	-	49,544,397

	As previously reported	Re-classification	As currently reported
Parent Company			
Assets			
Trade and other receivable	41,462,467	(1,002,142)	40,460,325
Prepayments	-	123,300	123,300
Cash and cash equivalents	5,522,230	(320,631)	5,201,599
Bank deposits	-	320,631	320,631
Other assets	46,515,187	-	46,515,187
Total assets	93,499,884	(878,842)	92,621,042
Liabilities			
Trade and other payables	15,303,579	(878,842)	14,424,737
Other liabilities	29,257,721	-	29,257,721
Total liability	44,561,300	(878,842)	43,682,458
Total equity	48,938,584	-	48,938,584

As a result of these reclassifications, the opening balances as at 1 January 2022, have been revised. Accordingly, the Group's and the Parent Company's bank deposits have increased by RO 309,585 and cash and cash equivalents have decreased by the same amount. Further, the Group's and the Parent Company's other receivables and accrued expenses have also decreased by RO 1,291,018. There is no change in equity of the Group and the Parent Company as of the date.

37. Comparative figures (continued)

Statement of cashflows

	As previously reported	Re-classification	As currently reported
For the year from 1 January 2022 to 31 December 2022			
Group			
Increase in bank deposits	-	(11,046)	(11,046)
Net cash used in investing activities	(1,553,840)	(11,046)	(1,564,886)
Cash and cash equivalents, beginning of the year	7,223,448	(309,585)	6,913,863
Cash and cash equivalents, end of the year	5,891,535	(320,631)	5,570,904
Parent			
Increase in bank deposits	-	(11,046)	(11,046)
Net cash used in investing activities	(1,172,881)	(11,046)	(1,183,927)
Cash and cash equivalents, beginning of the year	6,908,796	(309,585)	6,599,211
Cash and cash equivalents, end of the year	5,522,230	(320,631)	5,201,599

38. Subsequent events

There were no events occurring subsequent to 31 December 2023 and before the date of the approval that are expected to have a significant impact on these consolidated and separate financial statements.