Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 holds 100% shares in Al Jazeera Oman Steel Products Company Ltd. ("the subsidiary"), 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.

The consolidated financial statements as at, and for the year ended, 31 December 2022, comprise the results of the Parent Company and its subsidiary (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 5 February 2023.

2. Basis of preparation

(a) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), the requirements of the Commercial Companies Law and Regulations of the Sultanate of Oman and the Rules and Guidelines on Disclosure issued by the Capital Market Authority.

(b) Basis of measurement

The consolidated and separate financial statements have been prepared under the historical cost convention and going concern assumption, modified for certain assets and liabilities which are stated at their fair values as required by the IFRS. 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.

(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.

3. Standards, amendments and interpretations effective and adopted in the year 2022

The following new standards, amendment to existing standards or interpretations to published standards are mandatory for the first-time and have been adopted in the preparation of the consolidated and separate financial statements for the year ended 31 December 2022:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
Amendments to IAS 37	Onerous Contracts: Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds Before Intended Use	1 January 2022
Amendments to IFRS 1, IFRS 9 and IAS 41	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IFRS 3	References to Conceptual Framework	1 January 2022

Amendments to IAS 37: Onerous Contracts: Cost of Fulfilling a Contract

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group and the Parent Company has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.
The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g. direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g. Allocation of depreciation charge on property, plant and equipment used in

fulfilling the contract.

This amendment had no impact on the consolidated and separate financial statements of the Group and the Parent Company as there were no onerous contracts.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds Before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment, any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.

This amendment had no impact on the consolidated and separate financial statements of the Group and the Parent Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Annual Improvements to IFRS Standards 2018-2020

- Amendments to IFRS 1: Subsidiary as a First-time Adopter
- IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Financial liabilities
- IAS 41 Agriculture – Taxation in Fair Value Measurements

These amendments had no impact on the consolidated and separate financial statements of the Group and the Parent Company.

Amendments to IFRS 3: References to Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

This amendment had no impact on the consolidated and separate financial statements of the Group and the Parent Company.

Standards, amendments and interpretations issued but not yet effective in the year 2022

The following new/amended accounting standards and interpretations have been issued, but are not mandatory and have not been adopted in preparing the consolidated and separate financial statements for the year ended 31 December

2022:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IFRS 16	Leases: Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024

The Group and the Parent Company are currently assessing the impact of these new accounting standards and amendments. The Group and the Parent Company does not expect these amendments and standards issued but not yet effective, to have a material impact on the consolidated and separate financial statements of the Group and the Parent Company.

Early adoption of amendments or standards in the year 2022

The Group and the Parent Company did not early-adopt any new or amended standards in the year ended 31 December 2022.

4. Summary of significant accounting policies

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

(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 historical 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. The costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition are also 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 economic life.

The cost of the property, plant and equipment is written-down to its residual value in equal installments over the estimated useful lives of the assets. 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. Where the carrying amount of an asset is greater than its estimated recoverable amount it is written-down immediately to its recoverable amount.

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 taken into account in determining the operating results for the year.

(c) Capital work-in-progress

Capital work-in-progress is stated at cost 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.

(d) Intangible assets

Software

Software comprise the amount paid for acquiring the licence and implementation of SAP software which is carried at cost less accumulated amortisation. 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.

(e) Investment in a subsidiary

A subsidiary is an entity in which the Parent Company owns more than one-half of the voting power or exercises significant control. In the Parent Company's financial statements, the investment in subsidiary is carried at cost less provision for impairment.

(f) Financial instruments

Financial instruments are recognised when the Group or the Parent Company becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Group or the Parent Company determines the classification of their financial assets at initial recognition. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

(i) Classification

The financial assets are classified in the following measurement categories:

a) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
b) those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in the Group's or the Parent Company's consolidated or separate statement of profit or loss and other comprehensive income.

(ii) Measurement

At initial recognition, the Group and the Parent Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss as incurred.

The Group and the Parent Company has classified fair value measurements on a recurring basis using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Parent Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Parent Company classify debt instruments at amortised cost based on the below:

(a) the asset is held within a business model with the objective of collecting the contractual cash flows; and
(b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the Effective Interest Rate (EIR).

Equity instruments

If the Group and the Parent Company elect to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments shall continue to be recognised in profit or loss as other income when the Group's and the Parent Company's right to receive payment is established. There are no impairment requirements for equity investments measured at fair value through other comprehensive income. Changes in the fair value of financial assets at fair value through profit or loss shall be recognised in other gains/(losses) in profit or loss.

(iii) De-recognition of financial assets

The Group and the Parent Company derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group and the Parent Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Parent Company recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Group and the Parent Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Group and the Parent Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(iv) Impairment of financial assets

The Group and the Parent Company applies ECL model for measurement and recognition of impairment loss on the financial assets. ECL are the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the Group and the Parent Company expects to receive. The ECL considers the amount and timing of payments and, hence, a credit loss arises even if the Group and the Parent Company expects to receive the payment in full but later than when contractually due. The ECL method requires assessing credit risk, default and timing of collection since initial recognition. This requires recognising allowance for ECL in profit or loss even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 months ECL or life time ECL, depending on whether there has been a significant increase in credit risk since initial recognition. '12 months ECL' represents the ECL resulting from default events that are possible within 12 months after the reporting date. 'Lifetime ECL' represent the ECL that result from all possible default events over the expected life of the financial asset.

Trade receivables are of a short-duration, normally less than 12 months and hence the loss allowance measured as lifetime ECL does not differ from that measured as 12 months ECL. The Group and the Parent Company uses the practical expedient in IFRS 9 for measuring ECL for trade receivables using a provisioning matrix based on aging of the trade receivables.

The Group and the Parent Company uses historical loss experience and derived loss rates based on the past twelve months and adjusts the historical loss rates to reflect the information about current conditions and reasonable and supportable forecasts of future economic conditions. The loss rates differ based on the aging of the amounts that are past due and are generally higher for those with the higher aging.

(v) Income recognition
Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets, interest income is recognised using the 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.

Financial liabilities

The Group and the Parent Company determine the classification of its financial liabilities at initial recognition. The classification depends on the business model for managing the financial liabilities and the contractual terms of the cash flows.

(i) Classification

The financial liabilities are classified in the following measurement categories:

a) those to be measured as financial liabilities at fair value through profit or loss; and
b) those to be measured at amortised cost.

(ii) Measurement

All financial liabilities are recognised initially at fair value. Financial liabilities accounted at amortised cost like borrowings are accounted at the fair value determined based on the EIR method after considering the directly attributable transaction costs.

The Group and the Parent Company classifies all its financial liabilities subsequently at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

The EIR method calculates the amortised cost of a debt instrument by allocating interest charged over the relevant EIR period. The EIR is the rate that exactly discounts estimated future cash outflows (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. This category generally applies to bank borrowings, trade payables and lease liabilities.

(iii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(g) Impairment of non-financial assets

The carrying amount of the Group’s and the Parent Company's assets or its cash generating unit, other than financial assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other asset and groups. If any such indication exists, the asset’s recoverable amount is estimated. The recoverable amount of an asset or a cash generating unit is the greater of its value-in-use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

(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.

(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 cash flows.

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

(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 subsidiary is made for the amounts payable under Saudi Labour Law applicable to employees' accumulated period of service at the reporting date. 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, being when the products are delivered to the customers, the recovery of the consideration is probable and there is no unfulfilled obligation that could affect the customer’s acceptance of the products.

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.

(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.

(p) Leases - the Parent Company and the Group as lessee

The Parent Company and the Group assesses whether a contract is or contains a lease, at the inception of the contract. The Parent Company and the Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Parent Company and the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(q) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

(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"), which is subject to risks and rewards that are different from those of other segments.

(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 when the carrying value was determined.

(v) Income 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.

Deferred taxation is provided using the liability method on all temporary differences at the reporting date. It is calculated adopting a tax-rate that is the rate that is expected to apply to the periods when it is anticipated the liabilities will be settled, and which is based on tax-rates (and laws) that have been enacted at the statement of financial position date.

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

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.

(w) Determination of fair values

A number of accounting policies and disclosures of the Group and the Parent Company require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for measurement and/or disclosure purposes based on certain methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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) Impairment reviews

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgment, requiring inter alia an assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

(a) growth in earnings before interest, tax, depreciation and amortisation (EBITDA), calculated as adjusted operating profit before depreciation and amortisation;

(b) timing and quantum of future capital expenditure;
(c) long-term growth rates; and
(d) selection of discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's and Parent Company's impairment evaluation and hence results.

(ii) 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.

(iii) Impairment of inventories

Inventories are held at the lower of cost and net realisable value. 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.

(iv) 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.

(v) Going concern

The management of the Group and the Parent Company reviews the consolidated and separate financial position of the Group and the Parent Company on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due.

(vi) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

(vii) Taxation

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of the existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to the assumptions, could necessitate future adjustments to taxable income and expenses already recorded. The Group and the Parent Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Group and the Parent Company. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible Tax Authority.

(viii) Fair value measurements

A number of assets and liabilities included in the Group's and the Parent Company's consolidated and separate financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's and the Parent Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. The classification of an item into the level 1, level 2 and level 3 hierarchy is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

(ix) 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).

(x) Estimation uncertainty relating to the global health pandemic on COVlD-19

Now in the third year of the COVID-19 pandemic, the Sultanate of Oman similar to other jurisdictions around the world has experienced an improved economic outlook, as the number of COVID-19 cases have declined significantly.

The operations of the Group and the Parent Company have returned to business-as-usual, although the crisis did test the commercial, operational, financial and organizational resilience of the Group and the Parent Company highlighting the risks and resilience gaps, as the effects of the pandemic continue to impact the global supply chains.

6. Property, plant and equipment

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

Group

2022	Buildings	Plant and equipment	Motor vehicles	Tools and spares	Furniture and fixtures	Computer and other equipment	Capital work-in-progress	Total
Cost								
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)
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								
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 (Note 20)	217,743	936,489	-	205,659	-	-	-	1,359,891
General and administrative expenses (Note 22)	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)
At 31 December 2022	**6,305,190**	**18,893,259**	**191,400**	**2,240,552**	**193,683**	**607,700**	**-**	**28,431,784**
Net book amount								
At 31 December 2022	**2,721,848**	**10,234,391**	**66,578**	**461,960**	**64,739**	**173,314**	**649,759**	**14,372,589**

Group

2021	**Buildings**	**Plant and equipment**	**Motor vehicles**	**Tools and spares**	**Furniture and fixtures**	**Computer and other equipment**	**Capital work-in-progress**	**Total**
Cost								
At 1 January 2021	8,938,099	28,419,886	225,537	2,578,210	323,768	563,168	756,013	41,804,681
Additions during the year	-	20,729	-	-	13,378	39,716	490,353	564,176
Transfers during the year	-	213,434	-	244,280	-	-	(457,714)	-
Disposals during the year	-	(149,521)	-	(199,173)	(2,785)	(1,228)	-	(352,707)
At 31 December 2021	8,938,099	28,504,528	225,537	2,623,317	334,361	601,656	788,652	42,016,150
Accumulated depreciation								
At 1 January 2021	5,747,825	17,099,473	170,902	2,122,648	268,001	493,414	-	25,902,263
Charge for the year to:								
Cost of revenue (Note 20)	335,544	930,474	-	208,028	-	-	-	1,474,046
General and administrative expenses (Note 22)	1,631	-	26,002	-	21,108	37,801	-	86,542
Relating to disposals	-	(63,556)	-	(155,622)	(2,782)	(1,228)	-	(223,188)
At 31 December 2021	6,085,000	17,966,391	196,904	2,175,054	286,327	529,987	-	27,239,663
Net book amount								
At 31 December 2021	2,853,099	10,538,137	28,633	448,263	48,034	71,669	788,652	14,776,487

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								
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)
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								
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 (Note 20)	217,743	936,489	-	205,659	-	-	-	1,359,891
General and administrative expenses (Note 22)	-	-	26,232	-	24,886	91,190	-	142,308
Relating to disposals	-	(9,621)	(22,250)	(140,161)	(117,831)	(14,345)	-	(304,208)
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								
At 31 December 2022	**2,705,682**	**10,234,391**	**45,633**	**461,960**	**64,595**	**171,143**	**649,759**	**14,333,163**

Parent Company

2021	Buildings	Plant and equipment	Motor vehicles	Tools and spares	Furniture and fixtures	Computer and other equipment	Capital work-in-progress	Total
Cost								
At 1 January 2021	8,905,471	28,419,886	185,840	2,578,210	320,967	556,404	756,013	41,722,791
Additions during the year	-	20,729	-	-	13,378	39,089	490,353	563,549
Transfers during the year	-	213,434	-	244,280	-	-	(457,714)	-
Disposals during the year	-	(149,521)	-	(199,173)	(2,785)	(1,228)	-	(352,707)
At 31 December 2021	8,905,471	28,504,528	185,840	2,623,317	331,560	594,265	788,652	41,933,633
Accumulated depreciation								
At 1 January 2021	5,735,441	17,099,473	131,204	2,122,648	265,925	486,999	-	25,841,690
Charge for the year to:								
Cost of revenue (Note 20)	335,544	930,474	-	208,028	-	-	-	1,474,046
General and administrative expenses (Note 22)	-	-	26,002	-	20,828	37,508	-	84,338
Relating to disposals	-	(63,556)	-	(155,622)	(2,782)	(1,228)	-	(223,188)
At 31 December 2021	6,070,985	17,966,391	157,206	2,175,054	283,971	523,279	-	27,176,886
Net book amount								
At 31 December 2021	2,834,486	10,538,137	28,634	448,263	47,589	70,986	788,652	14,756,747

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

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

(d) Capital work-in-progress at 31 December 2022 represents mainly rolls under grooving.

7. Right-of-use assets and lease liabilities

a) Properties

	Group		Parent Company	
	2022	**2021**	**2022**	**2021**
Cost				
At 1 January	**1,143,313**	529,458	**990,508**	376,653
Modifications/additions during the year	**771,316**	613,855	**771,316**	613,855
At 31 December	**1,914,629**	1,143,313	**1,761,824**	990,508
Accumulated amortisation				
At 1 January	**283,447**	130,138	**212,873**	83,067
Charge for the year to:				
Cost of revenue (Note 20)	**114,654**	119,808	**114,654**	119,808
General and administrative expenses (Note 22)	**71,813**	33,501	**48,310**	9,998
At 31 December	**469,914**	283,447	**375,837**	212,873
Net book amount				
At 31 December	**1,444,715**	859,866	**1,385,987**	777,635

b) Lease liabilities

	Group		Parent Company	
	2022	**2021**	**2022**	**2021**
At 1 January	**1,107,423**	674,157	**1,010,587**	548,074
Modifications/additions during the year	**771,316**	613,855	**771,316**	613,855
Add: interest expense (Note 25)	**65,504**	54,311	**61,532**	48,868
Less: lease concession (Note 20)	**(45,764)**	(45,764)	**(45,764)**	(45,764)
Less: lease payments	**(226,043)**	(189,136)	**(191,352)**	(154,446)
At 31 December	**1,672,436**	1,107,423	**1,606,319**	1,010,587
Current portion	**196,603**	168,651	**164,349**	137,933
Non-current portion	**1,475,833**	938,772	**1,441,970**	872,654
At 31 December	**1,672,436**	1,107,423	**1,606,319**	1,010,587

8. Intangible assets

	Group		Parent Company	
	2022	**2021**	**2022**	**2021**
Cost				
Additions during the year and closing balance	**490,569**	-	**490,569**	-
Accumulated amortisation				
Charge for the year and closing balance	**76,655**	-	**76,655**	-
Net book amount				
Closing balance	**413,914**	-	**413,914**	-

Intangible assets comprise of ERP software license which is being amortised over a period of 5 years. The management of the Parent Company has performed an impairment testing of the license fees and, concluded that, no such impairment is considered necessary at reporting date.

9. Investment in a subsidiary

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. During the year ended 31 December 2022, the subsidiary reported a net profit of RO 394,119.

	2022	**2021**
Carrying value of investment in the subsidiary	**258,244**	258,244

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.

10.Inventories

	Group		**Parent Company**	
	2022	**2021**	**2022**	**2021**
Raw materials	**18,663,328**	9,799,060	**18,663,328**	9,799,060
Finished goods	**8,500,738**	10,139,964	**7,676,240**	8,870,808
Stores and spares	**3,018,333**	3,397,383	**3,018,333**	3,397,383
Goods-in-transit	**494,643**	231,923	**494,643**	231,923
Work-in-progress	**2,001,177**	1,601,977	**2,001,177**	1,601,977
	32,678,219	25,170,307	**31,853,721**	23,901,151
Less: provision for obsolete and slow-moving inventories	**(2,020,325)**	(2,135,164)	**(2,009,457)**	(2,118,242)
	30,657,894	23,035,143	**29,844,264**	21,782,909

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

	Group		**Parent Company**	
	Year ended 31 December 2022	**Year ended 31 December 2021**	**Year ended 31 December 2022**	**Year ended 31 December 2021**
At 1 January	**2,135,164**	1,854,347	**2,118,242**	1,849,114
Charge for the year	**(114,839)**	280,817	**(108,785)**	269,128
At 31 December	**2,020,325**	2,135,164	**2,009,457**	2,118,242

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

11.Trade and other receivables

	Group		Parent Company	
	2022	**2021**	**2022**	**2021**
Trade receivables, gross	**36,768,339**	46,496,680	**37,487,087**	47,216,028
Less: ECL allowance	**(954,231)**	(2,274,381)	**(1,608,789)**	(2,468,208)
Trade receivables, net	**35,814,108**	44,222,299	**35,878,298**	44,747,820
Other receivables	**1,472,254**	2,368,740	**1,468,463**	2,367,025
Total financial assets other than cash and cash equivalents classified at amortised cost	**37,286,362**	46,591,039	**37,346,761**	47,114,845
Advances to suppliers	**3,992,406**	3,300,067	**3,992,406**	3,300,067
Pre-paid expenses	**139,170**	238,620	**123,300**	225,171
	41,417,938	50,129,726	**41,462,467**	50,640,083

(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 fair values on initial recognition.

(b) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

(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**	
	Year ended 31 December 2022	**Year ended 31 December 2021**	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Opening balance	**2,274,381**	1,914,869	**2,468,208**	2,057,316
(Reversal) / charge for the year	**(155,982)**	359,512	**(164,849)**	410,892
Write-off during the year	**(1,164,168)**	-	**(694,570)**	-
Closing balance	**954,231**	2,274,381	**1,608,789**	2,468,208

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

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

Group		**Parent Company**	
Year ended	**Year ended**	**Year ended**	**Year ended**

	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Less than 120 days	**28,333,435**	41,869,443	**29,070,196**	42,819,918
Between 121-365 days	**8,228,658**	3,433,885	**8,228,658**	3,467,284
Above 365 days	**206,246**	1,193,352	**188,233**	928,826
	36,768,339	46,496,680	**37,487,087**	47,216,028

(f) The aging analysis of ECL allowance on trade receivables is as follows:

	Group		Parent Company	
	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Less than 120 days	**171,870**	716,829	**844,441**	1,176,329
Between 121-365 days	**576,115**	364,200	**576,115**	363,053
Above 365 days	**206,246**	1,193,352	**188,233**	928,826
	954,231	2,274,381	**1,608,789**	2,468,208

(g) Other receivables include dumping duty deposit amounting to RO 878,842 (31 December 2021: RO 1,291,018) paid on export to United States of America ("USA"). Since the year 2016, the US Department of Commerce ("DOC") imposed anti-dumping duty on the Group'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 December 2022, the DOC has provisionally revised the rate to 4.61% for 2019-20 and 2.37% for 2020-21. Currently the duty paid is treated as a deposit, pending DOC's administrative review. The DOC has completed their administrative review up to November 2019. However, the periods for which administrative reviews are pending, the Group has recorded a provision of RO 4,438,012 (31 December 2021: RO 3,794,343) under trade and other payables based on actual shipment to the USA.

12. Cash and bank balances

	Group		Parent Company	
	2022	2021	2022	2021
Cash on hand	**24,542**	15,547	**15,238**	15,035
Cash at bank	**5,866,993**	7,207,901	**5,506,992**	6,893,761
	5,891,535	7,223,448	**5,522,230**	6,908,796

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 (2021: between 0.75% and 2.00% 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 (2021: RO 15,000,000), comprising of 150,000,000 shares of RO 0.100 per share (2021: RO 0.100). The issued and fully paid-up share capital comprises of 124,897,960 (2021: 124,897,960) ordinary shares of RO 0.100 per share (2021: RO 0.100 per share).

	Authorised		Issued and fully paid-up	
	2022	**2021**	**2022**	**2021**
Share capital	**15,000,000**	15,000,000	**12,489,796**	12,489,796

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:

	2022		2021	
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	7.50%	**9,362,776**	0.54%	675,108
Civil Service Employees Pension Fund	6.66%	**8,318,686**	6.66%	8,318,686
Oman Investment Authority - 1	5.97%	**7,456,341**	5.57%	6,956,341
	71.13%	**88,835,763**	63.77%	79,648,095

14.Legal reserve

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.

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.

15. Dividend

Dividend is not accounted for until it has been approved at the Shareholders' Annual General Meeting (AGM). At the Board of Directors meeting held on 5

February 2023, a cash dividend of 15 baiza per share, amounting to RO 1,873,469 has been recommended for shareholders' approval at the AGM. The consolidated and separate financial statements for the year ended 31 December 2022 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 2023.

A cash dividend of 32 baiza per share amounting to RO 3,996,735 was paid as approved by the shareholders in the Annual General Meeting held on 23 March 2022 (2021: 26 baiza per share amounting to RO 3,247,347).

During the year, unclaimed dividend amounting to RO 4,747 (2021: RO 1,513) 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	**Group**		**Parent Company**	
	2022	**2021**	**2022**	**2021**
Loan against trust receipts	**25,375,475**	23,598,796	**25,375,475**	23,598,796
	25,375,475	23,598,796	**25,375,475**	23,598,796

The Group and the Parent Company have credit facilities in the amount of RO 71.22 million (31 December 2021: RO 60.30 million) from local and foreign commercial banks. Loan against trust receipts obtained from commercial banks are at annual interest rates ranging between 2.00% and 4.75% per annum (31 December 2021: between 1.50% and 3.75% per annum). The credit facilities are secured by a pari-passu charge on the current assets of the Parent Company.

The carrying amount of the Group's and the Parent Company's bank borrowings is denominated in US Dollars.

Change in cash flows from financing activities	**Group and Parent Company**	
	2022	**2021**
Bank borrowings		
At 1 January	**23,598,796**	12,947,519
Proceeds from borrowings	**89,446,764**	70,118,733
Repayment of borrowings	**(87,670,085)**	(59,467,456)
At 31 December	**25,375,475**	23,598,796
Change in cash flows	**1,776,679**	10,651,277

17.Employees' benefit liabilities

	Group		**Parent Company**	
	Year ended 31 December	**Year ended 31 December**	**Year ended 31 December**	**Year ended 31 December**

	2022	2021	2022	2021
At 1 January	**1,646,637**	1,450,923	**1,617,949**	1,423,479
Charge for the year	**295,949**	288,385	**291,024**	285,076
Payments during the year	**(48,333)**	(92,671)	**(38,768)**	(90,606)
At 31 December	**1,894,253**	1,646,637	**1,870,205**	1,617,949

18.Trade and other payables

	Group		Parent Company	
	2022	**2021**	**2022**	**2021**
Trade payables	**4,823,855**	5,246,110	**4,819,147**	5,247,307
Accrued expenses	**9,931,917**	11,538,797	**9,913,521**	11,538,219
Advances from customers	**467,080**	560,389	**467,080**	535,163
Other payables	**344,596**	294,444	**103,831**	129,709
	15,567,448	17,639,740	**15,303,579**	17,450,398

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

19.Revenue

	Group		Parent Company	
	Year ended 31 December 2022	**Year ended 31 December 2021**	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Revenue recognised at a point-in-time				
GCC countries including Oman	**106,085,466**	106,690,547	**104,216,264**	106,575,449
North America	**30,159,053**	38,143,147	**30,159,053**	38,143,147
Others	**13,022,304**	5,525,385	**13,022,304**	5,525,385
	149,266,823	150,359,079	**147,397,621**	150,243,981

20.Cost of revenue

	Group	Parent Company

	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Cost of materials consumed	**122,178,936**	117,666,841	**121,121,361**	118,506,716
Direct wages	**3,977,173**	4,731,906	**3,977,173**	4,731,906
Depreciation of property, plant and equipment (Note 6)	**1,359,891**	1,474,046	**1,359,891**	1,474,046
Amortisation of right-of-use assets (Note 7)	**114,654**	119,808	**114,654**	119,808
Utility expenses	**1,542,315**	1,610,395	**1,542,315**	1,610,395
Other direct expenses	**746,087**	585,372	**746,087**	569,812
COVID-19 lease concession (Note 7)	**(45,764)**	(45,764)	**(45,764)**	(45,764)
	129,873,292	126,142,604	**128,815,717**	126,966,919

21.Selling and distribution expenses

	Group		Parent Company	
	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Packaging and dispatch charges	**10,767,493**	9,190,124	**10,694,421**	9,137,933
Commission on sales	**69,805**	16,125	**67,327**	12,783
Advertisement and publicity	**16,742**	4,270	**16,742**	4,270
Other selling and distribution expenses	**166,091**	67,989	**166,091**	66,882
	11,020,131	9,278,508	**10,944,581**	9,221,868

22.General and administrative expenses

	Group	Parent Company

	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Indirect employee costs	**2,838,794**	2,421,814	**2,686,751**	2,294,951
Other expenses	**349,210**	343,897	**327,900**	327,525
Legal and professional fees	**281,380**	92,353	**275,328**	87,223
Depreciation of property, plant and equipment (Note 6)	**146,698**	86,542	**142,308**	84,338
Travelling and conveyance	**134,805**	51,296	**130,351**	47,450
Communication expenses	**118,995**	93,527	**115,566**	91,187
Amortisation of intangible assets (Note 8)	**76,655**	-	**76,655**	-
Amortisation of right-of-use assets (Note 7)	**71,813**	33,501	**48,310**	9,998
Insurance	**13,443**	8,590	**5,726**	8,152
	4,031,793	3,131,520	**3,808,895**	2,950,824

23. Other income

	Group		Parent Company	
	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Other refunds	**608,871**	-	**608,871**	-
Dividend income from a subsidiary	**-**	-	**359,114**	-
Miscellaneous income	**51**	3,454	**-**	2,170
	608,922	3,454	**967,985**	2,170

24. Other operating expenses

	Group		Parent Company	
	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Loss on disposal of property, plant and equipment	**45,927**	122,902	**48,158**	122,902
	45,927	122,902	**48,158**	122,902

25. Net finance costs

	Group	Parent Company

	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Finance expense	**1,375,289**	650,951	**1,302,296**	598,071
Interest on lease liabilities (Note 7)	**65,504**	54,311	**61,532**	48,868
	1,440,793	705,262	1,363,828	646,939
Finance income	**(85,347)**	(93,321)	**(85,347)**	(93,321)
	1,355,446	**611,941**	**1,278,481**	**553,618**

26.Taxation

	Group		Parent Company	
Consolidated and separate statement of profit or loss and other comprehensive income	**Year ended 31 December 2022**	**Year ended 31 December 2021**	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Current tax:				
Tax charge for the year	**442,146**	2,021,420	**423,678**	2,001,925
Tax charge for the previous years	**12,129**	10,713	**-**	-
Deferred tax:				
Recognition of other temporary differences	**108,240**	(525,202)	**108,240**	(525,202)
Total tax charge for the year	**562,515**	1,506,931	**531,918**	1,476,723

Consolidated and separate statement of financial position	Group		Parent Company	
	2022	**2021**	**2022**	**2021**
Non-current (liabilities) / assets				
Deferred tax	**279,615**	387,855	**279,615**	387,855
Current liabilities				
Current year tax payable	**424,191**	2,021,420	**405,722**	2,001,925

(a) The Parent Company has calculated income tax at an effective tax rate of 15% for the year ended 31 December 2022 (31 December 2021: 15%). The subsidiary has a tax liability of RO 18,469 (2021: RO 19,495) 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:

Current tax	Group		Parent Company	
	Year ended 31 December 2022	**Year ended 31 December 2021**	**Year ended 31 December 2022**	**Year ended 31 December 2021**

Net profit before tax for the year	**3,705,138**	10,715,546	**3,634,623**	10,019,128
Tax expense at Oman tax rate	**555,771**	1,607,332	**545,193**	1,502,869
Tax effect on non-deductible expenses	**270**	105	**270**	105
Tax effect on provisions in deductible temporary differences	**(13,545)**	(26,251)	**(13,545)**	(26,251)
Tax effect on foreign tax rates	**20,019**	(74,255)	**-**	-
Total tax charge for the year	**562,515**	1,506,931	**531,918**	1,476,723

(b) Deferred tax asset

	Group		Parent Company	
	2022	**2021**	**2022**	**2021**
At 1 January	**(387,855)**	137,347	**(387,855)**	137,347
Movement during the year	**108,240**	(525,202)	**108,240**	(525,202)
At 31 December	**(279,615)**	(387,855)	**(279,615)**	(387,855)

(c) Tax assessments up to the year 2018 have been completed and agreed with the Oman Tax Authority for the Parent Company and upto the year 2019 for the 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.

27. Related party transactions and balances

Related parties comprise the shareholders, directors, business entities in which they have the ability to control or exercise significant influence in financial and operating decisions and the senior management. The Group and the Parent Company have entered into transactions with entities related to the shareholders or directors, in the ordinary course of business, who provide goods and render services to the Group and the Parent Company. The transactions are carried on mutually agreed terms. During the year, the following transactions were carried out with the related parties:

	Group		Parent Company	
	Year ended 31 December 2022	**Year ended 31 December 2021**	**Year ended 31 December 2022**	**Year ended 31 December 2021**
a) Subsidiary				

	Revenue	-	-	**11,915,783**	10,500,040
	(Payment) / reimbursement of expenses/services provided	-	-	**7,072**	(4,105)
	Amounts owed by the subsidiary	-	-	**3,017,558**	2,794,898
b)	**Other related parties**				
	Revenue	**193,947**	16,804	**193,947**	16,804
	Purchases	**62,679**	17,458	**62,679**	17,458
	Amount due from related parties	**84,744**	5,530	**84,744**	5,530
	Amount due to related parties	**6,341**	-	**6,341**	-
c)	**Compensation of key management personnel**				
	Basic salaries and allowances	**318,407**	302,558	**318,407**	302,558
	Remuneration to directors	**84,000**	98,000	**84,000**	98,000
	Directors' sitting fees	**21,400**	21,800	**21,400**	21,800

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 period.

	Group		Parent Company	
	Year ended 31 December 2022	**Year ended 31 December 2021**	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Net profit after tax for the year	**3,142,623**	9,208,615	**3,102,705**	8,542,405
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	**0.025**	0.074	**0.025**	0.068

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	
	2022	**2021**	**2022**	**2021**
Net assets	**49,544,397**	50,398,509	**48,938,584**	49,832,614
Shares outstanding at reporting date	**124,897,960**	124,897,960	**124,897,960**	124,897,960
Net assets per share	**0.397**	0.404	**0.392**	0.399

30.Segment information

The Group and the Parent Company operate in one business segment that of manufacturing and sale of steel products. All relevant information relating to this primary segment is disclosed in the consolidated and separate statement of financial position, consolidated and separate statement of profit or loss and other comprehensive income and notes to the consolidated and separate financial statements.

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

	2022		2021	
Group	**Revenue**	**Trade receivables (gross)**	Revenue	Trade receivables (gross)
GCC countries including Oman	**106,085,466**	**29,238,171**	106,690,547	31,554,339
North America	**30,159,053**	**7,147,762**	38,143,147	14,767,301
Others	**13,022,304**	**382,406**	5,525,385	175,040
	149,266,823	**36,768,339**	150,359,079	46,496,680

	2022		2021	
Parent Company	**Revenue**	**Trade receivables (gross)**	Revenue	Trade receivables (gross)
GCC countries including Oman	**104,216,264**	**29,956,919**	106,575,449	32,273,687
North America	**30,159,053**	**7,147,762**	38,143,147	14,767,301
Others	**13,022,304**	**382,406**	5,525,385	175,040
	147,397,621	**37,487,087**	150,243,981	47,216,028

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, lease liabilities and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(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 years ended 31 December 2022 and 2021.

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.

	Group		**Parent Company**	
	2022	**2021**	**2022**	**2021**
Bank borrowings	**25,375,475**	23,598,796	**25,375,475**	23,598,796
Less: cash and bank balances	**(5,891,535)**	(7,223,448)	**(5,522,230)**	(6,908,796)

Net debt	**19,483,940**	16,375,348	**19,853,245**	16,690,000
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	**19,031,773**	19,885,885	**18,429,038**	19,323,068
Total capital	**49,544,397**	50,398,509	**48,938,584**	49,832,614
Total capital and net debt	**69,028,337**	66,773,857	**68,791,829**	66,522,614
Gearing ratio	**28%**	25%	**29%**	25%

33. Financial risk management

(a) Market risk

(i) Foreign exchange 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.

(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. Sensitivity analysis of interest rates is as follows: if the interest rates were to be 50 basis points higher or lower with all other variables held constant, the Group’s and the Parent Company's net profit would decrease or increase by RO 126,877 (2021: RO 117,994).

(iii) 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 does 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.

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.

The Group and the Parent Company did not identify any material impairment loss on other financial assets as at the reporting date.

(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:

Liabilities as at 31 December 2022	**Total**	**Less than 1 year**	**More than 1 year**
Trade and other payables	**15,567,448**	**15,567,448**	**-**
Bank borrowings	**25,375,475**	**25,375,475**	**-**
Lease liabilities	**1,672,436**	**196,603**	**1,475,833**
	42,615,359	**41,139,526**	**1,475,833**

Liabilities as at 31 December 2021	**Total**	**Less than 1 year**	**More than 1 year**
Trade and other payables	17,639,740	17,639,740	-
Bank borrowings	23,598,796	23,598,796	-
Lease liabilities	1,107,423	168,651	938,772
	42,345,959	41,407,187	938,772

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

Liabilities as at 31 December 2022	**Total**	**Less than 1 year**	**More than 1 year**
Trade and other payables	**15,303,579**	**15,303,579**	**-**
Bank borrowings	**25,375,475**	**25,375,475**	**-**
Lease liabilities	**1,606,319**	**164,349**	**1,441,970**
	42,285,373	**40,843,403**	**1,441,970**

Liabilities as at 31 December 2021	**Total**	**Less than 1 year**	**More than 1 year**
Trade and other payables	17,450,398	17,450,398	-
Bank borrowings	23,598,796	23,598,796	-
Lease liabilities	1,010,587	137,933	872,654
	42,059,781	41,187,127	872,654

(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 2022, the value of outstanding purchase commitments amounted to RO 10,716,516 (31 December 2021: RO 18,635,264).

(ii) Capital commitments

At 31 December 2022, the value of outstanding capital commitments amounted to RO 2,584,850 (31 December 2021: RO 2,952,599).

35.Contingent liabilities

	Group		Parent Company	
	2022	**2021**	**2022**	**2021**
Outstanding bank guarantees	**5,128,100**	3,238,600	**5,128,100**	3,238,600

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:

2022	**Lease liabilities**	**Bank borrowings**
Group		
1 January 2022	**1,107,423**	**23,598,796**
Cash inflows	**-**	**89,446,764**
Cash outflows	**(226,043)**	**(87,670,085)**

Non-cash changes	**791,056**	**-**
31 December 2022	**1,672,436**	**25,375,475**
Parent Company		
1 January 2022	**1,010,587**	**23,598,796**
Cash inflows	**-**	**89,446,764**
Cash outflows	**(191,352)**	**(87,670,085)**
Non-cash changes	**787,084**	**-**
31 December 2022	**1,606,319**	**25,375,475**

2021	**Lease liabilities**	**Bank borrowings**
Group		
1 January 2021	674,157	12,947,519
Cash inflows	-	70,118,733
Cash outflows	(189,136)	(59,467,456)
Non-cash changes	622,402	-
31 December 2021	1,107,423	23,598,796
Parent Company		
1 January 2021	548,074	12,947,519
Cash inflows	-	70,118,733
Cash outflows	(154,446)	(59,467,456)
Non-cash changes	616,959	-
31 December 2021	1,010,587	23,598,796

37.Comparative figures

Certain comparative figures of the previous year have been either regrouped or reclassified, wherever necessary, in order to conform with the presentation adopted in the current year's consolidated and separate financial statements. Such regrouping or reclassification did not affect previously reported consolidated and separate net profit or consolidated and separate shareholders' equity.

38.Subsequent events

There were no events occurring subsequent to 31 December 2022 and before the date of the approval that are expected to have a significant impact on these consolidated and separate financial statements.