Jazeera Steel حديد الجزيرة

THE ONE SOURCE FOR WORLD CLASS STEEL PRODUCTS




25TH ANNUAL REPORT 2022

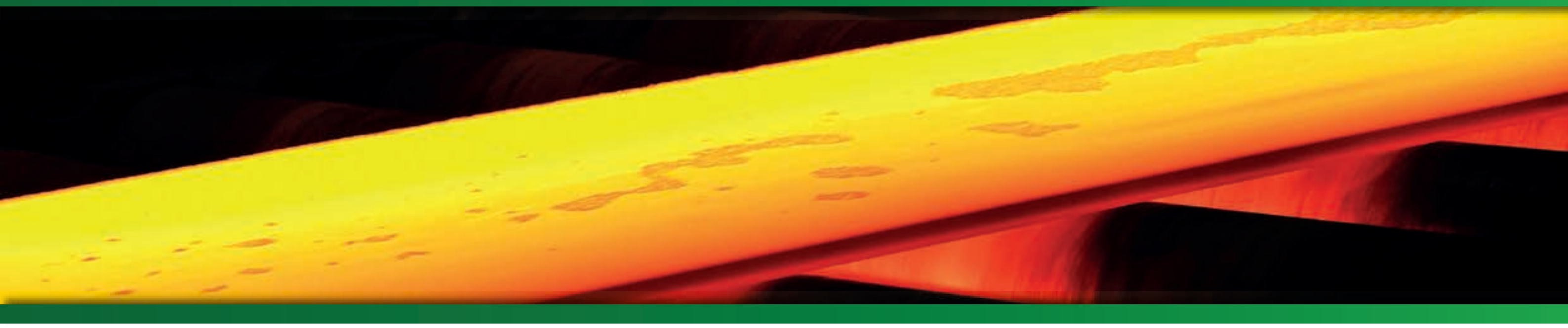
Al Jazeera Steel Products Co. SAOG

Suhar Industrial City, P.O. Box 40, Suhar 327, Sultanate of Oman

Tel : (968) 26751763 / 4 / 5, Fax : (968) 26751766

Email : contact@jazeerasteel.com, Website : www.jazeerasteel.com, C.R.No.: 1550438

The Quality Standard in Steel



CONTENTS

Registered Office
Post Box 40, Suhar Industrial City,
Postal Code 327, Suhar
Sultanate of Oman
Tel : 968 26751763 / 4 / 5
Email : marketing@jazeerasteel.com
Website : www.jazeerasteel.com

Company Auditor
BDO LLC

Internal Auditor
Deloitte & Touche (M.E.)

Legal Advisor
Dr. Omar Al Balushi Law Firm &
Legal Consultants

Dubai Office
Office # 1208, Level 112,
Arenco Tower
Al Safoud 2nd, Media City
Post Box 391841, Dubai,
United Arab Emirates
Tel : +971 54 3445 511

Sharjah Yard
Al Sajaa Industrial,
Emirates Street
Post Box 38648, Sharjah,
United Arab Emirates
Tel : +971 6 558 1927 / 573 5308

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

BOARD OF DIRECTORS

Ms. Amal Suhail Salim Bahwan	Chairperson
Mr. Taqi Ali Sultan	Vice Chairman
Mr. Abdul Kader Darwish Al Balushi	Director
Mr. Rahul Kar	Director
Mr. Abdullah Salim Said Al Araimi	Director
Mr. Yasser Abdullah Salim Al Rashdi	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 25th 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 2022.

Key points of 2022 Operational Performance

The year started on a strong note on the demand front with the easing of global pandemic situation and projects starting to move again in the GCC.

However, as the year progressed, there were unexpected challenges with raging inflation, rising interest rates leading to liquidity issues. IMF had forecasted global inflation to rise from 4.7 percent in 2021 to 8.8 percent in 2022. These factors along with the conflict in Europe and lingering threat of Covid combined to a "broad-based and sharper-than -expected slowdown". As per IMF estimates, global GDP was expected to slow from 6% in 2021 to 3.2% in 2022.

The geopolitical tensions along with the aggressive monetary policies by the USA to control inflation and the slowdown in China also contributed to lowering of demand not only in the region but worldwide. As a result, while there was a spike in steel prices immediately after the onset of Ukraine crisis, this was followed by a sharp correction in prices, severity of which was last seen in 2008. For example, HRC prices corrected from US$ 1,000 per mt levels in Q1 to below US $600 per mt levels by Q4 2022.

Another factor which negatively affected the company's bottom line has been the imposition of the import duties by Saudi Arabia on supplies from Oman starting Q2-2022. Using the various parameters set out for exemption by the Saudi Arabian government, we have applied for the same and await a positive outcome.

Nonetheless, the measures taken by the company helped in alleviating many of the challenges. One of the major highlights of the year was successful implementation of SAP followed by of the Production Automation System (PAS) in our mills. The upgrades of our Merchant Bar Mill (MBM) and Tube Mills were implemented as planned. Further, we were able to diversify our MBM products to newer markets. We achieved our first break bulk shipment to MENA region, thereby increasing our product presence beyond GCC.

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.

In spite of the multiple challenges faced, the company with its consistent operations, sales and smart procurement could end the year with a net profit of RO 3.14 million. This is an achievement considering the scale and extent of the price correction and other disruptions seen in the global market.

Particulars	Group			Parent		
	2022	2021	Growth %	2022	2021	Growth %
Production quantity in MT	**360,123**	401,284	(10%)	**360,123**	401,284	(10%)
Sales quantity in MT	**384,391**	402,838	(5%)	**382,798**	405,120	(6%)
Sales Value in RO	**149,266,823**	150,359,079	(1%)	**147,397,621**	150,243,981	(2%)
Net Profit in RO	**3,142,623**	9,208,615	(66%)	**3,102,705**	8,542,405	(64%)

Looking Ahead

The global political and economic challenges persist, the GCC economies were seen as better placed with most GCC economies recording budget surplus in 2022 after many years, The GCC economy is expected to grow between 3.4 – 4% over next two years with Oman projected 6% growth in 2023 on the back of energy prices remaining strong.

The GCC region has more than US $2.50 trillion worth of projects planned or underway as of mid-October 2022 as per MEED-Projects. We are witnessing significant project announcements and awards in GCC with Saudi Arabia and United Arab Emirates leading the way. Oman is also announcing investments in various sectors like tourism, minerals, green technology etc. Further, easing of the covid policy in China is seen as a major boost to the global demand as there is a rebound in Chinese economic activities.

Macroeconomic data across most of the economies reflect slowing of inflation numbers, thus indicating a potential easing of rate hikes by central banks.

All the above factors give us optimism about the future growth of our company although we remain cautious that there may be a lag before a massive uptick in economic activity is seen.

Nonetheless, as a company, we remain hopeful that with the actions we are taking, we will be in a reasonably good position to handle the challenges. The company continues with measures to improve mill upgradation along 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 15 for the year for every share held. The following table shows the dividend declared during the past years.

Year	2017	2018	2019	2020	2021
Cash Dividend (in Baiza)	24	16	5	14	44

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.

BDO LLC, the Company's Auditors have audited the accounts up to 31 December 2022 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.

I would also take this opportunity to thank all the frontline health care workers, doctors and all medical professionals and authorities in Oman for their distinguished service during the time of the pandemic.

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 2023

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 2022.

Global Economic Environment

The world economies started to emerge from the shadows of COVID during the year. While the threat of COVID continued to loom notably in China, most economies saw significant recoveries from the after effects of COVID. Economic activities and travels slowly began returning to pre COVID levels in most countries. However, the year 2022 was also an unexpectedly challenging year due to other unforeseen reasons. The year witnessed rampant inflation sweeping across even major economies. As a result of which Central banks started raising interest rates to control inflation. This resulted in interest rates rising from below 1% to near 5% even in GCC economies leading to higher costs of borrowing and liquidity issues. One of the major events witnessed during the course of the year was the prolonged conflict in Europe and the resulting geo political tensions . Another major challenge during the course of 2022 was the zero COVID policy of China which severely impacted economic activity in the country and impacted global supply chain and commodity demand. All the political and economic turmoil coupled with China's slowdown resulted in an environment of uncertainty and slowdown in demand. These also impacted on the steel market sentiments and we witnessed a major price correction during the year magnitude of which was last seen only in 2008. This majorly impacted financial performance of many rerollers in the region & elsewhere. While the industry hopes for an early solution to the geo political crisis, indications from major central banks have been dovish that interest rate increases may be flattening out in the near term. Since the relaxing of the zero COVID policy, China has been an uptick in economic activities and this augurs well for the global steel demand and support for commodity prices.

Industry Structure and Company Development

The GCC economies staged smart recovery during 2022 with all recording budget surplus after 2014. The strong energy prices have provided support and GCC economies are considered to be better placed during the current challenges.

It gives me great pleasure to note that the company successfully implemented SAP and PAS system. This will lead to greater coordination between different functionalities and make more informed decision making.

We strive to attain greater efficiencies in our production process and adopt more innovative process for internal work flows. The company continues its high level of preparedness to deal with contingencies . We made incremental upgrades to our production lines during the course of the year, which helped us reach new customer segments and markets. Further we have taken major investments for value added and expansion of our production base, details of which will be announced shortly. We expect 2023 to be a defining year for the company due to the various incremental upgrades & new projects we are embarking on.

Future Outlook

As per IMF October 2022 report, there are downside risk to the global economy and global GDP growth could reach 2.7% - the weakest in many years. However, outlook for GCC is more optimistic with 3.6% GDP growth expected in 2023. Oman is forecasted to have a robust GDP growth of 6% in 2023 while Saudi Arabia and United Arab Emirates also expected to record strong growths following a stellar 2022. While the region will not be decoupled from effects of a global slowdown amid geo political events and fiscal tightening, there are reasons to be cautiously optimistic as far as the region's growth is concerned . The oil markets, which are a key driver of the GCC economies, have shown resilience throughout 2022 and expected to be well supported going into 2023. As per EIA estimates, oil is likely to sustain between US$ 75 - US$ 95 per barrel in 2023. The GCC have more than US$ 2.5 trillion project pipeline as per current MEED estimates. We are seeing progress on some of the major projects which should support the steel demand in the region. With oil revenues remaining healthy, construction activity is expected to pick up across the GCC. The company is investing heavily in newer and added value products.

All these factors along with the steps taken by the company under the able guidance of our Chairperson and Board of Directors gives us confidence that the company is poised for achieving greater growths in the coming years.

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		
	2022	2021	Growth %	2022	2021	Growth %
Black Pipes	90,377	87,481	3%	89,880	87,914	2%
Galvanized Pipes	62,771	75,047	(16%)	63,301	74,891	(15%)
Hollow Sections	13,402	23,236	(42%)	13,402	23,236	(42%)
CTL Sheets	7,963	16,142	(51%)	7,963	16,142	(51%)
Merchant Bar Mill	209,878	200,932	4%	208,252	202,937	3%
Total	**384,391**	**402,838**	(5%)	**382,798**	**405,120**	(6%)

Financial Review

The financial performance of the Company in 2022 as compared to that of 2021 is given below:

(Amount in RO)

Particulars	Group			Parent		
	2022	2021	Variance %	2022	2021	Variance %
Sales	149,266,823	150,359,079	(1%)	147,397,621	150,243,981	(2%)
Gross Profit	19,393,531	24,177,483	(20%)	18,581,904	23,238,070	(20%)
Other Income	608,922	3,454	17529%	967,985	2,170	44508%
Selling and Distribution Expenses	11,020,131	9,239,516	19%	10,944,581	9,182,876	19%
Administration Expenses	5,195,961	3,131,520	66%	4,503,465	2,950,824	53%
Other operating expenses	45,927	122,902	(63%)	48,158	122,902	(61%)
Provision for ECL on trade receivables	(1,320,150)	359,512	(467%)	(859,419)	410,892	(309%)
Finance Cost – Net	1,355,446	611,941	121%	1,278,481	553,618	131%
Income Tax expenses	562,515	1,506,931	(63%)	531,918	1,476,723	(64%)
Net Profit	3,142,623	9,208,615	(66%)	3,102,705	8,542,405	(64%)
Earnings Per Share	0.025	0.074	(66%)	0.025	0.068	(64%)

Operational Review

In 2022, monthly sales volumes averaged 31,890 mt in 2022 against 33,760 mt in 2021. Sales value though was only marginally lower by 1% YOY because of higher steel prices at the beginning of the year. There was a decline in net profit due to severe price correction during the course of the year as well as drop in demand. Further, there was an additional burden on the company related to imposition of duty in Saudi Arabia.

During the year, the Tube Mill division produced and sold 174,546 mt as compared to 202,183 mt in the previous year. Tube Mill volumes were affected due to subdued demand as well as higher inventory costs.

In the Merchant Bar Mill (MBM) division, in 2022, we sold 208,252 mt as against 202,937 mt of products in 2021. MBM volumes improved due to increased construction activity and also due to certain new market segments we have developed during the last few years.

A combination of smart procurement, diversified market and product portfolio helped us maintain sustained operations and helped the company to limit the effects of the various headwinds and challenges faced during the course of the year. The Company could achieve and close the year 2022 with a net profit of RO 3.1 million.

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 42% 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 Suhar, who have been a great help and a constant source of guidance on managing the COVID crisis.

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

BDO

Tel: +968 2495 5100
Fax: +968 2464 9030
www.bdo.com.om

Suite No. 601 & 602
Pent House, Beach One Bldg
Way No. 2601, Shatti Al Qurum
PO Box 1176, Ruwi, PC 112
Sultanate of Oman

AGREED UPON PROCEDURES REPORT ON CODE OF CORPORATE GOVERNANCE TO THE SHAREHOLDERS OF AL JAZEERA STEEL PRODUCTS COMPANY SAOG

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting Al Jazeera Steel Products Company SAOG (the "Company") in determining whether the Company is compliant with the Code of Corporate Governance (the "Code") of the Capital Market Authority ("CMA"), as prescribed in the CMA Circular No. E/10/2016 dated 1 December 2016 and may not be suitable for another purpose.

Responsibilities of the Company

The Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Company (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 the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness or sufficiency 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.

Professional Ethics and Quality Management

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

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 management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

BDO

AGREED UPON PROCEDURES REPORT ON CODE OF CORPORATE GOVERNANCE
TO THE SHAREHOLDERS OF AL JAZEERA STEEL PRODUCTS COMPANY SAOG

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company in the terms of our engagement letter on the compliance with the requirements of the Code and report to you the findings resulting from our work:

S. No	Procedures	Findings
(a)	We obtained the Corporate Governance Report ("the Report") issued by the Board of Directors and compared it to Annexure 3 of the Code to determine whether the Report includes as a minimum, all items suggested by the CMA in Annexure 3.	No exceptions were noted.
(b)	We obtained the details regarding the areas of non-compliance with the Code identified by the Company's Board of Directors, included in the Report in the section "Details of non-compliance by the Company", together with the reasons for such non-compliance for the year ended 31 December 2022.	No exceptions were noted.

BDO

Muscat
5 February 2023

BDO LLC
P.O.Box: 1176
PC: 112, Ruwi
Sultanate of Oman
Public Accountants & Management Consultants

B. Kapur

Bipin Kapur
Partner
M. No: 043615
Institute of Chartered Accountants of India

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 2022. The Company's external auditors, BDO LLC has issued a separate report on the Company's Corporate Governance Report for the year ended 31 December 2022.

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 2022, the Company had 6 members as its Board of Directors. During the year, the composition of the Board was 7 members until 7 December 2022, when Mr. Pradeep P Navre resigned from the Board membership.

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.

She is the Vice-Chairperson of the Suhail Bahwan Group Holding LLC., one of Oman's largest and most professionally managed business organizations in the Sultanate of Oman. Ms. Amal is also Chairperson of National Bank of Oman SAOG, Chairperson of Oman International Hospital, Director of National Pharmaceutical Industries SAOC, Director of Oman Oil Marketing Co SAOG, and Director of DHL Global Forwarding Co. She holds a Master's Degree in Administration and Bachelor Degree in Education from Sultan Qaboos University, Sultanate of Oman.

Mr. Taqi Ali Sultan – Vice-Chairman

Mr. Taqi Ali Sultan holds Degree in Commerce from University of Kuwait. He has over 33 years of experience in banking sector out of which 28 years were with National Bank of Oman and one year each in London with Bank of America and Bank of Credit & Commerce International. Mr. Sultan held various managerial positions in National Bank of Oman and last one being the General Manager before retiring in January 2011. He is currently a member of the senior management team of Towell Group. Before joining our Company as Director, Mr. Sultan served as the Chairman of Al-Jazira Services Co. SAOG for 8 years and Al-Ahlia Converting Industries SAOG for 8 years.

Mr. Abdul Kader Darwish Al Balushi – Director

Mr. Abdul Kader has over 42 years of experience in 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 also a Director and member of the Audit Committee and Business Risk & Compliance Committee of National Bank of Oman SAOG. He is also a Director and Nomination & Remuneration Committee member of Oman United Insurance Company SAOG.

Mr. Abdullah Salim Said Al Araimi – Director

Mr. Abdullah Salim Said Al Araimi is a seasoned professional and holds a Higher Diploma in Accounting. He started his career with Suhail Bahwan Group in the year 1995. He has spent more than 10 years with F&A executing various responsibilities. Considering his ability to influence thoughts, people management skills, he was entrusted to handle Admin activities under the HR & Admin department. Considering his enthusiasm HR was also added in his portfolio. He developed new systems, put policies and procedures in place; elevated the relation with Government authorities. His contribution to the Group is innumerable.

Apart from his professional career, he also served as the committee member of International Labour Organization representing Oman. He was actively involved in the study of labour conditions in Oman and revising the Oman Labour Law.

Mr. Yasser Abdullah Salim Al Rashdi – Director

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 started his carrier at Oman Investment Authority and has experience of more than 22 years in the field of Accounts, Finance and Investment at both Oman Investment Authority and ITHCA Group. On the Academic aspect, he obtained a bachelor's degree in Accounting from Sultan Qaboos University, and MBA from Franklin University (United States of America). He also joined Executive Programs in leadership, finance, and management fields provided by major educational institutions such as HEC Paris University and PWC Academy.

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

During the year 2022, six board meetings were held on the following dates:

1. 31 January 2022	2. 24 February 2022	3. 28 April 2022
4. 28 July 2022	5. 29 August 2022	6. 27 October 2022

The maximum interval between any two meetings in 2022 was 91 days. The interval between the last meeting in 2021 and the first meeting in 2022 was 42 days.

The attendance record of each director at the Board meetings and at the General meetings held during the year 2022 is given below:

Name of the Director	Category	Board Meeting						AGM	OGM
		31 Jan	24 Feb	28 Apr	28 Jul	29 Aug	27 Oct	24 Mar	29 Aug
Ms. Amal Suhail Salim Bahwan	NE	√	√	√	√	√	√	√	√
Mr. Taqi Ali Sultan	NE & ID	√	√	√	√	√	√	√	√
Mr. Abdul Kader Darwish Al Balushi	NE & ID	√	√	√	√	√	√	√	√
Mr. Rahul Kar	NE & ID	√	√	√	√	Ab	√	√	Ab
Mr. Abdulla Salim Said Al Araimi	NE & ID	√	√	√	√	√	√	√	√
Mr. Yasser Abdullah Salim Al Rashdi	NE & ID	√	√	√	√	√	√	√	√
Mr. Pradeep P. Navre *	NE & ID	√	√	√	√	√	Ab	√	√

NE: Non-Executive Director ID: Independent Director √: Present Ab: Absent

* Mr. Pradeep P. Navre resigned on 7 December 2022.

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 National Bank of Oman SAOG Oman United Insurance SAOG	Director Director Director
Mr. Yasser Abdullah Salim Al Rashdi	Oman Cable Industries 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 31 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 25 years in the field of finance and accounts functions in various industries at the management level, responsible for all the Finance, Commercial & IT related 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 33 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 40 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 28 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 an experience of over 33 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 140,000 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 2022.

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	Nomination & Remuneration Committee	Total
Ms. Amal Suhail Salim Bahwan	2,400	-	600	3,000
Mr. Taqi Ali Sultan	2,400	1,200	-	3,600
Mr. Abdul Kader Darwish Al Balushi	2,400	1,200	-	3,600
Mr. Rahul Kar	2,000	1,200	-	3,200
Mr. Abdulla Salim Said Al Araimi	2,400	-	600	3,000
Mr. Yasser Abdullah Salim Al Rashdi	2,400	-	600	3,000
Mr. Pradeep P. Navre	2,000	-	-	2,000
Total	**16,000**	**3,600**	**1,800**	**21,400**

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 2022. The dates of the meetings and the member's attendance are as follows.

Name of the Director	Position	Audit Committee Meeting			
		31 Jan 22	28 Apr 22	28 Jul 22	25 Oct 22
Mr. Abdul Kader Darwish Al Balushi	Chairman	√	√	√	√
Mr. Taqi Ali Sultan	Member	√	√	√	√
Mr. Rahul Kar	Member	√	√	√	√

√: Present

Total sitting fees payable/paid to the Audit Committee members is RO 3,600 for the year 2022.

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. During the year, AC appointed a new in-house internal auditor to replace the existing internal auditor who had retired from service.

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, Deloitte & Touche, (M.E) & Co. LLC and the total audit fees paid / payable for the whole year 2022 was RO 13,000.

j) Nomination and Remuneration Committee (NRC)

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

i) NRC'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 Nomination and Remuneration Committee meetings were held during the financial year ended 31 December 2022, the dates of the meeting and the member's attendance are as follows.

Name of the Director	Position	Nomination & Remuneration Committee	
		31 Jan 22	26 Oct 22
Ms. Amal Suhail Salim Bahwan	Chairman	√	√
Mr. Yasser Abdullah Salim Al Rashdi	Member	√	√
Mr. Abdulla Salim Said Al Araimi	Member	√	√

√: Present

Total sitting fees payable/paid to the NRC committee members amounted to RO 1,800 for the year 2022.

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 2022, the total cost of the top executives of the Company was RO 711,037 (Salary & others RO 689,245 Gratuity RO 21,792).

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 capital market during the last three years.

Following shortcomings have been identified by Management in implementation of requirements of Code of Corporate governance:

One of the members to the Board have resigned on 7 December 2022. This has resulted in the Company not having odd number of members to the Board as on 31 December 2022 as required by the Oman Commercial Companies Law. The Board has subsequently elected a new Director on 5 February 2023 which is subject to ratification in the Annual General 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.

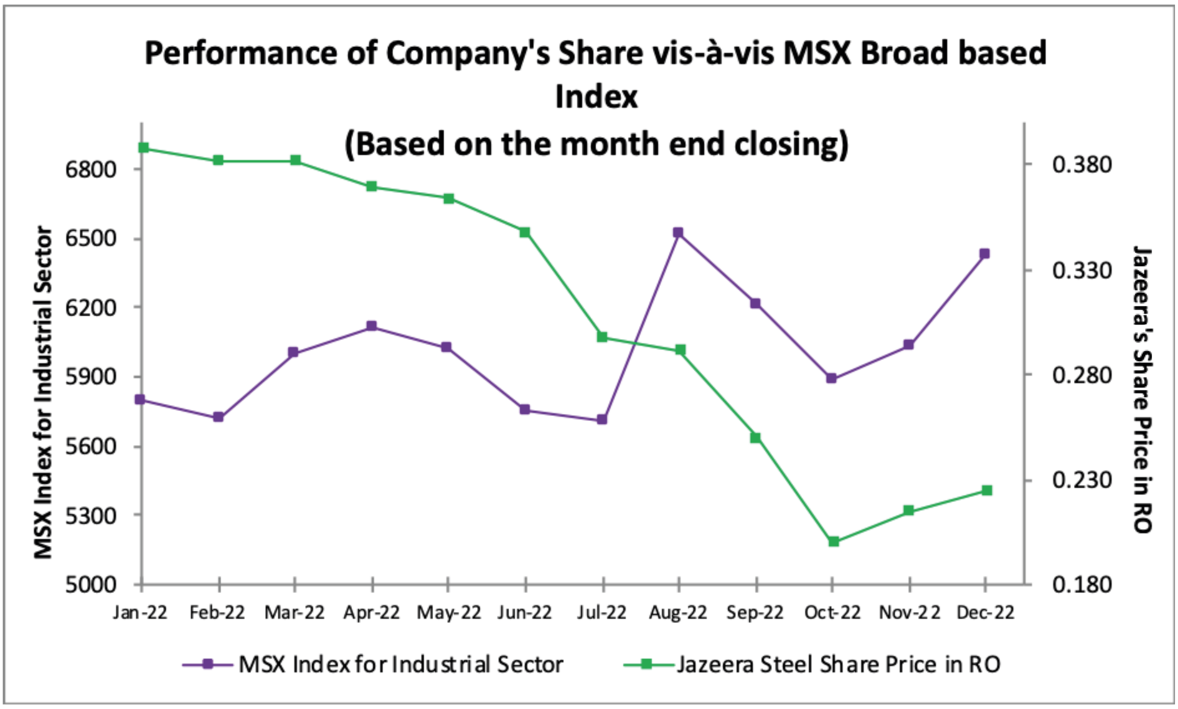
A copy of the Management Discussion and Analysis is circulated along with the financial statements.

G. MARKET PRICE DATA

Market Price Data for the year 2022 – High / Low during each month:

Month	Company Share Price (RO)		MSM Industrial Index	
	High	Low	High	Low
January 2022	0.410	0.364	6,098	5,792
February 2022	0.412	0.376	5,834	5,680
March 2022	0.440	0.380	6,085	5,722
April 2022	0.410	0.368	6,227	5,981
May 2022	0.380	0.360	6,159	6,016
June 2022	0.368	0.346	6,057	5,733
July 2022	0.346	0.298	5,852	5,600
August 2022	0.312	0.280	6,550	5,712
September 2022	0.302	0.250	6,557	6,118
October 2022	0.252	0.200	6,353	5,886
November 2022	0.230	0.198	6,137	5,896
December 2022	0.239	0.198	6,444	5,824

Performance of the Company's share price in comparison to the broad-based MSX Index of the Industrial sector in Oman during the year 2022 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 2022 is as follows:

Categories	No. of Shares	No. of Shareholders	% of Total Outstanding Shares
Less than 1%	17,426,141	842	13.95%
1% to less than 5%	18,636,056	8	14.92%
5% to less than 10%	25,137,803	3	20.13%
More than 10%	63,697,960	1	51.00%
Total	124,897,960	854	100.00%

The shareholding pattern of shareholders holding more than 5% as on 31 December 2022 was:

Name of the Shareholders	Total Shares	% of Share Capital
Ms. Amal Suhail Salim Bahwan	63,697,960	51.00%
Oman Investment Authority-2	9,362,776	7.50%
Civil Service Employees Pension Fund	8,318,686	6.66%
Oman Investment Authority-1	7,456,341	5.97%
Total	88,835,763	71.13%

The Company does not have any GDRs, ADRs, warrants or any convertible instruments as of 31 December 2022 and hence the likely impact on equity is NIL.

I. PROFESSIONAL PROFILE OF THE STATUTORY AUDITOR

BDO LLC, the statutory auditors of the Company, have been operating in the Sultanate of Oman since 1976. BDO LLC is an independent and legally distinct member firm of BDO International Limited. BDO, one of the leading professional services firms, providing industry focused Assurance, Tax and Advisory services, has over 111,000 employees working in a global network of 1,803 offices situated in 164 countries and territories.

BDO LLC is accredited by the Capital Market Authority to audit publicly listed joint stock companies (SAOGs) in Oman. BDO LLC billed an amount of RO 15,750 towards professional services (audit and related services) rendered to the Company for the year 2022.

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

Tel: +968 2495 5100
Fax: +968 2464 9030
www.bdo.com.om

Suite No. 601 & 602
Pent House, Beach One Bldg
Way No. 2601, Shatti Al Qurum
PO Box 1176, Ruwi, PC 112
Sultanate of Oman

Independent Auditor's 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 subsidiary (together referred to as "the Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2022, the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in shareholders' equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 *Auditor's 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 the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (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. For each matter below, our description of how our audit addressed the matter is provided in that context.

Impairment of trade receivables

Trade receivables are significant to the Group as these represent approximately 36% of the total assets. The determination as to whether a trade receivable is collectible involves significant management judgment. Specific factors that management considers include the age of the balance, location of the customer, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of the counterparty. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's overall balance. Trade receivables, net of provision for expected credit losses, amounted to RO 35.81 million as at 31 December 2022.

Independent Auditor's Report to the Shareholders of
Al Jazeera Steel Products Company SAOG (continued)

Key Audit Matters (continued)

Impairment of trade receivables (continued)

Our audit procedures in this regard included:

- testing the design and operating effectiveness of selected controls over the establishment of impairment provision against the expected credit losses;
- comparing the amounts received subsequent to the year-end against outstanding customer balances on a sample basis;
- testing the accuracy of the recorded aging of trade receivables on a sample basis;
- assessing the reasonableness of assumptions made in determining the level of impairment provision established for each category of aged debt;
- assessing the historical accuracy of impairment recorded by examining the utilisation or release of previously recorded impairment allowance;
- inquiring with the management about disputes, if any, with customers during the period and potential impact on any uncollected amounts to assess recoverability; and
- assessing the adequacy of disclosures in respect of credit risk.

Valuation of and provision for inventories

Inventories are significant to the Group as these represent approximately 32% of the total assets. The raw materials mainly comprise steel billets and hot roll coils, which are subject to price volatility. This can impact the net realisable value of inventories including raw materials, work-in-progress and finished goods. Furthermore, the estimation of inventory impairment provision involves significant management judgment. Inventories, net of provision, amounted to RO 30.66 million as at 31 December 2022.

Our audit procedures in this regard included:

- testing the design and operating effectiveness of selected controls over the accuracy of the aging report for inventories;
- agreeing the cost of inventories, on a sample basis, to supporting documents such as purchase orders, suppliers' invoices and goods receipt notes;
- assessing the reasonableness of the inventory impairment policy applied by the management for the provision against old and obsolete stores and spares; and
- considering the selling price realised for items sold subsequent to the year-end against the carrying values of inventories to assess that net realisable values are appropriate.

Other Information included in the Group's 2022 Annual Report

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

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.

BDO

Independent Auditor's Report to the Shareholders of
Al Jazeera Steel Products Company SAOG (continued)

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 these consolidated and separate financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions 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 and for such internal control as management determines is necessary to enable the preparation of the 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 the 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 Parent Company's financial reporting process.

Auditor's 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 auditor's 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

BDO

Independent Auditor's Report to the Shareholders of
Al Jazeera Steel Products Company SAOG (continued)

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

- 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 and 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 auditor's 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 auditor's 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 auditor's report unless laws or regulations 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

We report that, the financial statements of the Parent Company as at, and for the year ended, 31 December 2022, in all material respects, comply with the applicable provisions 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.

BDO

BDO LLC
P.O.Box: 1176
PC: 112, Ruwi
Sultanate of Oman
Public Accountants & Management Consultants

B. Kapur

Muscat
5 February 2023

Bipin Kapur
Partner
M. No: 043615
Institute of Chartered Accountants of India, New Delhi, India


FINANCIAL STATEMENTS

Al Jazeera Steel Products Company SAOG

Consolidated and separate statement of financial position as at 31 December 2022

(Expressed in Omani Rial)

	Notes	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
ASSETS					
Non-current assets					
Property, plant and equipment	6	14,372,589	14,776,487	14,333,163	14,756,747
Right-of-use assets	7	1,444,715	859,866	1,385,987	777,635
Intangible assets	8	413,914	-	413,914	-
Investment in a subsidiary	9	-	-	258,244	258,244
Deferred tax assets	26	279,615	387,855	279,615	387,855
Total non-current assets		16,510,833	16,024,208	16,670,923	16,180,481
Current assets					
Inventories	10	30,657,894	23,035,143	29,844,264	21,782,909
Trade and other receivables	11	41,417,938	50,129,726	41,462,467	50,640,083
Cash and bank balances	12	5,891,535	7,223,448	5,522,230	6,908,796
Total current assets		77,967,367	80,388,317	76,828,961	79,331,788
Total assets		94,478,200	96,412,525	93,499,884	95,512,269
EQUITY AND LIABILITIES					
Capital and reserves					
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		19,031,773	19,885,885	18,429,038	19,323,068
Total capital and reserves		49,544,397	50,398,509	48,938,584	49,832,614
Non-current liabilities					
Employees' benefit liabilities	17	1,894,253	1,646,637	1,870,205	1,617,949
Lease liabilities - non-current portion	7	1,475,833	938,772	1,441,970	872,654
Total non-current liabilities		3,370,086	2,585,409	3,312,175	2,490,603
Current liabilities					
Trade and other payables	18	15,567,448	17,639,740	15,303,579	17,450,398
Bank borrowings	16	25,375,475	23,598,796	25,375,475	23,598,796
Lease liabilities - current portion	7	196,603	168,651	164,349	137,933
Income tax payable	26	424,191	2,021,420	405,722	2,001,925
Total current liabilities		41,563,717	43,428,607	41,249,125	43,189,052
Total liabilities		44,933,803	46,014,016	44,561,300	45,679,655
Total equity and liabilities		94,478,200	96,412,525	93,499,884	95,512,269
Net assets per share	29	0.397	0.404	0.392	0.399

The audited consolidated and separate financial statements, as set out on pages 26 to 60, were approved and authorised for issue by the Board of Directors on 5 February 2023 and signed on their behalf by:

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

Al Jazeera Steel Products Company SAOG
Consolidated and separate statement of profit or loss and other comprehensive income
for the year ended 31 December 2022
(Expressed in Omani Rial)

	Notes	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
Revenue	19	**149,266,823**	150,359,079	**147,397,621**	150,243,981
Cost of revenue	20	**(129,873,292)**	(126,142,604)	**(128,815,717)**	(126,966,919)
Gross profit		**19,393,531**	24,216,475	**18,581,904**	23,277,062
Other income	23	**608,922**	3,454	**967,985**	2,170
		20,002,453	24,219,929	**19,549,889**	23,279,232
Expenses					
Selling and distribution expenses	21	**(11,020,131)**	(9,278,508)	**(10,944,581)**	(9,221,868)
General and administrative expenses	22	**(4,031,793)**	(3,131,520)	**(3,808,895)**	(2,950,824)
Other operating expenses	24	**(45,927)**	(122,902)	**(48,158)**	(122,902)
Release of / (allowance for) expected credit losses on trade receivables	11	**155,982**	(359,512)	**164,849**	(410,892)
		(14,941,869)	(12,892,442)	**(14,636,785)**	(12,706,486)
Operating profit for the year		**5,060,584**	11,327,487	**4,913,104**	10,572,746
Finance income	25	**85,347**	93,321	**85,347**	93,321
Finance expense	25	**(1,440,793)**	(705,262)	**(1,363,828)**	(646,939)
Net profit before tax for the year		**3,705,138**	10,715,546	**3,634,623**	10,019,128
Income tax expense	26	**(562,515)**	(1,506,931)	**(531,918)**	(1,476,723)
Net profit after tax and total comprehensive income for the year		**3,142,623**	9,208,615	**3,102,705**	8,542,405
Net profit attributable to the shareholders of the Parent Company		**3,142,623**	9,208,615		
Earnings per share - basic and diluted	28	**0.025**	0.074	**0.025**	0.068

Al Jazeera Steel Products Company SAOG
Consolidated and separate statement of changes in shareholders' equity
for the year ended 31 December 2022
(Expressed in Omani Rial)

Group	Notes	Share capital	Share premium	Legal reserve	Retained earnings	Total
As at 1 January 2021		12,489,796	13,856,484	4,166,344	13,924,617	44,437,241
Net profit after tax and total comprehensive income for the year		-	-	-	9,208,615	9,208,615
Dividends paid	15	-	-	-	(3,247,347)	(3,247,347)
As at 31 December 2021		12,489,796	13,856,484	4,166,344	19,885,885	50,398,509
Net profit after tax and total comprehensive income for the year		-	-	-	3,142,623	3,142,623
Dividends paid	15	-	-	-	(3,996,735)	(3,996,735)
As at 31 December 2022		**12,489,796**	**13,856,484**	**4,166,344**	**19,031,773**	**49,544,397**

Al Jazeera Steel Products Company SAOG
Consolidated and separate statement of changes in shareholders' equity
for the year ended 31 December 2022
(Expressed in Omani Rial)

Parent Company	Notes	Share capital	Share premium	Legal reserve	Retained earnings	Total
As at 1 January 2021		12,489,796	13,856,484	4,163,266	14,028,010	44,537,556
Net profit after tax and total comprehensive income for the year		-	-	-	8,542,405	8,542,405
Dividends paid	15	-	-	-	(3,247,347)	(3,247,347)
As at 31 December 2021		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
Dividends paid	15	-	-	-	(3,996,735)	(3,996,735)
As at 31 December 2022		**12,489,796**	**13,856,484**	**4,163,266**	**18,429,038**	**48,938,584**

Al Jazeera Steel Products Company SAOG
Consolidated and separate statement of cash flows for the year ended 31 December 2022
(Expressed in Omani Rial)

		Group		Parent Company	
	Notes	2022	2021	2022	2021
Operating activities					
Net profit before tax for the year		3,705,138	10,715,546	3,634,623	10,019,128
Adjustments for:					
Finance income	25	(85,347)	(93,321)	(85,347)	(93,321)
Finance expense	25	1,375,289	650,951	1,302,296	598,071
Interest on lease liabilities	25	65,504	54,311	61,532	48,868
Depreciation of property, plant and equipment	6	1,506,589	1,560,588	1,502,199	1,558,384
Amortisation of right-of-use assets	7	186,467	153,309	162,964	129,806
Amortisation of intangible assets	8	76,655	-	76,655	-
Provision for obsolete and slow-moving inventories	10	(114,839)	280,817	(108,785)	269,128
(Release of) / allowance for expected credit losses on trade receivables	11	(155,982)	359,512	(164,849)	410,892
Rent concession	20	(45,764)	(45,764)	(45,764)	(45,764)
Dividend income from a subsidiary	23	-	-	(359,114)	-
Loss on disposal of property, plant and equipment	24	45,927	122,902	48,158	122,902
Provision for employees' benefit liabilities	17	295,949	288,385	291,024	285,076
		6,855,586	14,047,236	6,315,592	13,303,170
Inventories		(7,507,912)	(5,693,963)	(7,952,570)	(4,821,226)
Trade and other receivables		8,867,770	(17,939,762)	9,342,465	(18,261,403)
Trade and other payables		(2,175,730)	6,950,782	(2,250,258)	6,865,457
Cash generated from / (used in) operating activities		6,039,714	(2,635,707)	5,455,229	(2,914,002)
Income tax paid		(2,039,068)	(712,906)	(2,007,444)	(685,465)
Employees' benefit liabilities paid	17	(48,333)	(92,671)	(38,768)	(90,606)
Net cash generated from / (used in) operating activities		3,952,313	(3,441,284)	3,409,017	(3,690,073)
Investing activities					
Purchase of property, plant and equipment	6	(1,160,706)	(564,176)	(1,136,630)	(563,549)
Purchase of intangible assets	8	(490,569)	-	(490,569)	-
Proceeds from disposal of property, plant and equipment		12,088	6,617	9,857	6,617
Dividend income received from a subsidiary	23	-	-	359,114	-
Finance income received	25	85,347	93,321	85,347	93,321
Net cash used in investing activities		(1,553,840)	(464,238)	(1,172,881)	(463,611)
Financing activities					
Finance expenses paid		(1,284,287)	(564,885)	(1,211,294)	(512,005)
Dividends paid	15	(3,996,735)	(3,247,347)	(3,996,735)	(3,247,347)
Lease liabilities paid	7	(226,043)	(189,136)	(191,352)	(154,446)
Net proceeds from bank borrowings	16	1,776,679	10,651,277	1,776,679	10,651,277
Net cash (used in) / from financing activities		(3,730,386)	6,649,909	(3,622,702)	6,737,479
Net change in cash and cash equivalents		(1,331,913)	2,744,387	(1,386,566)	2,583,795
Cash and cash equivalents, beginning of the year		7,223,448	4,479,061	6,908,796	4,325,001
Cash and cash equivalents, end of the year	12	5,891,535	7,223,448	5,522,230	6,908,796

Disclosure as required by IAS 7 "Statement of Cash Flows" has been shown in Note 36 to the financial statements.

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:

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

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.

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

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	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.

4. Summary of significant accounting policies (continued)

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.

4. Summary of significant accounting policies (continued)

f) Financial instruments (continued)

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.

4. Summary of significant accounting policies (continued)

f) Financial instruments (continued)

Financial assets (continued)

(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.

4. Summary of significant accounting policies (continued)

f) Financial instruments (continued)

Financial liabilities (continued)

(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.

4. Summary of significant accounting policies (continued)

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.

4. Summary of significant accounting policies (continued)

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.

4. Summary of significant accounting policies (continued)

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.

5. Critical accounting estimates and key source of estimation uncertainty (continued)

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) Implications of COVID-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 organisational 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**

6 Property, plant and equipment (continued)

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

6. Property, plant and equipment (continued)

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

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**

6. Property, plant and equipment (continued)

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 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 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

11. Trade and other receivables (continued)

(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:

13. Share capital and share premium (continued)

	2022		2021	
	Shareholding percentage	**Number of shares**	Shareholding percentage	Number of shares
Name of the shareholder				
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

	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.

16. Bank borrowings (continued)

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 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 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

26. Taxation (continued)

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:

27. Related party transactions and balances (continued)

	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.

33. Financial risk management (continued)

a) Market risk (continued)

(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.

33. Financial risk management (continued)

c) Liquidity risk (continued)

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.