شركة المطاحن العمانية (ش.م.ع)

Oman Flour Mills Company (S.A.O.G.)

2022

ANNUAL REPORT

2022

ANNUAL REPORT

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While it is right we should draw confidence and strength from our achievements, it is to the future that we must turn our eyes and harden our resolve.

His Majesty
Sultan Qaboos bin Said
(November 1980)

The trust thrust on our shoulders and the resultant immense responsibilities require us all to work together for the sake of our country's magnificence.

His Majesty
Sultan Haitham bin Tariq
(January 2020)

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CHAIRMAN'S MESSAGE

On behalf of myself, the Board of Directors, the Executive Management of Oman Flour Mills, our subsidiaries and all the employees of the company, I am pleased to present the annual report for the year 2022 in its new look.

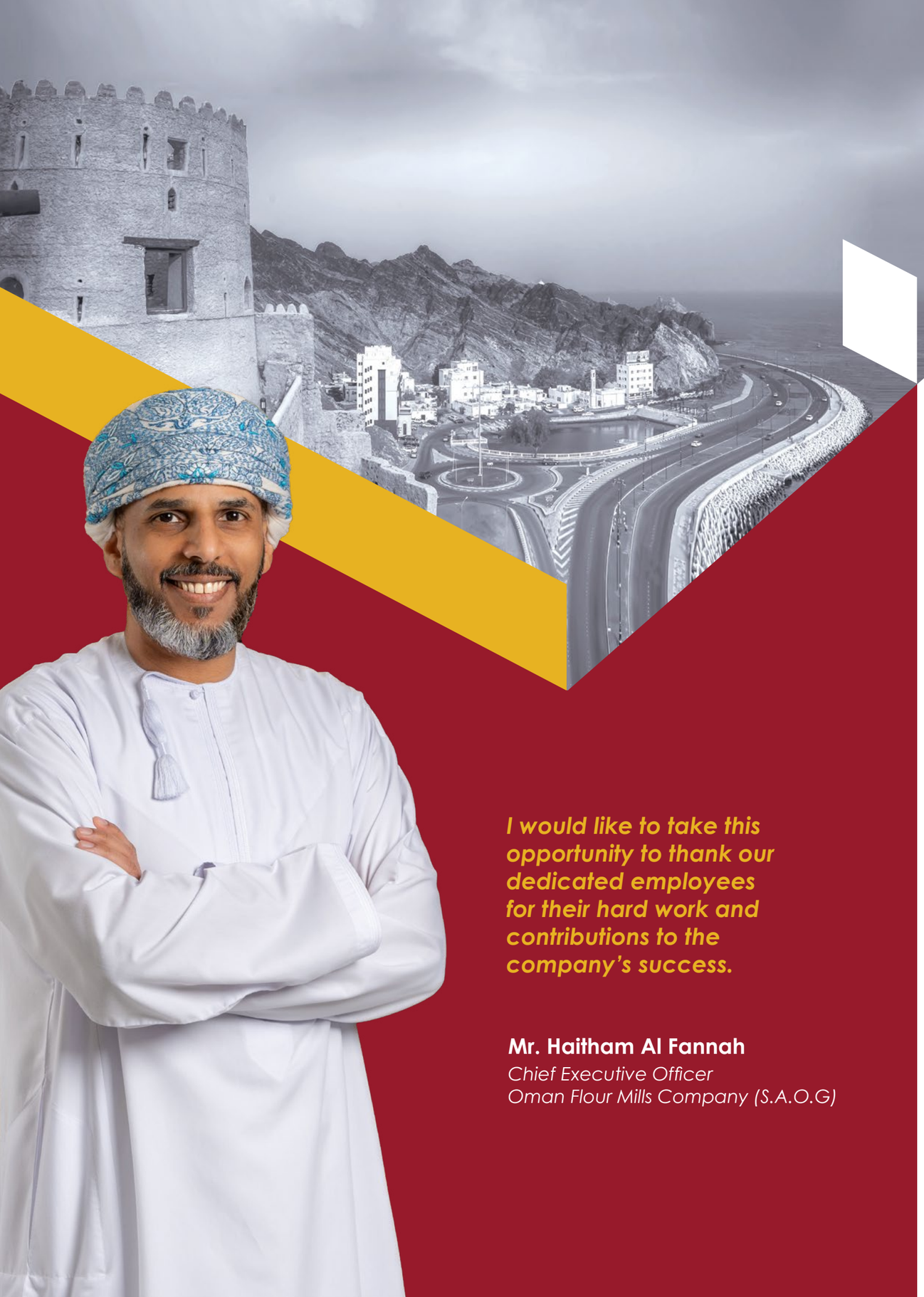
Salah bin Hilal Al-Maawali
Chairman of the Board of Directors
Oman Flour Mills Company (SAOG)

On behalf of myself, the Board of Directors, the Executive Management of Oman Flour Mills, our subsidiaries and all the employees of the company, I am pleased to present the annual report for the year 2022 in its new look. Oman Flour Mills and its subsidiaries have been resilient in such challenging times to cope with the dynamic global markets in order to meet our national aspirations in the milling sector by providing flour and its products as well as animal feed. The report affirms Oman Flour Mills' agility to adapt strategies that aided in significant growth as a prominent indicator highlighted in the report during the year 2022.

The performance of Oman Flour Mills Company over the past years demonstrated its capabilities to respond to economic growth and the high expectations of consumers on the level of expected service. In 2022, the executive management and employees of Oman Flour Mills Company (SAOG) worked diligently to contribute to the development and diversity of the company's products, while adhering to the health and safety rules and regulations. We have worked on enhancing the efficiency within the group companies by implementing the strategies in the milling sector in order to realise our vision to make Oman Flour Mills Company (SAOG) a pioneering model for proficiency in the field of flour services in the region by 2022.

The company works to enhance our excellence and elevate our services by empowering its employees and developing the Omani competencies that are more capable of responding to the economic development of the country. Oman Flour Mills Company (SAOG) continues its path forwarding into the future, as the total revenues of the company amounted to OMR 118.66 million, compared to OMR 97.34 million achieved in the previous fiscal year. The group achieved a growth of 21.9% in total revenues, with the milling sector posting the highest percentage of growth to the tune of OMR 23.2 million. On the other hand, the increase in the total expenditures of the cost of sales and administration expenses amounted to 36% during the year 2022 compared to the previous fiscal year. The main reason for this increase is the rise in production volume. The company achieved a net profit for this period of OMR 2.01 million as compared to OMR 5.3 million in 2021.

Oman Flour Mills Company (SAOG), promisingly, continues its efforts aimed at strengthening its leadership position in the milling sector -flour and its products and animal feed- at the local and international levels. Hence, on behalf of myself and The Board of Directors, I extend our acknowledgement and appreciation to the Executive Management and the employees of the company for providing the best products and services to investors. We seek Allah Almighty's blessing to favour our journey, to guide us and pave our path in serving our dear country under the inspiring leadership of our royal, His Majesty Haitham bin Tariq Al Said, may Allah protect him.



I would like to take this opportunity to thank our dedicated employees for their hard work and contributions to the company's success.

Mr. Haitham Al Fannah
Chief Executive Officer
Oman Flour Mills Company (S.A.O.G)

CEO MESSAGE

Dear shareholders,

I am pleased to present to you the annual report for our group of companies in the food sector. It has been another successful year for us, with revenues reaching new heights and our customer base continuing to grow.

We also made significant investments in technology this year, including the implementation of state-of-the-art robotics in our production facilities. These investments have not only increased efficiency and productivity, but have also positioned us well for future growth.

In addition to these internal investments, we also made strides in expanding our presence in the food sector through strategic mergers and acquisitions. We have successfully integrated several new companies into our group, which has allowed us to diversify our product offerings and strengthen our market position.

I would like to take this opportunity to thank our dedicated employees for their hard work and contributions to the company's success. I would also like to express my gratitude to our valued customers for their continued support.

Looking ahead, we remain committed to innovation and sustainability as we strive to meet the evolving needs of our customers and stakeholders. I am confident that with our strong foundation and talented team, we will continue to achieve great things in the coming year.

CHIEFS' MESSAGES

Mr. Haitham Al-Saadi
Chief Financial Officer

In 2022, OFM continued to strive for excellence by maximizing its organizational capital and adopting a sustainable approach. Our people, finances, infrastructure, and intellectual property remained key differentiators in a highly competitive market. Our focus on sustainability remained steadfast, with all initiatives undergoing a thorough evaluation through economic, social, and environmental perspectives. This holistic approach ensured that all stakeholders' interests were thoroughly considered and incorporated in our decision making..

Mr. Ibrahim Al Amri
Chief Operations Officer

By the end of 2021, I was stating how prepared we were for the market in 2022; and here I am now so proud and happy that we demonstrated it as champions. Agility Oman Flour Mills presented to Oman during the tough circumstances in 2020 and 2021made us a robust market player in 2022. Not just that, in 2022 we were also growing in all frontiers; our sales hit OMR 100 million, in Muttrah we started building a new feed mill & pre-mix plant, in-house teams stretched to our Sohar Milling & Silos operations, we got back on track with our staff technical training schedules and we made a remarkable OFM Team Gathering Event.

The global grains supply disruptions were affecting every company; however in OFM, we managed to run 2022 with no supply shortages and our quality remained the same to our clients and the same competitive prices. As for the production of 2022; it is the highest ever recorded in OFM.

All above achievements were not possible without the hard work and patience of OFM team under the leadership of our CEO and continuous support from the Board."

BOARD OF DIRECTORS

Sheikh Salah bin Hilal Al Mawali
Chairman of the Board of Directors of Oman Flour Mills Company (S.A.O.G)
CEO, Small and Medium Enterprises Development Fund

Eng. Salim Saif Al Abdali
Vice Chairman,
Oman Flour Mills Company (S.A.O.G)
Director of Corporate Communications at Oman Food Investment Holding Company (S.A.O.G)

Hamad Mohammed Al Wahaibi
Board Member,
Oman Flour Mills Company (S.A.O.G.)
Director General of Investment at the Ministry of Defense Pension Fund

Khamis Abdullah Al Farsi
Board Member,
Oman Flour Mills Company (S.A.O.G)
Legal advisor at the Ministry of Commerce, Industry and Investment Promotion

Musallam Mohammed Al Barami
Board Member,
Oman Flour Mills Company (S.A.O.G.)
Director of Quality Assurance at Oman Investment Authority

Saleem Pirbakhash Al Raisi
Board Member,
Oman Flour Mills Company (S.A.O.G.)
Director of the Investment Department, Civil Service Employees Pension Fund

Ahmed Mohamed Al Kindi
Board Member,
Oman Flour Mills Company (S.A.O.G.)
Financial Manager at Al Bashayer Meat Company (SAOC)

Company overview

Oman Flour Mills Co. SAOG was established in 1977 with a capacity of 150 metric tonnes per day of wheat flour and allied products. The company gradually increased its flour milling capacity over the years to 800 MT per today.

In 1983, the company set up an animal feed mill with a capacity of 300 MT per day. Today the company has a capacity of 1500 MT per day for animal feed. The company sells its products under the brand names Dahabi, Barakat and Alpha. Oman Flour Mills turned from a milling company to a Group company with over 15 entities, operating in multiple industries. The group offers top quality product assortment sold both locally and aboard to top tier clients. OFM mix of assets employees more than 1,100 workers. OFM is a positive contributor to the nation with more than OMR 100 million paid back to the Government and other shareholders in the last two decades. OFM is well recognised market player with proven track record and tangible turnaround success stories.

Started in:
1977

Specialised in:
Flour & Feed Products

Capacity:

Flour Mills

Started with:
150 MT per day

Now:
800 MT per day

Feed Mills

Started with:
300 MT per day

Now:
1500 MT per day

Vision, Mission & Values

Vision

To be a leading food manufacturing company within the Sultanate of Oman. The company aims to achieve a net profit of OMR 50 million in the next 10 years by strategic diversification.

Mission

Internal Mission Statement

- Being an employer of choice
- Provide a quality, hygienic work environment

External Mission Statement

- Enhanced Customer Loyalty
- Continuous Community Development

Values

- Integrity in Business
- Commitment to tasks and relationships
- Focused diversification in businesses
- Development of in-house talent

Our Brands

ذهبي DAHABI

ريفي REEFY

أعلاف بركات BARAKAT Feeds

دانه Dana بيض عماني طازج من المزرعة Omani farm fresh eggs

خدمات المكافحه المتكامله للحشرات INTEGRATED PEST MANAGEMENT SERVICES

أريـاف A'Rayaf

بلدي عمان Baledi Oman

ALPHA Excellence in Health & Performance

ATYAB أطيـاب

بون فيفانت BON VIVANT

وطني WATANI

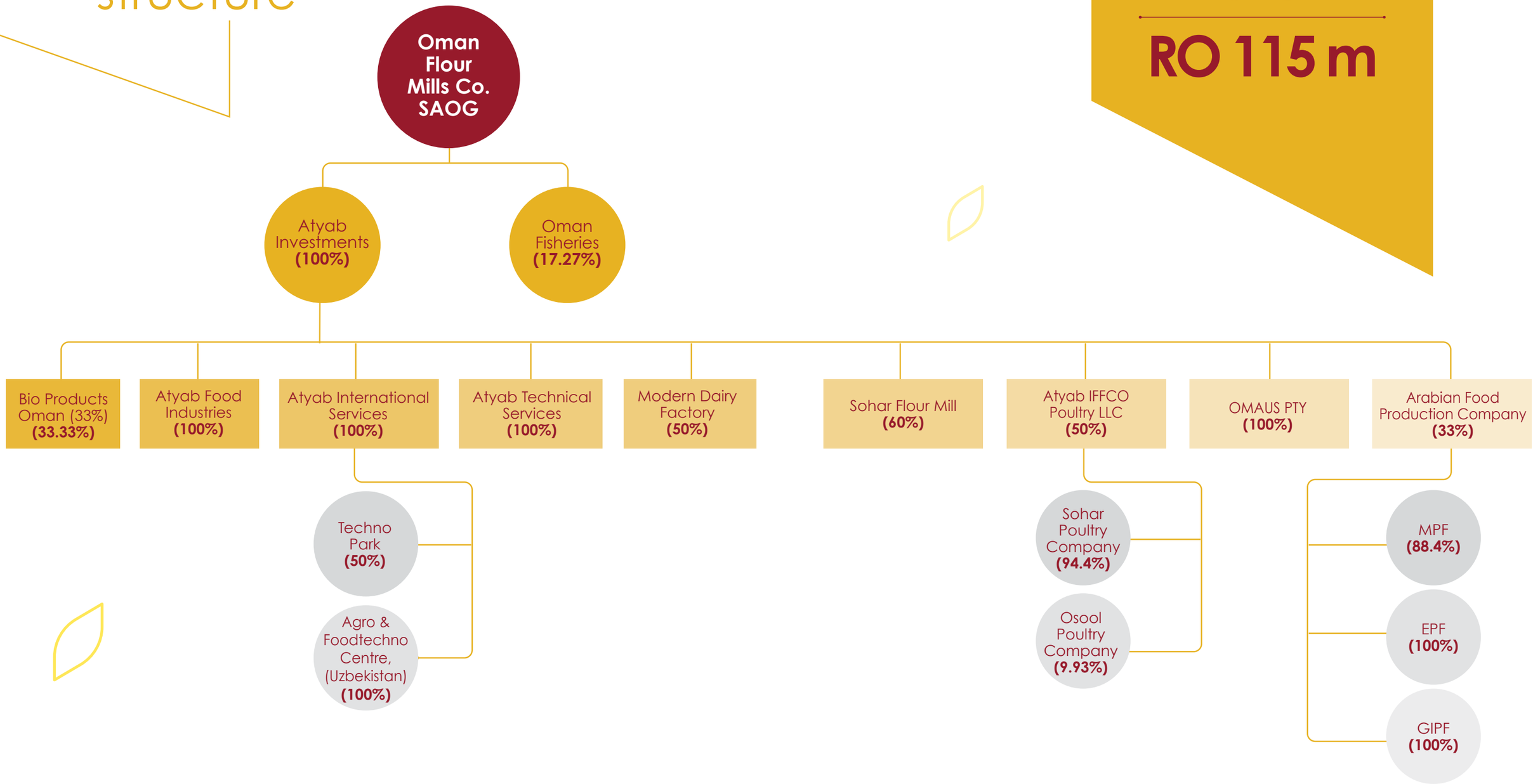
KHALEEJ

الخمائل AL KHAMAYIL

Group structure

Group Size

RO 115 m



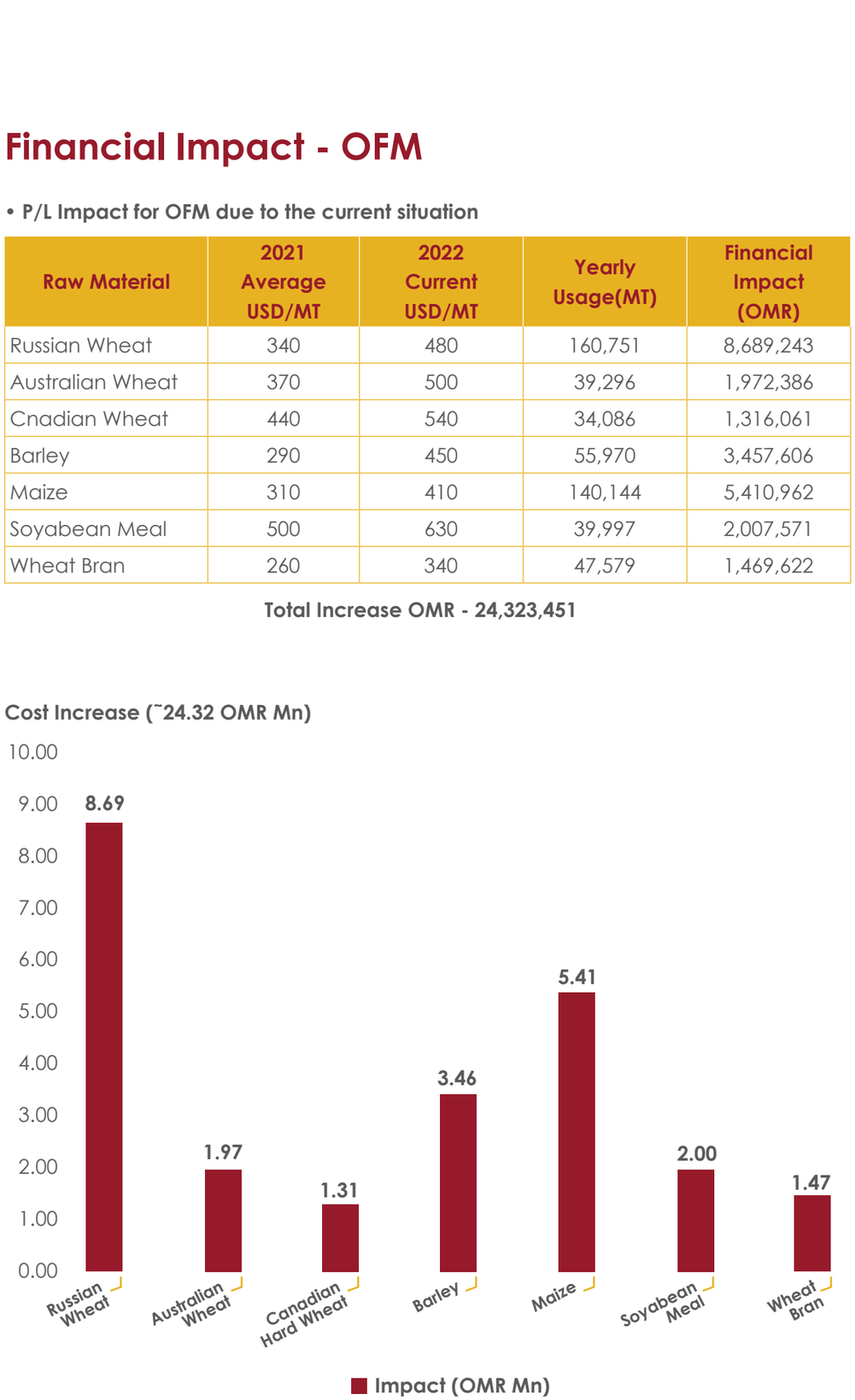
Financial Impact - OFM

- **P/L Impact for OFM due to the current situation**

Raw Material	2021 Average USD/MT	2022 Current USD/MT	Yearly Usage(MT)	Financial Impact (OMR)
Russian Wheat	340	480	160,751	8,689,243
Australian Wheat	370	500	39,296	1,972,386
Cnadian Wheat	440	540	34,086	1,316,061
Barley	290	450	55,970	3,457,606
Maize	310	410	140,144	5,410,962
Soyabean Meal	500	630	39,997	2,007,571
Wheat Bran	260	340	47,579	1,469,622

Total Increase OMR - 24,323,451

Cost Increase (~24.32 OMR Mn)



Drivers of rise in grain price

Supply & Demand

Opening of the major economies after COVID 19 has increased the demand substantially while supply remained constrained.

Weather

Persistent dryness from consecutive La Lina phenomenon impacted grains planting & yield in part of South & Northern Hemisphere countries.

Geopolitics

As a vital grain basket to the world, conflict in Black Sea region impacted the overall food & feed supply chain.

Energy Cost

- Oil prices settled at a three-year high during 2022.
- Shifting to bio-fuel by countries as a government mandates increased demand for bio-fuels, therefore part of food & feed grains had to ration the energy requirements.

Products Launched

Oman Flour Mills and Atyab Investments group of companies are always looking to expand their product offerings. They aim to provide the consumers within the Sultanate of Oman products with excellent nutrition.

Products Launched across the group in 2022

Bur flour - Stone Milled Flour

Omani Bur Flour

Golden Grain Flour

Organic Flour

Flaked Barley

Chakki Atta

Mix Grain

Camel Feeds

New projects

Pre-Mix Manufacturing

Manufacture of imported pre-fabricated mixtures.

Used as animal feed. This step comes to manufacture these imported mixtures locally.

Feed Mill Expansion

Expansion of feed factory by adding a new production line.

Mini Factory Cluster

Diversification in various food industries, including plant-based meats, vegetarian meat healthy bars, and frozen French fries.

Direct Sourcing From Australia

Importing grain directly from the company's certified farmers guarantees its quality and consolidate investment horizons for Omani mills outside the borders of the Sultanate

Our Markets

Saudi Arabia	Tanzania
Qatar	Kuwait
UAE	Iraq
Yemen	Jordan
Tunisia	Bahrain
Somalia	Djibouti

Exports to 20 countries across the Middle East Africa region

What
we do?

Flour Products

- Grains
- Health Products
- Pre-mixes
- Bread Baking Products

Feed Products

- Barakat Cattle Feed
- Alpha Specialised Horse Feed
- Barakat Poultry Feed

Strategic review

OFM works on retaining the market, export opportunities and creating value by value added products, with a driven focus on innovation and best practice for management, growth by pre-mix and more capacity feed mill.

New feed mill project

OFM has worked on adding an additional line in the feed mill. The new line will have an initial capacity of 20 T/HR, which can be expanded to 40 T/HR, in the future. This new line will mainly cater to the increased forecasted capacity of the AFPC project. At peak capacity the AFPC project will have a demand of 43,000 MT of layer feeds per annum. The additional spare capacity will provide an opportunity for the company to export poultry feeds. Qatar offers a good market for poultry feed exports. The project will unlock value once it reaches its full potential.

Diversification initiatives

Atyab focused on diversification strategies to add new product lines into the company profile, such as:

Modern Dairy Factory was acquired by Atyab Investments (40%), the acquisition provides an entry for Atyab into the dairy and beverages sector. Modern Dairy owns the brand Al Khamayil which is one of the oldest and most reputed brands in Oman.

Bio Oman is a new greenfield project between Nakheel Oman and Atyab Investments. The project will manufacture Total mixed ration animal feed and will also have a facility for Aqua Feeds. The company has commenced a pilot facility with the launch of mineral blocks in the market

Direct sourcing of raw materials

As raw materials are the largest component of cost for any milling facility, Atyab has initiated two projects in Australia to get better quality and better long-term commercials.

Direct sourcing from growers – Through this initiative, Atyab is looking at directly buying APW and Feed barley from growers. The immediate benefit is better quality grain as the grain bought avoids blending, and this should improve the extraction in the mill.

Evaluating Land Opportunities – Atyab is also looking at purchasing farm land for the purpose of captive farming. There is tremendous potential to reduce the cost of the grains by having own farming operations.

Other projects under consideration

OFM is considering to manufacture cornstarch and its value added products (Glucose, Sorbitol and Malto-dextrin). The project aims to build upon the corn handling capabilities of OFM.

A pre-mix facility is currently being set-up in the OFM premise. The aim is to have a facility for captive pre-mixes, which could reduce the cost of feed formulations

A cluster for factories is also been planned in 2023, with an aim to have an integrated cluster of small to medium high potential food opportunities

Innovation and sustainability

Integrating innovation and sustainability has been the core driver for further development, hence, project like water lentils is being evaluated for development of an alternative protein source. Water lentils can be cultivated in dry and hot climates like Oman and are an excellent source of protein.

Another considerable innovative solution has been raised is the insect meals, as the Black soldiers fly larvae to be used to manufacture protein meals. Insect meal will have a protein ranging from 42% - 60%. Technology used will be fermentation. In addition, Protein source that can have multiple end use applications.

In addition to that, Food Techno park has been a considerable project that creates a conducive environment to encourage business growth in the food sector by providing support to the food projects in various stages of product and business life cycle across the value chain. The project aims to establish various centers to undertake the gaps in the food industry such as the food training centre in which it promotes responsible, efficient and sustainable practices across the food value chain. Also, food quality centres that help improve quality of food products.

أطياب للخدمات الدولية ais ATYAB INTERNATIONAL SERVICES

ATYAB INTERNATIONAL SERVICES

In 2021, Atyab Foodtech, now called Atyab International Services, expanded its presence into Uzbekistan with the construction of a laboratory. The inauguration of the new facility in Uzbekistan is expected in the first quarter of 2023.

The company is working closely with the Ministry of Agriculture in Uzbekistan for this project.

ATYAB أطياب

ATYAB FOOD INDUSTRIES

ATYAB FOOD INDUSTRIES LLC was established in 2012. It is a subsidiary of Atyab Investments L.L.C., the investment arm of Oman Flour Mills S.A.O.C., the largest food processing company in the Sultanate.

The company has an automated production facility and houses best-in-class machinery with an hourly capacity to produce 24,000 buns, 6,500 packs of sliced bread, 26,000 pieces of Arabic bread, and a wide variety of muffins, croissants, puff pastries, cakes, and other specialty products. In addition, the plant houses fixed production lines that produce specialty buns, baguettes, pizzas, frozen dough, etc. The industrial facility is spread over 60,000 square meters in Barka, the Sultanate of Oman. The company has expanded its business to the UAE, Yemen, Qatar, Saudi Arabia, Bahrain, Iraq, Kuwait, Jordan, Pakistan, and Hong Kong. The products are delivered fresh every day to more than 6000 outlets via a fleet of 200 vehicles through Oman and the UAE. Our products are sold under the brand names “Dahabi” and “Atyab” and distributed throughout Oman with the company’s depots at Barka, Saham, Muscat, Ibra, Nizwa, Salalah, and the UAE.

Community services

Giving is a high degree of human awareness, especially when it is accompanied by enjoyment of what we do towards society. The 2022 annual report contains sustainable projects that serve a large segment of the Omani society such as:

Health, environment, education, charitable organisations, the National Committee for Disabled Care.

Our Vision:

A pioneering social contribution that drives sustainable development.

Our Mission:

Providing innovative solutions to the contemporary challenges of the society in various fields such as health, environment and education. Thus, we create a positive impact on the society around us. Everyone can participate with the aim of developing a social sector that keeps pace with our aspirations for a happy and cohesive society that provides opportunities for community empowerment and participation.

Our Values:

- Community Happiness
- Volunteering & Social Responsibility
- Learning & Innovation
- Leadership & Teamwork
- Transparency

The total amount that was spent on all initiatives and projects in 2022 is estimated at about

OMR 150,000

Summary of **all initiatives**

Social Responsibility Initiatives in 2022

Total cost
OMR 150,000 (2022)

Environment Sector
OMR. 20000

Health Sector
OMR. 1500

Charities & National Committee for Disabled Care
OMR. 32699

Sports Sector
OMR. 9690

Education Sector
OMR. 13942

Community Services
OMR. 95000

OFM Relief Fund:

The "For You" campaign aims to support individuals and families in need by providing them with flour products, particularly during the month of Ramadan and natural disasters. The charitable campaign, called "for you" is organized by the employees of the Mills who distribute boxes containing flour products in various areas, in collaboration with over 75 charitable organizations. During the campaign, approximately 80,000 families were provided with supplies for Ramadan, and a total of OMR 95,000 was spent on this initiative.

Supporting the programs of Charities and the National Committee for the Disabled Care:

We collaborate with charitable organizations and the National Committee for the Disabled Care to review their programs and identify the appropriate programs to support. As part of our efforts, we purchased and distributed approximately 300 prosthetic devices to disabled individuals in Ibri, Muscat, and Sohar, as well as charitable organizations. The total cost of this initiative was around OMR 32,699.

Maintaining a clean and hygienic school environment is crucial for ensuring the safety and well-being of students and visitors alike. Studies have shown that the overall school environment can significantly impact students' academic achievements, making it even more important to prioritize cleanliness. To support the development of a healthy school environment, we can take a variety of actions, such as ensuring proper waste disposal, regularly cleaning classrooms and common areas, and promoting good hygiene practices among students and staff. By prioritizing cleanliness and hygiene, we can create a positive learning environment that supports the health and academic success of all students. Supporting government schools in their efforts to improve and provide a healthy and safe environment for students and teachers is essential. Through a recent initiative, we were able to beautify five schools by sheltering and grassing their outer courtyards. The total cost of this initiative was approximately OMR 13,942. By investing in the development and improvement of schools, we can ensure that students and teachers have access to a conducive learning environment that promotes their well-being and academic success

Contribution and support in the development of playgrounds:

Supporting the development, improvement, and provision of a healthy and safe environment for sports fans is crucial. In a recent initiative, we modified and beautified five sports playgrounds by carrying out maintenance and grassing, as well as building toilets. The total cost of this initiative was approximately OMR 9,690. By investing in sports facilities, we can promote healthy lifestyles and provide safe spaces for sports enthusiasts to enjoy their activities. This can have a positive impact on the overall well-being of the community and help to foster a culture of physical activity and sportsmanship.

The health sector is considered an important component of sustainable development and the pillar of healthy societies:

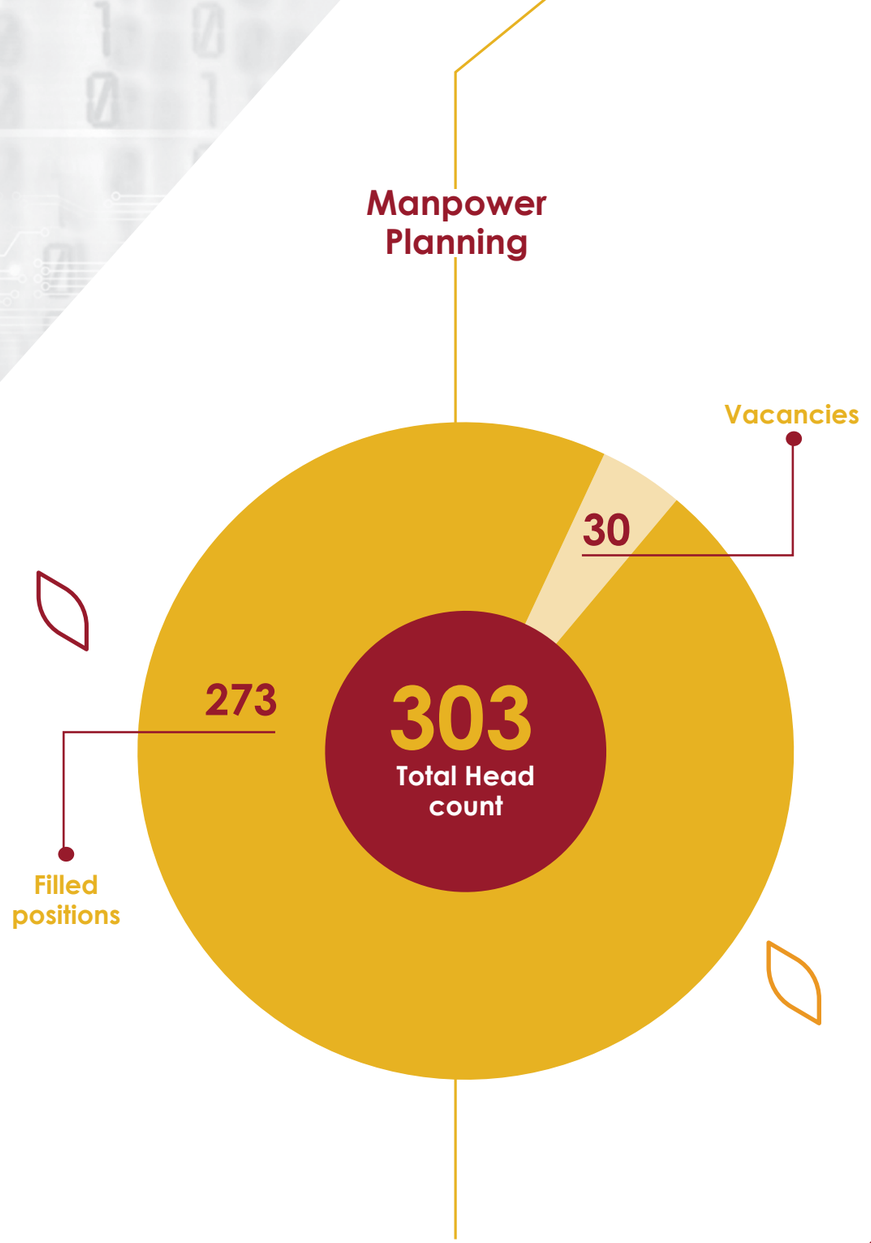
We supported some activities that have been established in health centers in Muscat, and the total amount for this initiative was about OMR 1500.

The Holy Qur'an has emphasized the importance of protecting and preserving the environment, considering it a religious duty for Muslims. God Almighty has commanded us to treat the environment as a public property, which must be preserved along with its components, wealth, and resources.

In the environment sector, we have taken action by establishing a garden spanning an area of approximately 300 square meters at the courtyard of the Dima wa Taayeen State Hospital. This project serves a large segment of society in the region, providing them with a green and tranquil space to enjoy. The total cost of this initiative was approximately OMR 20,000. By investing in the environment and promoting its preservation, we can foster a culture of sustainability and protect the planet for future generations.

White Flour (NO. 1)
NET WEIGHT 10 KGS AT PACKING

HR Dashboard Report 2022



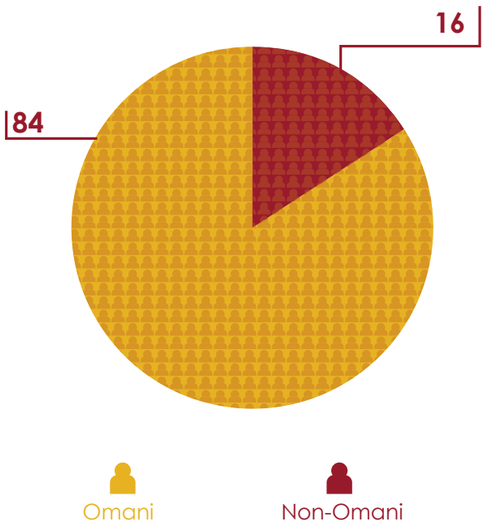
25 New Joiners up to 31 Dec.

Omanisation & Gender

Omanisation

Omani

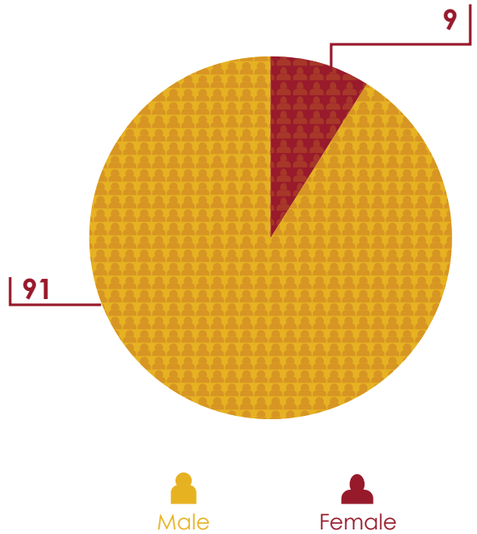
Non-Omani



Gender

Male

Female



Diversity

INDIA

PHILIPPINE

INDONESIA

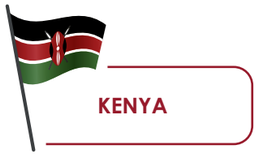
PAKISTAN

NEPAL

BANGLADESH

SUDAN

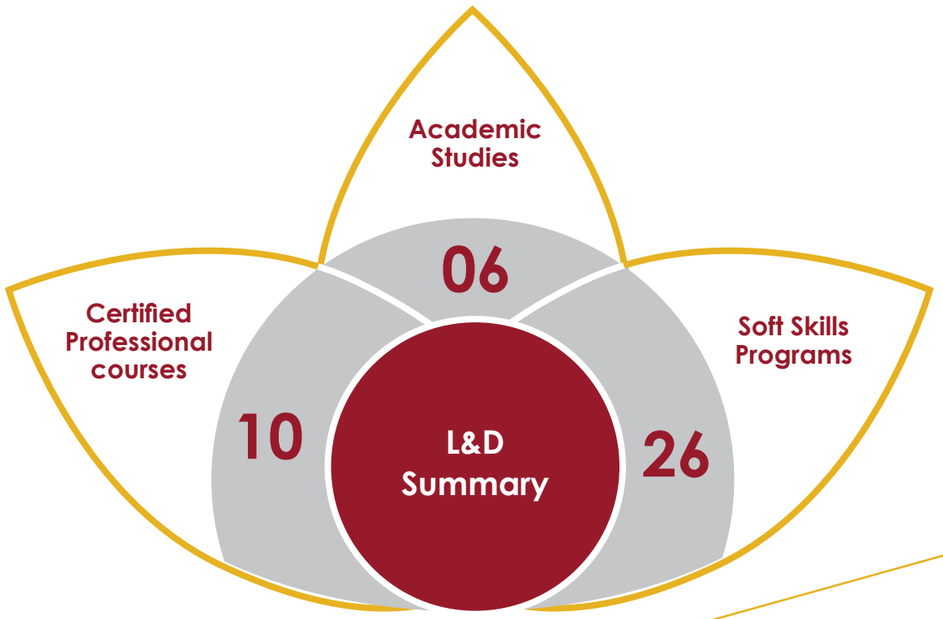
ZIMBABWE


KENYA

SOMALIA

USA

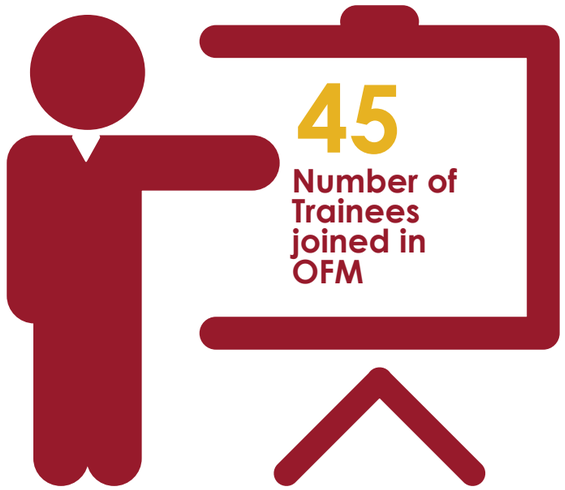
Learning & Development



Well-being and Engagement

Reward & Recognition

Internship in OFM



HR 2022
Projects

PROJ 1

Job Analysis & Evaluation

PROJ 2

Job Evaluation

PROJ 3

Reward & Recognition

PROJ 4

Leadership assessment

PROJ 5

New HRMS

Innovation
for future

Innovation plans & improvements of existing product lines

Innovation is crucial to the continuing success of any organisation. At Oman Flour Mills (OFM), innovation plays a key role in optimizing product lines or processes, leading to increased profitability and productivity. At OFM, innovation is primarily used in the areas of upgrading the operating systems of the business or by introducing modern technologies for automation at the flour mill, feed mill and port silo.

Two examples of innovative products at OFM 2022

The new FAWEMA machines for small packing lines at Oman Flour Mills exemplify innovation and improvement. The 37-year-old machine, with a single 1.5kg format and a capacity of 25 bags/minute, was replaced with a new machine that offers four formats (1kg, 1.5kg, 2kg, and 5kg) and a capacity of 65 bags/minute. This modernisation enables Oman Flour Mills to respond more quickly to production demands and daily forecasts, which supports marketing and sales staff in meeting market requirements and commitments.

In addition, OFM has introduced automated packing lines, palletizers, and robots for the 10kg, 25kg, 40kg, and 50kg product lines. OFM will replace the 30-year-old OCMEL bran palletizer with an automated robotic system that improves production and throughput at the flour mill. OFM's implementation of innovative practices in these two cases offers direct and measurable enhancements to productivity and profitability.

Innovation is often necessary for OFM to adapt to and overcome the challenges. In the workplace, innovation refers to the process of introducing new ideas, services, machines, devices, products, business processes, or methodologies. Innovative solutions can improve existing products or services, solve problems, and enhance productivity of production processes on-site at flour, feed, and port silos by using a master plan annual project and future expansions to develop production lines, machines, warehouses, supply chain management, facilities, and people.

Our current plan for Tch-manufacturing:

Technological innovation involves the creation of new or improved products or processes, such as the flaking line at the feed mill, which have significantly different technological characteristics from their predecessors. Technological product innovations can take the form of new products, while process innovations involve the application of new processes.

At our mills, we have implemented several technological product innovations, including the automation of packing lines. Additionally, we are in the process of removing all OCMEL palletizers in the flour and feed mills and replacing them with new palletizers and robots. "We plan to install" as 2022 is over.

To improve efficacy and maintenance, we are reviewing the efficacy of some production lines and exploring solutions that may involve combining two packing lines into one with double speed and better efficacy. For instance, we have installed a new Fawema machine in the small packing line and robot palletizers to achieve this goal.

Board of Directors' Report

Respected Shareholders,

On behalf of the Board of Directors, I present Oman Flour Mills Company SAOG (the Parent Company) along with its subsidiaries financial statements for the year ended 31 December 2022.

Group Performance Highlights:

Revenue: The total revenue registered is OMR 118.66million as compared to OMR 97.34 million posted in the previous year i.e. an increase of 21.9%. All sectors achieved an increase in the revenues, mainly flour sector by 28% and feed sector by 23%.

Expenses: The group's total expenses (COGS, selling and admin) have increased by 29.3% as compared to the previous year. The main reason for its increase is attributed to the increase in the purchase prices of raw material compared to last year.

Investment & other income: The group earned total investment income of OMR 1.32k as compared to OMR 1.04k. There was an increase mainly due to the rental income from the newly completed silos of Sohar Flour Mills. The rental income received this year was OMR 328k. This was offset by the fair value losses due to decrease value of the Company's investments in the Muscat Stock Exchange.

Net Profit: The net profit after the tax recorded for the year is OMR 1.75 million as compared to OMR 4.74 million in 2021. The group's net profit has reduced by 63.1% compared to the previous year.

Parent, Subsidiary and Associates Companies:

The parent company's performance (before tax), along with its subsidiaries and associates, is as follows:

1. Oman Flour Mills Company SAOG (OFM): OFM sales revenue has increased by OMR 22.8 million (29.4%) as compared to the previous year mainly due to increase in the sales price by 16.0% followed by increase in the sales volume by 13.4%. This was offset by increase in the raw material prices. Raw material cost has increased by OMR 24.6 million (36.2%) mainly due to an overall increase in the prices of raw materials (grains) by 22.8%, followed by increase in the quantity sold by 13.4%. This has led to an overall decrease in the operating profit by OMR 2.5 million (-42.8%) as compared to the previous year. OFM recorded a profit (before tax) of OMR 2.6 million as compared to previous year's profit (before tax) of OMR 6.3 million.

During the year, the Ministry of Finance took the initiative to stabilise the fluctuating grain prices by granting subsidy. The Company has taken a total credit of OMR 4.45million as subsidy income during the year (net of agreed discounts). Subsidy for wheat was OMR 3.75 million and for feed raw materials were OMR 696k (net of agreed discounts).

2. Sohar Flour Mills LLC (SFM) (60%): The Company completed its silo project during the year. The silos are fully operational and was inaugurated on January 4, 2023. The silos have a total capacity of 160k MT and this opens up a new revenue stream for the Company.

During the year, the company's revenue rose by OMR 389k. This was offset by increase in the cost of goods sold by OMR 949k. Increase in the cost of goods sold was mainly due to the increase in the prices of grains and depreciation costs related to the new silos. The company look forward to utilize the new storage spaces to control the grain prices in the coming years. SFM has reported a net loss of OMR 1,910k as compared to loss of OMR 1,430k for the previous year. The net loss after tax was reduced to OMR 646k after the recognition of deferred tax income of OMR 1,264k during the year.

3. Atyab Food Industries LLC (AFI) (100%): AFI, in a bid to expand its presence in the region, has started a new entity in the UAE. The new branch, which was opened in 2022, is fully operational.

During the year, the company's revenue rose by OMR 1.79m (14%). This was offset by the increase

in raw material prices and initial setup and pre-operational costs of the UAE branch. In addition, company had to provide a one-time provision of OMR 500k during the year against a litigation. AFI made a profit (before tax) of OMR 1.48k as compared to previous year's profit of OMR 1,010k.

4. Atyab International Services LLC (AIS) (100%): AIS has setup a fully equipped laboratory in Uzbekistan. The new foreign branch will be fully operational from 2023. This will be a new revenue stream for the Company.

During the year, AIS made a profit (before tax) of OMR 168k as compared to the previous year's profit (before tax) of OMR 354k. The decrease in profit is due the one-time expenses incurred in setting up its new subsidiary in Uzbekistan followed by the increase in the cost of operation.

5. Atyab Technical Services LLC (ATS) (100%): ATS has a net loss of OMR 2.97k during the year. The losses are due the provision provided against the receivables during the year.

6. OMAUS (100%): The Company in Australia was formed in the current year as a part of the vision of the group to directly import the raw materials from the growers. The Company will be having its first shipment of wheat from Australia in the first quarter of 2023.

In addition, the management is planning to acquire a land in the country to grow wheat and to export to Oman for the groups consumption. The process to acquire the land has already been initiated. During the year, the Company incurred a pre-operational cost of OMR 15k.

7. Oman Fisheries Company SAOG (OFC): The share of OFM in the associate was reduced from 25.16% to 17.27% during the year as a result of new investors getting added in the Company. OFM had a share of loss of OMR 73k in the year 2022 from the associate.

8. Food Techno Park LLC (FTP) (50%): AIS holds 50% stake in FTP. The Company has not yet commenced its commercial operations. During the year, the Company incurred a pre-operational cost of OMR 4.7k.

9. Bio Product Oman SAOC (BPO) (33.33%): Atyab Investment LLC holds a 33.33% stake in BPO and Nakheel Development holds 66.67% shares. BPO reported an initial operational expense of OMR 158k during the year. The Company is still not fully operational.

10. Atyab IFFCO Poultry (50%):

a. Sohar Poultry Co SAOC (SPC): SPC had an increase in revenue of OMR 1.6m (23%). The increase in revenue was mainly due to the rise in quantity sold by 1.2k MT compared to the previous year. The company had an increase in production of birds by 26%. During the year, the Company has reported a profit of OMR 218K as compared to the loss of OMR 392K in the previous year. However, in the previous year Company had a one-time provision of OMR 628k but in the current year, there was no such provision recorded.

b. Osool Poultry Co. SAOC: The share of Atyab IFFCO amounted to 9.9% of the Company's capital as of 31 December 2022. The Company reported a net loss of OMR 3,501k during the year. The Company is not fully operational.

11. Arabian Food Production Company SAOC (AFPC) (33.33%):

a. Modern Poultry Farms SAOC (MPF): MPF has reported a net loss of OMR 441k as compared to the loss of OMR 392k in the previous year.

b. Emirates Poultry Farms (EPF): The Company has reported a net loss of OMR 2671k as compared to the loss of OMR 211k in the previous year.

c. Gulf Poultry Farms (GPF): The Company commenced its new farm egg project in Ibri in December 2022. During the year the Company has reported a net loss of OMR 250k.

Awards and Achievements:

Oman Flours Mills achieved a new milestone by grossing a revenue of OMR 100 million during the year.

In partnership with AFPC, the Company build a new egg farm under GIPF in Ibri. The farm is extended to an area of 18 million square meters, and it is considered one of the largest poultry farms for table egg production in the GCC countries.

The Company completed its SFM silo project in the year 2022. The storage capacity of the project is 160,000 MT, and it is considered one of the strategic national projects. It will help increase the storage capacity of the grains to ensure that there are sufficient quantities to cover the consumption in the Sultanate of Oman for longer periods. The project stems from the responsibility assumed by OFM in enhancing food security and securing a strategic stock of grains.

To support local growers in Oman, the Company has signed an agreement to continue to procure wheat from growers at harvest. The Company procured 1,174 MT of Omani wheat in the current year compared with approx. 300 MT procured in 2021.

Corporate Social Responsibility (CSR):

In the last AGM held on 27-March-2022, the shareholders have approved a budget of OMR 150,000 for CSR activities.

Appropriate projects covering a wide range of activities/beneficiaries such as sponsoring schools, youth training, sporting events, SME development, Ramadan initiatives, and other humanitarian aids will be taken up to achieve the objectives of the shareholders.

Future Outlook:

Multiple projects are being evaluated across the group. The projects focus on integration across the value chain as well diversification into new ventures.

OFM future plans are:

- OFM is completing its first trial shipment of wheat (APW), which has been bought directly from growers in Australia. The ship is expected to arrive in Oman in March 2023. The quantity of wheat is about 34,500 MT. The Company is expected to achieve savings during the aggregation process, in addition the quality of wheat is expected to be better as the grains are sourced from fewer sources that giving better consistency.
- Pre-Mix and New Feed mill expansion – The Feed mill and Pre-Mix Projects are progressing well and have commenced civil construction.
- To develop an industrial cluster for various mini factories; The Company has developed a schematic for the cluster. In addition, the Company is in the process of shortlisting a consultant to study the top 10-12 industries that would become a part of the cluster. Further, a food scientist has been retained to assist in new product development for potential products that could be included as a part of the cluster.

- OFM is also working on evaluating farming opportunities in Australia. The company has evaluated a few properties.
- OFM acquired a 40% stake in Modern Dairy Factory LLC in 2023. In February 2023, the company re-launched the Al Khamayil brand.

Future Outlook (Continued):

Other group companies

- AIS is progressing in setting up a fully integrated laboratory in Uzbekistan, Agriculture is one of the main sectors in Uzbekistan. The company is established and pre-operative activities are in progress, which is due to commence operations in 2023
- AIS is planning to open a new fully equipped laboratory in Kazakhstan.
- A steering committee has been formed to lead the Food Technopark project.
- AFI now has its own distribution set up in UAE.
- Bio Product Oman is a new venture, which aims to make Long Fiber Pellets for animal Feed and Aqua Feed. The project is currently in pre-operative execution phase.

Thanks and Appreciations:

The Members of the Board of Directors would like to extend their most sincere appreciation and gratitude to the wise government for the continuous support under the leadership of His Majesty Sultan Haitham bin Tariq, may God protect and preserve him.

Best Regards,

Salah Hilal Al Maawali

Chairman, Board of Directors

Corporate Governance Report

The purpose of corporate governance is to set out processes by which corporates are controlled and directed to create efficient enterprises contributing to building a strong, transparent and competitive national economy. The aim of such process is to mitigate any adverse impact on the national economy, the stakeholders and the local community arising from failure to comply with corporate governance best practices.

Therefore, the CMA corporate Governance for public listed companies is the principal code and driver of corporate Governance practices in the Sultanate of Oman.

In accordance with the Capital Market Authority (CMA) guidelines, we are pleased to present the Corporate Governance Report of Oman Flour Mills Co SAOG (the Company) for the year ended 31 December 2022.

Company's Philosophy

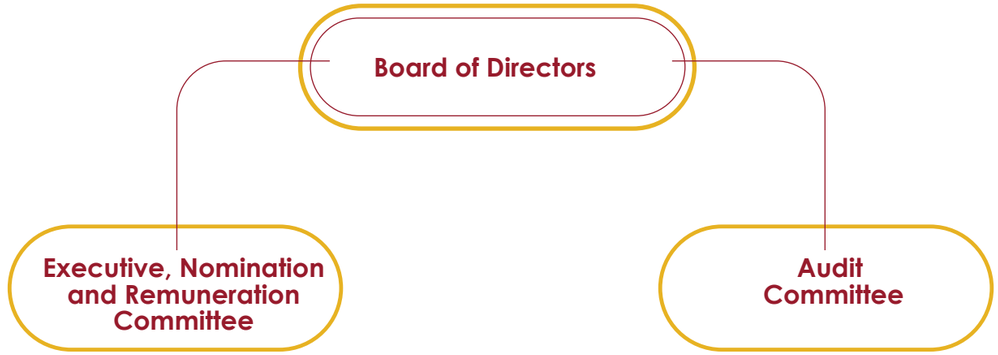
At the core of Governance practice is the Board, which oversees how the management serves and protects the long - term interests of the stakeholders of the Company. We believe that an active, well – informed and independent Board is necessary to ensure the highest standards of corporate governance.

Main pillars followed by Directors and Management are as follows:

- Be transparent and maintain a high degree of disclosure.
- Satisfy the spirit of the law and not just the letter of the law
- Performance of duties with honesty and integrity.
- Acting with prudence, care and diligence.

The Board and the Committees meet frequently to discuss strategic and essential matters. The Company has adopted and implemented all the provisions of the corporate governance code as laid down by the CMA.

During the financial year 2022, the Company applied most necessary principles and recommendations of the new Code of Corporate Governance for MSX listed companies.



The Company follows Commercial Company Law where the process of nomination of directors is stipulated clearly. The Directors are severally and jointly liable before shareholders in achieving the Company's goals and objectives. They shall be primarily concerned with the Company's interests. The Board is responsible for overseeing the Company's management and business affairs and makes all major policy decisions for the Company. The Board is also responsible for the Company's compliance with the applicable rules and regulation. The Board continuously

protects and enhances shareholder's value by looking after the Company's overall corporate governance. The Board members have acknowledged that they shall, during the term of Board, remains compliant with the applicable rules and regulations, and they shall inform the Companies of any changes in their category or status.

The functions of the Company's Board of Directors comply with the functions laid down as per the Code of Corporate Governance by CMA. These include, amongst others, the following:

- Approve business and financial policies to meet the objectives of the Company.
- Review and approve the Company's annual budget.
- Review and approve the Company's financial statements.
- Nominate members of sub-committees.
- Ensure compliance with regulatory requirements, policies, procedures and laws.
- Appoint and evaluate senior management executives.
- Review effectiveness of systems and procedures of internal control.
- Evaluate and approve investment decisions.

The Management provides the Board with adequate information to enable them to make appropriate decisions.

Composition and classification of the Board

The Board of Directors consists of seven directors elected by the shareholders in the AGM held on 17 March 2020.The term of office of the Board of Directors will expire in March 2023.

The composition of the Board and Members› attendance is as follows:

Composition and classification of the Board

Name of Director	Category	Represents	No of Directorship	Attended last AGM
Sheikh Salah Hilal Al Mawali (Chairman of Board of directors and Chairman of Executive, Nomination and Remuneration Committee)	Non–executive	Private	3	Yes
Eng. Salim Saif Al Abdali (Deputy Chairman)	Non–executive	OFIC	2	Yes
Mr. Hamed Mohamed Al Wahaibi (Chairman of Audit Committee)	Non–executive	Ministry of Defense Pension Fund	2	Yes
Mr. Saleem Pir Baksh Shahdad Al Raisi	Non–executive	Civil Service Pension Fund	2	Yes
Mr. Khamis Abdullah Al Farsi	Non–executive	Private	1	Yes
Mr. Musallam Mohammad Al Barami	Non–executive	Private	1	Yes
Mr. Ahmed Mohammad Al Kindi	Non–executive	Private	1	Yes

Board Members:

The Company has an active Board of Directors to lead the company, follow-up and control its business. The Board is collectively responsible for the Company's success in achieving its long-term objectives, and the Board should work with the executive management, without interfering in its day-to-day tasks.

Below is brief profile of the Board Members:

Sheikh Salah bin Hilal Al Maawali, CEO (SME Development Fund), Chairman of Oman Flour Mills Company SAOG, has a wealth of experience in business management. During his career he held several leadership positions in the Ministry of Commerce and Industry. He holds a MSc degree with an Honors in International Trade from the University of Britain and a Bachelor of Business Administration.

Eng. Salim bin Saif Al Abdali, Director of Corporate Communications (Oman Food Investment Holding Company (S.A.A.) and Vice Chairman of the Board of Directors of Oman Flour Mills Company SAOG. He holds a Master's degree in Agricultural Economics, formerly director general of planning at the Ministry of Agriculture and Fisheries

Mr. Hamad bin Mohammed Al Wahibi, He has practical experience of more than 22 years in the field of investment, asset management, business development, project finance and the financial sector. He is currently the Director General of Investments at the Ministry of Defense Pension Fund. He is a member of the Board of Directors of Oman Flour Mills Company, National Bank of Oman and Renaissance Services Company. He holds a Master of Business Administration (MBA), a Chartered Financial Analyst (CFA), a Chartered Alternative Investment Analyst (CAIA), and a Certificate in Investment Performance Measurement (CIPM).

Mr. Salim Bin Pir Bakhsh Al Raisi, Principal Director of The Investment Department (Civil Servants Retirement Fund) and board member of Oman Flour Mills Company SAOG holds a bachelors degree in commerce and economics and has more than 20 years of experience in the fields of investment, besides sufficient experience on the boards of directors of companies.

Mr. Khamees Bin Abdullahl Al Farsi, Director General of Commerce at the Ministry of Commerce and Industry and a member of the Board of Directors of Oman Flour Mills Company SAOG. He also holds a bachelors degree in law.

Mr. Musallam bin Mohammed Al-Barami, He is the Quality Assurance Manager at OIA. He previously worked as a manager of the Data and Investment Reports Department at the Ministry of Finance. He holds a Bachelor's degree in Finance from the College of Economics and Political Science at Sultan Qaboos University. He has an IC3 International Certificate in Internet and Computer Science, and a Diploma in International Accounting accredited from the Netherlands. He has extensive experience in the field of financial analysis, and budgeting and strategic planning for corporate investments. In addition, he participated in some government companies' boards of directors and committees.

Mr. Ahmed bin Mohammed al-Kindi, He is Finance Director at Al-Bashayer Meat Company SAOC and a member of the Board of Directors of Oman Flour Mills Company SAOG. He holds a bachelors degree in commerce and economics and has served in many administrative positions in the Administrative Court between 2009 and 2014.

During the financial year 2022, the Board met 6 times. The Board and the Audit Committee have

discussed with the internal and external auditors the overall scope and plan of their audits to ensure that all significant internal control risks and compliance matters have been covered, and have assessed the independence of the statutory auditors. They conclude that the internal controls are effective and adequate.

Details of Board meetings held during the year:

Director	24/2/22	9/5/22	10/8/22	11/10/22	26/10/22	29/12/22
Sheikh Salah Hilal Al Mawali (Chairman)	✓	✓	✓	✓	✓	✓
Eng. Salim Saif Al Abdali (Deputy Chairman)	✓	✓	✓	✓	✓	✓
Mr. Hamed Mohamed Al Wahaibi (Chairman of Audit Committee)	✓	✓	✓	✓	✓	✓
Mr. Saleem Pir Baksh Shahdad Al Raisi	✓	✓	✓	✓	✓	✓
Mr. Khamis Abdullah Al Farsi	✓	✓	✓	✓	✓	✓
Mr. Musallam Mohammad Al Barami	✓	✓	✓	✓	✓	✓
Mr. Ahmed Mohammad Al Kindi	✓	✓	✓	✓	✓	✓

Nomination of the Board of Directors:

Anyone who wishes to stand as a candidate for the Board and is eligible for the same as per regulations as well as the Articles of Association, is required to submit an application form (as prescribed by the Capital Market Authority) not later than 2 days before date fixed for the General meeting for election of the Board members .

A candidate who stands for election to the Board is elected at the General Meeting by following the procedures laid down in the Commercial Companies Law, and rules and regulations issued by the CMA. The directors shall be elected on the basis of directives issued by Royal Decree NO .18/2019 secret ballot by the shareholders.

Audit Committee:

The Audit Committee, consisting of 3 members, is formed as per the guidelines specified under Tenth principle of the Code of Corporate Governance issued by CMA.

The Board has approved the Audit Committee charter. The main responsibilities are as follows:

- Assess the effectiveness of the Company's system of internal control over its operations and the process of identifying risks.
- Review the annual financial statements along with the related reports prior to them being sent to the Board for their approval.
- Review and approve the quarterly financial statements submitted to regulatory authorities.
- Review and assess the performance of statutory and internal auditor.
- Review and recommend to the Board any amendment of policies and measures for improving internal procedures.
- Oversee the Internal Audit Function in general and with particular reference to reviewing the scope of the annual internal audit plan, reports submitted by internal audit pertaining to critical areas, efficacy and adequacy of internal audit and control systems and ensuring full access to all relevant documentation;
- Review the risk management policies;
- Review compliance with disclosure requirements prescribed by the CMA, legal matters and related party transactions;
- Ensure the adoption of appropriate accounting policies and principles;

Details of Audit Committee meetings held during the year 2022:

Director	22 /2/ 22	6/3/22	9/5/22	9/8/22	26/10/22	7/11/22	18/12/22
Mr. Hamed Mohamed Al Wahaibi (Chairman-Audit Committee)	✓	✓	✓	✓	✓	✓	✓
Mr. Musallam Mohammed Al Barami	✓	✓	✓	✓	✓	✓	✓
Mr. Ahmed Mohammed Al Kindi	✓	✓	✓	✓	✓	✓	✓

Executive, Nomination and Remuneration Committee

As per the requirement of the new code of corporate governance, remuneration committee was formed and existing Executive committee members became members of it. The role of remuneration and executive increased and its main responsibilities are mentioned below. The committee is comprised of 4 members and chaired by the chairman of the board of directors.

The Committee's main responsibilities are:

- Review the compensation structure of the senior management.
- Succession planning of management
- Look for and suggest positions of senior management as and when required.
- Ensure that the investments are in accordance with the investment policies approved by the Board.
- Monitor the performance of the investments held by the Company.
- Identify and review new investment opportunities.
- Review the annual budgets and recommend to Board for approval. Regularly monitors the performance against the budget.

Details of Executive, Nomination and Remuneration Committee Meetings held during the year are as follows:

Director	6/2/22	21/7/22	14/9/22	28/12/22
Shk. Salah Hilal Al Mawali (Chairman)	✓	✓	✓	✓
Eng. Salim Saif Al Abdali (Deputy Chairman of Board)	✓	✓	✓	✓
Mr. Saleem Pir Baksh Al Raisi	✓	✓	✓	✓
Mr. Khamis Abdullah Al Farsi	✓	✓	✓	✓

Remuneration to Directors

Chairman of the Board is paid OMR 450 and the other members are paid OMR 350 as sitting fees for every Board meeting. The chairmen of other committees and the other members are all paid OMR 200 as sitting fees for every committee meeting.

During the financial year 2022, the Directors were paid a total sum of OMR 27,050 (previous year OMR 35,000) towards sitting fees for attending Board and Committee Meetings.

The Directors were paid remuneration of amount OMR 35,000 during the year (previous year 35,000) as approved in the AGM held on 27 March 2022.

During the year, amount paid for official travel expenses for directors amounted to RO NIL (previous year RO NIL).

Directors' remuneration proposed for the year 2022 was OMR 35,000 and this is subject to approval of the AGM that is proposed to be held on 28 March 2023.

In addition to above sitting fees and remuneration, the Directors also been paid sitting fees of OMR 13,350 from Atyab Investments LLC (a 100% Subsidiary of the Company) and proposed remuneration of OMR 115,000 for the year 2022 (115,000 OMR in 2021).

Executive Management

The daily management of the Company is entrusted with the Chief Executive Officer who is assisted by a team of executives. The senior management ensures that the policies and procedures as laid down by the Board of Directors are complied with in the day-to-day management. A brief profile of the executive management is given below:

Chief Executive Officer – Mr. Haitham Mohamed Ali Al Fannah was appointed from 1 April 2018. During the past 17 years at Al-Sulaimi Group, he has held a variety of leadership roles within Al-Sulaimi Group Holding. Al Fannah holds an MBA from the University of Strathclyde, UK and a Bachelor's Degree in Business Administration from the University of Missouri St.Louis, USA. He is one of the second batch of National CEO Program.

Chief Operations Officer – Mr. Ibrahim Al Amri possess a rich and varied experience of more than 15 years. During his career, he has held various operational leadership positions at Oman Mining Company and Mineral Development, Oman. Mr. Al Amri holds a Mechanical Engineering degree from the University of Leeds, UK. He was part of the second batch of the National CEO program.

Chief Financial Officer – Mr. Haitham Al Saadi holds MBA from Sultan Qaboos University, a bachelor of commerce and finance (Accounting) from Sultan Qaboos University, Fellow member of the Association of Chartered Certified Accountants (ACCA) and an alumni of the National CEO program. He has extensive experience in this field for more than 15 years. During his career he held server leadership position in Mineral Development Company, Oman Air and Oman shipping company.

Remuneration to Management

Basic salary, allowances and perquisites, performance bonus, gratuity and social insurance paid/ accrued to the top 3 employees of the parent company in the financial year 2022 (12 months) aggregated to OMR 427,722. The Company does not provide stock options to employees of the Company. Performance bonus is paid, based on Company's profitability and the employee's achievements and commitment to the Company. Bonus is distributed after it is approved by the Board.

In addition to the above, in the year 2022 (12 months) official travel and training cost incurred on these top four executives of the Parent Company amounted to OMR 11,560 (previous year RO NIL).

Employment contracts are usually for two years, which are automatically renewed. The severance notice period for senior management is three months and other employees one month. For Omani employees, in accordance with the Omani Social Insurance Scheme, monthly contributions are made to the Scheme. End of service benefit for expatriates is as per Oman Labour Law.

Social Responsibility

Our company pays high attention in achieving social responsibility, and believes in its continuous role in ethical behaviour and its contribution to economic development. With considering improvement of life quality of the work force, their families, local and public community. In the last AGM held on 27-March-2022, the shareholders have approved a budget of OMR 150,000 for CSR activities.

Details of non-compliance

There are no non-compliances during the year 2022.

Means of communication with shareholders and investors

The following are the means of communication with shareholders and investors:

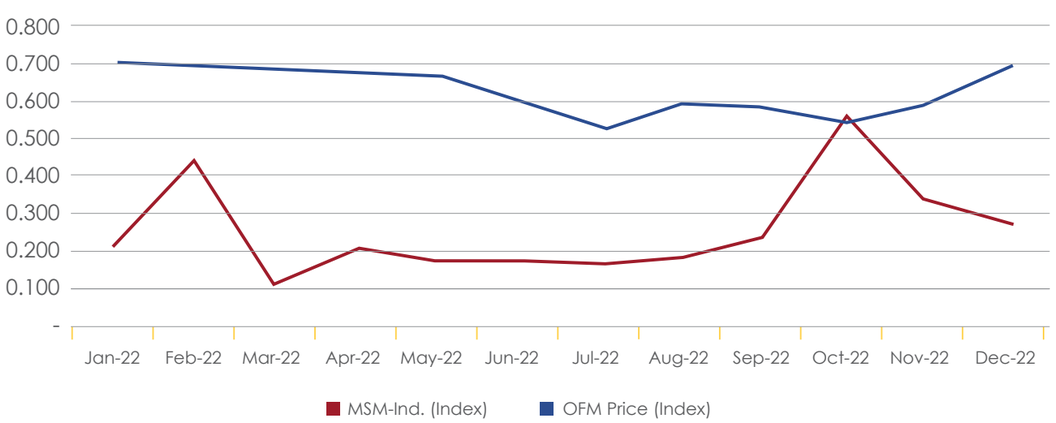
- The Company publishes its annual audited and quarterly un-audited financial statements in two newspapers, as required by the CMA regulations.
- The Company sends its financial results and news to MSX web site.
- The Company also has its own web site, www.omanflourmills.com which is an effective means of communication between the Company and its shareholders and customers.
- The Management, Discussion and Analysis Report, forms a part of the Annual report, which provides meaningful information to the shareholders.
- The Company has appointed an Investor Relations Officer as a single point of contact for investors and shareholders.

Share price data

The movement of the Company's share price during the period from Jan 2022 to December 2022 is below:

Month	High (OMR)	Low (OMR)	Volume
January 2022	0.704	0.704	862,156
February 2022	0.700	0.700	2,385,235
March 2022	0.720	0.720	248,629
April 2022	0.676	0.664	749,929
May 2022	0.672	0.672	32,480
June 2022	0.580	0.580	58,610
July 2022	0.570	0.570	567,359
August 2022	0.594	0.594	3,559,193
September 2022	0.598	0.598	35,200
October 2022	0.558	0.556	20,905
November 2022	0.612	0.612	97,275
December 2022	0.700	0.700	166,015

The company's share performance as compared with the Index of Manufacturing sector on MSX:



Major Shareholders

As of December 31, 2022, the following are the names of shareholders holding 5% or more shares:

Percentage	Number of Shares	Name of shareholder
Oman Food Investment Company SAOC	80,418,100	51.1%
Civil Services Employees' Pension Fund	20,020,267	12.7%

The analysis of 1,421 shareholders is as follows:

Shareholding range	Number of shareholders	Total Shares
1- 10,000	1,018	3,480,886
10,001- 100,000	331	9,737,379
100,001 – 500,000	56	11,604,445
500,001 – 1,000,000	11	9,037,021
1,000,001 – 5,000,000	5	8,230,116
5,000,001 and above	4	115,410,153
Total	**1,425**	**157,500,000**

Statutory Auditors

Moore Stephens LLC, Oman is part of the Moore Global network, which is regarded as one of the world's major accounting and consulting networks, with its headquarters in London, consisting of more than 260 independent firms with 547 offices and more than 29,890 people across 113 countries.

The Oman office commenced practice in 1988. Over the years, the practice has developed considerably and now services a number of clients, including major listed companies, Groups, government organizations and Ministries providing either audit, tax or management consultancy services. The local staff strength is around 65, most of whom are qualified Chartered Accountants, internal auditors and information systems auditors.

During the year 2022, Moore billed an amount of OMR 9,125 towards professional services rendered to the Company (OMR 8,000 is for audit, OMR 750 for XBRL review and OMR 375 for tax services).

The Internal Auditor:-

In order to ensure the compliance with statutory regulation and internal controls, the company has a full time audit unit, to carry on an independent and reports directly to Audit Committee.

In line with the capital Market Authority (CMA) decision 10/2018, the Internal Auditors duties & responsibilities are in accordance with the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA).

Compliance:-

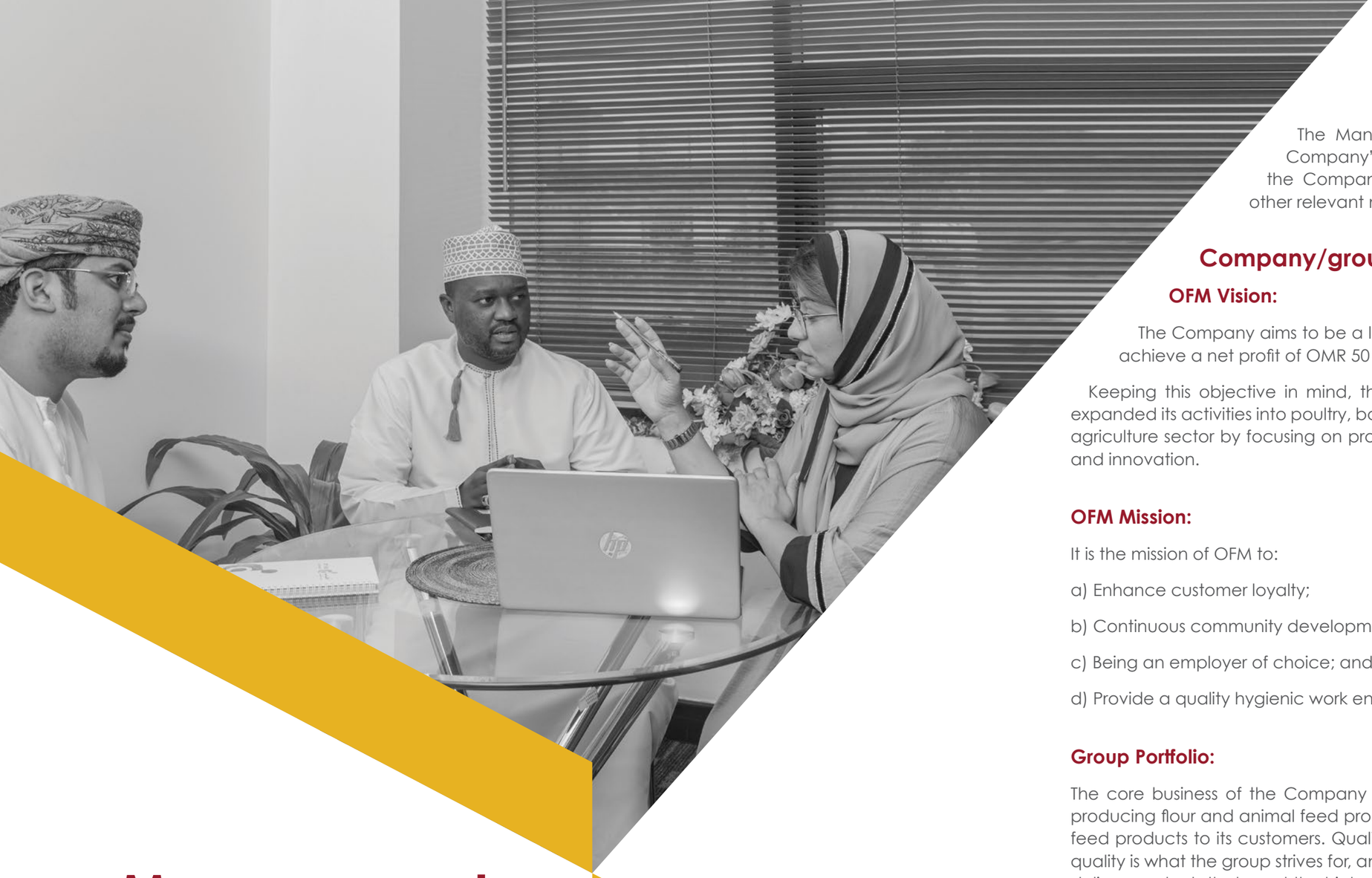
Last year, we updated the whistleblowing policy and the Corporate Governance Manual to ensure compliance with the Capital Market Authority Laws and the applicable requirements by Omani Investments Authority laws. Correspondingly, there are no compliance violations this year.

The Board of Directors confirms the following:

- The Separate and Consolidated financial statements are prepared by the Company in accordance with the International Financial Reporting Standards and the disclosure requirements of Capital Market Authority as per its circulars issued in this regard.
- They reviewed the efficiency and adequacy of the internal controls of the Company and its compliance with the internal rules and regulations.
- There are no material factors that would affect the Company to continue its operation in the forthcoming financial year.

Sheikh Salah Hilal Al Maawali
Chairman

Mr Hamed Mohamed Al Wahaibi
Chairman Audit Committee



Management Discussion and Analysis Report

For the year ended 31 December 2022

The Management of Oman Flour Mills Company (SAOG) ("the Company") is pleased to present this report on our industry covering the Company's structure, current performance, future outlook and other relevant matters for its shareholders.

Company/group objectives and structure

OFM Vision:

The Company aims to be a leading food manufacturer in the Sultanate of Oman and achieve a net profit of OMR 50 million in the next 10 years by strategic diversification.

Keeping this objective in mind, the Company through its subsidiaries and associates has expanded its activities into poultry, bakery products, fisheries, dairy, and an enabler in food and agriculture sector by focusing on providing services in R&D, Consultancy, training, technology and innovation.

OFM Mission:

It is the mission of OFM to:

a) Enhance customer loyalty;

b) Continuous community development through Corporate Social Responsibility;

c) Being an employer of choice; and

d) Provide a quality hygienic work environment.

Group Portfolio:

The core business of the Company continues to be flour and feed milling. The Company is producing flour and animal feed products with the objective of giving quality flour and animal feed products to its customers. Quality is the cornerstone for the company and excellence in quality is what the group strives for, and this has ensured that the best practices are adopted to deliver products that meet the highest standards.

The Company was established in 1977 as a joint stock company with a modest wheat milling capacity of 150 tons/day, which has increased through expansions to the current 800 tons/day. In addition to flour milling, the Company commissioned an animal feed mill in 1982. The installed capacity of the animal feed mill has currently been increased to 1500 tons/day. Major expansions have taken place in 1981, 1985, 1989, 1993, 1996, 2005 and 2020. The Company is currently working on the expansion plan of new feed mill.

The Company also has a substantial grain storage and ship unloading facility at Port Sultan Qaboos to service the milling operations. The silos have a storage capacity of 120,000 tonnes. Oman flour mills have 2 unloaders that have a combined unloading capacity of 750 tonnes/hour.

The Company markets its flour products under the brand name "DAHABI," meaning gold with more than 20 varieties of flour and allied products are produced under this brand name. During

the year 2022, the Company has launched few new flour products like Golden Grain and Organic Flour. The Company also produces more than 20 types of animal feeds under the brand name "BARAKAT". Under the feed, camel maintenance, mix grain with dates were the new products launched in 2022. The Bakery Products of the group are marketed under the Dahabi, Atyab and Bon Vivant brand names. Fresh chicken is marketed and sold under the A'Rayaf brand names whereas table eggs are sold and marketed under the Dana and Baledi brands in Oman and the GCC.

Group Financial Performance:

Parent Company:

Oman Flour Mills (OFM) is the flagship company of the group whose businesses include flour and animal feed milling. OFM contributes about 84.6% of the group sales revenue.

Revenue: OMR 100.39 million

Cost of sale and overheads: OMR 97.02 million

Profit after tax (before subsidiary and associates results): OMR 3.14 million

Subsidiaries:

1. Subsidiary - Atyab Investments LLC (100%)- Atyab Investments LLC serves as the management and investment arm of OFM. Atyab Investments is a 100% subsidiary of OFM. The companies under Atyab Investments are:-

2. Atyab Food Industries LLC (AFI) (100%) - Net revenue in the current year was OMR 14.72 million as compared to OMR 12.93 million in the previous year, an increase of 13.9%. The bakery made a net profit after tax of OMR 20K as compared to a profit of OMR 855K in the previous year. The decrease in profit is mainly due to the higher raw material prices and a one-time provision of OMR 500K provided against a litigation. The Company, as a plan to expand its presence in the region, has started a new Company in UAE in 2022. The branch is fully operational and expected to be a reliable revenue stream in coming years.

3. Atyab International Services LLC (AIS) (100%). Atyab International Services is a world class food service company. It offers various services to agriculture, food and allied industries, cosmetics, water and chemical industries in the fields of testing, halal consultancy, pest management and QHSE consultancy and certification. In the previous year, AIS has sourced various external contracts for testing, food analysis, pest control and training. The Company has started its new branch in 2022 and will be fully operational from 2023.

The profit for the year after tax is OMR 149K as compared to OMR 315K in the previous year. The decrease in profit is due the one-time expenses incurred in setting up its new subsidiary in Uzbekistan followed by the increase in the cost of operation.

4. Atyab Technical Services LLC (ATS) (100%). This company is the sponsor of SGS (an international inspection company) in Oman. ATS receives sponsorship fees from SGS based on its revenues from Oman operation. Net loss after tax on sponsorship fees in the current year is OMR 29K as compared to net profit of OMR 274K in the previous year. The reduction in the profit is due to the provision provided against receivables during the year.

5. Sohar Flour Mills (SFM) (60%): The Company commenced commercial operations in March 2019. SFM is selling flour in the local market under brand name "Reefy" and in export market as "Asli". By the end of the year, SFM has managed to gain a market share of approximately 10% of the local flour market. The Company completed its silo project during the year. The company has achieved a sales turnover of OMR 8.62 million compared to OMR 8.23 million in the previous year. Due to the increased raw material prices and the depreciation charges against the new silos, the Company incurred a net loss of OMR 0.646 million, compared to OMR 1.43 million in the previous year. The reduction of losses was a result of the deferred tax income recognized by the Company.

6. OMAUS (100%): The Company in Australia was formed in the current year as a part of the vision of the group to directly import the raw materials from the growers. The Company will be having their first shipment of wheat from Australia in the first quarter of 2023. During the year, the Company incurred a pre-operational cost of OMR 15k.

7. Associate – Atyab Iffco Poultry LLC (50%): Atyab Iffco Poultry LLC (an equal partnership with IFFCO, a UAE based company) holds about 94.3% stake in Sohar Poultry Company SAOC (SPC) and 9.9% of the capital of Osool Poultry Company LLC. In the current year, SPC made a post-tax profit of OMR 217K as compared to the previous year loss of OMR 392K. Osool Poultry project commenced commercial activates in the second quarter of 2021, the company recorded a loss of OMR 3.69m, mainly due to finance cost and depreciation charges with the Company, as such, the share of its results was a net loss of OMR 366k.

8. Associate-Arabian Food Production S.A.O.C (AFPC) (33.33%): AFPC is established jointly with IFFCO Group of UAE and Gulf Japan Food Fund (GJFF) to take over the business of Modern Poultry Farm (MPF), Emirates Poultry Farm (EPF), and to establish a new table eggs production facility, Gulf International Poultry Farm (GIPF), in Ibri. MPF has reported a net loss of OMR 411k as compared to a profit of OMR 393k for the same period a year ago. The main drive behind the drop in profitability is the hike in the feed cost. EPF has incurred a net loss of OMR 267k in 2022 compared to the previous year loss of OMR 211k. The Company commenced its new egg farm in Ibri in December 2022. GIPF has incurred pre-operating loss of OMR 250k in the current period.

9. Associate- Food Techno Park LLC (AFTP) (50%): Atyab FoodTech holds 50% stake in AFTP, which incurred a loss of OMR 4.7K in 2022.

10. Bio Product Oman LLC (BPO) (33.33%): Atyab Investment LLC holds a 33.33% stake in BPO and Nakheel Development holds 66.67% shares. BPO reported an initial operational expense of OMR 158k during the year. The Company is still not fully operational.

Analysis of segment-wise performance

The Group's revenue can be segregated into four broad categories', namely flour and related products, animal feed and related products, egg sales and bakery products. The comparative performances of these main revenue sources are in the following table.

Revenue sources	2022 OMR'000	%	2021 OMR'000	%
Flour and related products	**51,815**	38%	37,438	38%
Feed and related products	**57,195**	48%	44,641	46%
Eggs and others	**2,379**	1%	2,324	2%
Bakery products	**14,721**	12%	12,934	13%

The main financial indicators of the Company and the Group are given below:

- Revenue of the Group at about OMR 118.66 million is higher than the previous year by 21.9% , mainly due to increase in volume and change in product mix.
- The Company's and its subsidiaries' (Group) net profit after tax for the year is OMR 1.76 million as compared to OMR 4.74 million in the previous year.
- Net profit margin of the Group was 1.49% as compared to 4.87% in the previous year -.
- Earnings per share of the Group decreased to 13 baizas in 2022 from 34 baizas in 2021.
- Parent Company's total quantity sales for the year was about 593k MT, which is higher by 13.38% compared to the previous year -.
- Parent companyıs net profit after tax is OMR 2.02 million compared to OMR 5.31 million in the previous year.
- Gross profit margin of the Parent Company in the current year is 7.9% as compared to 12.6% in the previous year -.
- Net Investment, interest and other income is OMR 1.32k, as compared to OMR 1.04K in the previous year.

Below is the net profit, dividend and net asset of the Group Company for the last five years

	2022	2021	2020	2019	2018*
Revenue (in '000)	118,659	97,337	94,051	86,887	119,456
Net Profit (after tax) (in '000)	1,764	4,742	9,009	5,709	16,323
Shareholders' Equity (in '000)	72,316	74,027	78,420	77,664	79,992
Dividend paid	33%	60%	50%	50%	100%

*2018 results are for 18 months.

Opportunities and Threats

Price fluctuation:

The Grain prices in the global market continued to increase in the year 2022. The price increased is fueled by extreme weather conditions, political tensions, surge in energy prices and lately the hike in the shipping cost.

The subsidy on the prices granted by the government of Oman helped to cap the prices to a certain limit.

Logistic of raw materials:

Logistical challenges in shipping and transport create stock-out situations. Delays in shipments due to weather conditions, strikes and shortages in exporting countries put huge pressure to avoid stock-out. We procure materials in advance to avoid such situations and that could benefit the company as the company would have stocks at lower than our competitors price.

Suppliers:

The procurement team is continuously identifying new suppliers to obtain competitive price, which reduces the threat of unreliable terms of delivery schedules and quality. Proper due-diligence is carried out on the new supplier before they are selected.

Competition:

Our sales and marketing policies are geared to increase our share in the local flour and feed markets. Two new flour mills have started production in the last couple of years and our flour mill in Sohar too has started production. The major competitor in flour have increased their capacity to 1400 Mt per day. In spite of that, we currently hold approximately 50% of the local market share, and with the natural increase in local population, management is confident of maintaining and/or increasing sales in the coming years.

The Company is currently working on the expansion of the new feed mill project to meet the excess demand.

Milling equipment and storage space

The flour mill has been in existence since 1977, and the replacement or repair of our equipment is an ongoing process. We have a dedicated in-house maintenance team equipped to carry out repairs promptly. Old equipment are being slowly replaced to ensure continuity and enhancing the life of the mill.

The feed mill capacity has been enhanced to meet the increasing demand. To ensure quick delivery we have added a new packing line and have installed a robot to increase utilization of pelleting equipment capacity and increased the barley cleaning capacity. In the current year, we are planning to replace and upgrade some more equipment to ensure we have adequate capacity for future demand.

We have also invested in latest laboratory equipment to ensure that our products are tested before they leave the mill.

With the increase in demand, the requirement of raw materials has also increased significantly. With limited silo and warehouse space, maintaining sufficient stock has become a challenge. Warehouse space is being added in our existing facility for bagged raw material.

Improving operational efficiency:

OFM continues to implement the Lean management initiatives, which were identified during the launch of "Hasad" project a couple of years back. This aims at the elimination of wastes, which resulted in improving the internal process.

Marketing opportunities:

In the local market, OFM brands are the market leaders and maintains a healthy maket share. However, due to increase in competition by the new entrants, there is a pressure to sustain the market share, especially in flour segment. New product lines and new export markets are being considered as traditional markets are saturated.

Manpower planning:

OFM is developing a pool of strong Omani professionals by giving them an opportunity to work in a competitive environment. Following is Omanisation rate achieved from 2019-2022 period:

Year	2022	2021	2020	2019
Omanisation	86%	86%	76%	72%

Omani employees have been identified to attend a variety of specialized milling and baking courses, and administration and management diplomas. The company also gets professional trainers to conduct in house practical training courses in flour and feed milling. Our employees are our assets and hence we continue to invest in them.

Risks and concerns

Raw material prices, availability and logistic

Grains and other raw material prices continue to remain volatile. This has impact on its availability and increases risk of defaults and delays.

The Company in Australia was formed in the current year as a part of the vision of the group to directly import the raw materials from the growers. The Company will be having its first shipment of wheat from Australia in the first quarter of 2023.

Mortality in the poultry industry

The poultry industry is prone to mortality, which can have catastrophic effect on our feed industry, e.g. production and poultry business. Health challenges exist mainly due to the location of the poultry and egg farms.

Stringent bio-security measures are being put in place to overcome these challenges and reduce mortality.

Investments in MSX:

Our current investments in MSX are subject to market risk of fall in value. Due to high volatility in the share prices in 2022, the Company had liquidated no change in its portfolios. The trading is done only for the portfolios managed by the fund managers.

We are periodically reviewing the portfolio and discussing with the portfolio managers to minimize this risk.

Strategic investments

Management is reviewing investment opportunities and industry-related projects that may enhance the returns to shareholders and provide a broader base for generating profits. However adverse market scenarios and conditions can have a negative impact on profit.

These investments are considered after feasibility studies and proper evaluation, and these investments are subject to a continuous risk and impact assessments at the Group level.

Debt recoverability

The Company has been controlling its customer outstanding over the last few years by obtaining financial guarantees and/or land mortgages. Clean credit is given to selected customers after proper evaluation. Tight liquidity in current market can result in delayed payments and/or bad debts.

The company adopt an active credit control/collection process to minimize the risk of defaults.

Internal control systems and their adequacy

The Company has established an effective internal control system in all areas of operations, commensurate with the size of its business and nature of its operations. The Company has qualified internal auditors reporting to the Audit Committee.

The Company has also in place an internal policy and procedure manual for all its operations. In management opinion, all operations of the Company are adequately covered by the control systems in place and comply with the requirements of the regulatory authorities.

Future outlook

The Company will continue to strengthen and develop the core businesses of flour and feed. This will continue to hinge on our proven strategy of comprehensive marketing tactics combined with technical know-how in order to respond to market opportunities.

Below is the future outlook of the Company and Group.

Current Expansion Plans

Management recognized that the Company has to diversify its operations into related fields to increase profitability. Keeping this in mind, the Company launched Atyab Investments LLC and the following projects and expansion were implemented. These projects will replace imports, contributing to gross domestic product (GDP) and enhancing food security.

- OFM is currently having an expansion of feed mill capacity. A new feed mill is being built to meet the increasing demand.
- A new pre-mix plant is under construction, which will open a new line of business for the Company.
- OFM is completing its first trial shipment of wheat (APW), which has been bought directly from growers in Australia. The ship is expected to arrive in Oman in March 2023. The quantity of wheat is about 34,500 MT. The Company is expected to achieve savings during the aggregation process, in addition the quality of wheat is expected to be better as the grains are sourced from fewer sources that giving better consistency.
- OFM acquired a 40% stake in Modern Dairy Factory LLC in 2023. In February 2023, the Company re-launched the Al Khamayil brand. The Company is now focusing on expanding the market reach as well as commissioning a new factory in Rusayl.
- AIS is progressing in the setting up a fully integrated laboratory in Uzbekistan, Agriculture is one of the main sectors in Uzbekistan. The Company is established and pre-operative activities are in progress. The Company is due to commence operations in 2023
- The Company completed its silo project during the year. The silos are fully operational and was inaugurated on 4th of January 2023. The silos have a total capacity of 160k MT and this opens up a new revenue stream for the Company.
- AFI has started a new entity in the UAE. The new branch was is opened in 2022.
- AIS has made an investment in a project namely Food Techno park. The aim of the project is to develop an innovation centre for food related activities. A steering committee has been formed to lead the Food Technopark project.
- Bio Product Oman is a new venture which aims to make Long Fiber Pellets for animal Feed and Aqua Feed. The project is currently in pre-operative execution phase.

Planned Expansion Projects

Multiple projects are being evaluated across the group. The projects focus on integration across the value chain as well diversification into new ventures.

- To develop an Industrial cluster for various mini factories, the Company has developed a schematic for the cluster. In addition, the Company is in the process of shortlisting a consultant to study the top 10-12 industries that would become a part of the cluster. Further, a food scientist has been retained to assist in New product development for potential products that could be included as a part of the cluster
- OFM is also working on evaluating farming opportunities in Australia. The Company has evaluated a few properties.
- AIS is planning to open a new fully equipped laboratory in Kazakhstan.
- AFI is exploring to expand its operations facility in new markets in the region.

It is commendable that OFM group is committed to pursuing its expansion plans despite the challenges posed by the global economy. OFM group has carefully analyzed the market conditions and identified the opportunities for growth. This involved conducting market research, analyzing trends and competitors, and identifying potential partners or acquisition targets. The Group will continue to pursue its expansion plans and avoid potential drawbacks.

Haitham Mohamed Ali Al Fannah

Chief Executive Officer

Consolidated and seperate financial statments

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN FLOUR MILLS COMPANY SAOG

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Oman Flour Mills Company SAOG and its subsidiaries (collectively referred to as "the Group") and the separate financial statements of Oman Flour Mills Company SAOG ("the Parent Company"), set out on pages 5 to 58, which comprise the statements of financial position as at 31 December 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at 31 December 2022 and their financial performance and their 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 Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the Group's and the Parent Company's 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.

Emphasis of Matter

- We draw attention to note 32 which indicates that certain comparative information presented for the year ended 31 December 2021 has been restated on account of a change in accounting policy.
- We also draw attention to notes 3 and 11 d) to the financial statements which explain the basis for subsidy recognition.
- Our opinion is not modified in respect of the above matters.

Key Audit Matters

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

We have determined the matter described below to be the key audit matter to be communicated in our report.

Valuation of trade receivables

The trade receivables are significant to the Parent Company and the Group as on 31 December 2022. Under current market conditions, where credit risk has risen generally with the high degree of estimation uncertainty due to the economic impacts of the pandemic and considering the materiality of the trade receivables, we have considered valuation of trade receivables as a key audit matter. The determination of expected credit losses (ECL) on trade receivables involve significant estimates and judgement.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN FLOUR MILLS COMPANY SAOG (Continued)

Key Audit Matters (Continued)

Our audit procedures in this regard included:

- Obtaining an understanding of the Parent Company and the Group's process for estimating ECL and assessing the appropriateness of the ECL methodology against the requirement of IFRS 9;
- Testing the key controls established by the Management to ensure identification of past due debts;
- Obtaining the ageing analysis for receivables and testing, on a sample basis, its correctness;
- Understanding the status of ongoing significant legal cases against customers with overdue balances;
- Testing key inputs to the ECL model, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historic data. Assessing the reasonableness of forward-looking factors used by the Parent Company and the Group especially in view of the pandemic;
- Evaluated the impact of the collaterals obtained against outstanding debts to determine any remaining exposure at the date of the financial report;
- For a sample of material trade receivables and past due debts, assessing the recoverability status by considering subsequent receipts; and
- Considering adequacy and appropriateness of related disclosures.

Details regarding the estimates and judgements applied by the Management and the relevant disclosures are included in notes 3, 11 and 29 b) to the financial statements.

Other information

The Management and the Board of Directors are responsible for other information. The other information comprises the Board of Directors' report, Management Discussion and Analysis report and Corporate Governance report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN FLOUR MILLS COMPANY SAOG (Continued)

Responsibilities of Management and the Board of Directors for the Financial Statements

The Management and the Board of Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, the disclosure requirements for public joint stock companies issued by the Capital Market Authority and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management and the Board of Directors are responsible for assessing the Parent Company's and the Group'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 they either intend to liquidate the Parent Company or the Group or to cease operations, or have no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Parent Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Comany's and the Group's 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Parent Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's and Group'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 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 Parent Company and the Group to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN FLOUR MILLS COMPANY SAOG (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Regulatory Requirements

The financial statements also comply, in all material respects, with the relevant requirements of the Commercial Companies Law of the Sultanate of Oman and the disclosure requirements for public joint stock companies issued by the Capital Market Authority.

The Engagement Partner on the audit resulting in this independent auditor's report is Mr John Adcock.

26 February 2023

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Statement of financial position - Group and Parent Company

	Note	Group 2022 RO '000	Group 2021 RO '000 (as restated - note 32)	Parent Company 2022 RO '000	Parent Company 2021 RO '000 (as restated - note 32)
ASSETS					
Non current assets					
Property, plant and equipment	5	43,809	50,782	10,815	11,509
Investment properties	6	11,133	1,750	2,000	1,750
Intangible assets	7	23	37	--	--
Investment in subsidiaries	8 a)	--	--	20,482	19,119
Investment in associates	8 b)	10,138	9,953	1,322	1,395
Investment at fair value through other comprehensive income	8 c)	355	355	355	355
Right-of-use assets	9 b)	3,310	3,507	47	56
Deferred tax asset	19	849	--	--	--
Total non-current assets		69,617	66,384	35,021	34,184
Current assets					
Inventories	10	31,201	33,244	28,478	30,578
Trade and other receivables	11	39,259	21,365	29,069	14,316
Due from subsidiaries and related parties	21 d) and e)	4,701	3,469	17,336	11,468
Investments at fair value through profit or loss	8 c)	1,493	1,519	1,493	1,519
Short term deposits	12 b)	7,500	5,500	7,500	5,000
Bank balances and cash	12 a)	5,792	10,071	4,308	7,937
Total current assets		89,946	75,168	88,184	70,818
Total assets		159,563	141,552	123,205	105,002
EQUITY AND LIABILITIES					
Equity					
Share capital	13	15,750	15,750	15,750	15,750
Legal reserve	14	6,628	6,626	5,250	5,250
General reserve	15	2,500	2,500	2,500	2,500
Retained earnings		47,318	50,510	48,717	51,907
Fair value reserve		105	105	105	105
Equity attributable to Shareholders of the Parent Company		72,301	75,491	72,322	75,512
Non-controlling interest		(29)	(76)	--	--
Total equity and non-controlling interest		72,272	75,415	72,322	75,512
LIABILITIES					
Non-current liabilities					
Non-current portion of term loans	17	21,725	21,950	--	--
Deferred tax liability	19	484	1,005	484	459
Employees' end of service benefits	25 c)	632	543	64	33
Non-current portion of lease liabilities	9 c)	3,770	3,881	46	52
Total non-current liabilities		26,611	27,379	594	544
Current liabilities					
Current portion of term loans	17	3,171	3,048	--	--
Bank borrowings	18	46,506	20,305	44,912	17,370
Trade and other payables	20	9,577	13,919	4,163	10,359
Contract liabilities	4 w)	563	39	619	18
Current portion of lease liabilities	9 c)	107	80	9	11
Taxation	19	756	1,367	586	1,188
Total current liabilities		60,680	38,758	50,269	28,946
Total liabilities		87,291	66,137	50,883	29,490
Total Shareholders' equity and liabilities		159,563	141,552	123,205	105,002
Net assets per share	16 a)	0.459	0.479	0.459	0.479

These financial statements were approved by the Board of Directors on 26/02/2023 and were signed on their behalf by:

Chairman

Director

The attached notes 1 to 33 form part of these financial statements

Statement of comprehensive income - Group and Parent Company

	Note	Group 2022 RO '000	Group 2021 RO '000	Parent Company 2022 RO '000	Parent Company 2021 RO '000
INCOME					
Revenue from contract with customers	4 b)	**118,659**	97,337	**100,391**	77,574
Cost of sales	22	**(104,847)**	(81,110)	**(92,409)**	(67,834)
Gross profit		**13,812**	16,227	**7,982**	9,740
EXPENSES					
Selling and distribution	23	**(4,605)**	(3,971)	**(737)**	(498)
General and administration	24	**(7,077)**	(5,527)	**(3,876)**	(3,330)
Profit from operations		**2,130**	6,729	**3,369**	5,912
Investment, finance and other income (net)	26	**(743)**	146	**75**	950
Fair value changes in investment properties	6	**250**	--	**250**	--
Share of results in subsidiaries	8 a)	**--**	--	**(1,061)**	(153)
Share of results in associates	8 b)	**(574)**	(928)	**(73)**	(420)
Profit before taxation		**1,063**	5,947	**2,560**	6,289
Taxation credit / (charge)	19	**686**	(1,205)	**(552)**	(975)
Net profit for the year from operations		**1,749**	4,742	**2,008**	5,314
Net profit and total comprehensive income for the year attributable to:					
Shareholders of the Parent Company		**2,008**	5,314	**2,008**	5,314
Non-controlling interest in the subsidiary		**(259)**	(572)	**--**	--
		1,749	4,742	**2,008**	5,314
Earnings per share	16 b)	**0.013**	0.034	**0.013**	0.034
Dividend per share	16 c)	**0.033**	0.060	**0.033**	0.060

Note:

The Company has no items of other comprehensive income.

Statement of changes in equity - Group

	Total equity attributable to the shareholder of the Parent Company						Non-controlling interest RO '000	Total RO '000
	Share capital RO '000 (note 13)	Legal reserve RO '000 (note 14)	General reserve RO '000 (note 15)	Retained earnings RO '000	Fair value reserve RO '000	Total RO '000		
At 31 December 2020 (as originally stated)	15,750	6,540	2,500	53,268	105	78,163	257	78,420
Effect of restatement (note 32)	--	--	--	1,464	--	1,464	--	1,464
At 1 January 2021 (as restated)	15,750	6,540	2,500	54,732	105	79,627	257	79,884
Net profit and total comprehensive income for the year	--	--	--	5,314	--	5,314	(572)	4,742
Transferred to legal reserve	--	86	--	(86)	--	--	--	--
Dividend paid	--	--	--	(9,450)	--	(9,450)	--	(9,450)
Net movement in non-controlling interest	--	--	--	--	--	--	239	239
At 31 December 2021	15,750	6,626	2,500	50,510	105	75,491	(76)	75,415
At 31 December 2021	**15,750**	**6,626**	**2,500**	**50,510**	**105**	**75,491**	**(76)**	**75,415**
Net profit and total comprehensive income for the year	--	--	--	2,008	--	2,008	(259)	1,749
Transferred to legal reserve	--	2	--	(2)	--	--	--	--
Dividend paid	--	--	--	(5,198)	--	(5,198)	--	(5,198)
Net movement in non-controlling interest	--	--	--	--	--	--	306	306
At 31 December 2022	**15,750**	**6,628**	**2,500**	**47,318**	**105**	**72,301**	**(29)**	**72,272**

Statement of changes in equity - Parent Company

	Share capital RO '000 (note 13)	Legal reserve RO '000 (note 14)	General reserve RO '000 (note 15)	Retained earnings RO '000	Fair value reserve RO '000	Total RO '000
At 31 December 2020 (as originally stated)	15,750	5,250	2,500	54,579	105	78,184
Effect of restatement (note 32)	--	--	--	1,464	--	1,464
At 1 January 2021 (as restated)	15,750	5,250	2,500	56,043	105	79,648
Net profit and total comprehensive income for the year	--	--	--	5,314	--	5,314
Dividend paid	--	--	--	(9,450)	--	(9,450)
At 31 December 2021	15,750	5,250	2,500	51,907	105	75,512
At 31 December 2021	**15,750**	**5,250**	**2,500**	**51,907**	**105**	**75,512**
Net profit and total comprehensive income for the year	--	--	--	2,008	--	2,008
Dividend paid	--	--	--	(5,198)	--	(5,198)
At 31 December 2022	**15,750**	**5,250**	**2,500**	**48,717**	**105**	**72,322**

Statement of cash flows - Group and Parent Company

	Note	Group 2022 RO '000	Group 2021 RO '000	Parent Company 2022 RO '000	Parent Company 2021 RO '000
CASH FLOWS FROM OPERATING ACTIVTIES					
Cash generated from operations	27	**(14,505)**	(2,301)	**(18,971)**	(5,310)
Taxation		**(1,294)**	(1,700)	**(1,128)**	(1,625)
Net cash used in operating activities		**(15,799)**	(4,001)	**(20,099)**	(6,935)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(5,293)**	(9,762)	**(635)**	(931)
Purchase of intangible assets		**--**	(32)	**--**	--
Proceeds from disposal of property, plant and equipment		**19**	13	**15**	11
Proceeds from disposal of investment in associate		**--**	388	**--**	--
Investment in subsidiaries and associates of Al		**--**	--	**(2,424)**	(1,032)
Investment in associates		**(759)**	(1,721)	**--**	(66)
Maturity / placement of short term deposits		**(2,000)**	852	**(2,500)**	1,000
Movement in investments at fair value through profit or loss (net)		**26**	311	**26**	311
Net interest (expense) / income		**(1,488)**	(370)	**(459)**	318
Net movement in short term loans		**(4,318)**	5,270	**(4,500)**	4,500
Net movement in non - controlling interest		**306**	239	**--**	--
Dividend income		**114**	77	**114**	77
Net cash used in investing activities		**(13,393)**	(4,735)	**(10,363)**	4,188
CASH FLOWS FROM FINANCING ACTIVITIES					
Lease liabilities paid		**(306)**	(302)	**(11)**	(11)
Net movement in term loans (see note below)		**(102)**	4,516	**--**	--
Dividend payment		**(5,198)**	(9,450)	**(5,198)**	(9,450)
Net cash used in financing activities		**(5,606)**	(5,236)	**(5,209)**	(9,461)
Net decrease in cash and cash equivalents during the year		**(34,798)**	(13,972)	**(35,671)**	**(12,208)**
Cash and cash equivalents at the beginning of the year		**(4,964)**	9,008	**(4,933)**	7,275
Cash and cash equivalents at the end of the year		**(39,762)**	(4,964)	**(40,604)**	(4,933)
Cash and cash equivalents at the end of the year comprise of:					
Bank balances and cash		**5,792**	10,071	**4,308**	7,937
Bank borrowings	18	**(45,554)**	(15,035)	**(44,912)**	(12,870)
		(39,762)	(4,964)	**(40,604)**	(4,933)
Note:					
Changes in cash flows from financing activities (term loans):					
At the beginning of the year		**24,998**	20,528	**--**	--
Disbursements during the year		**1,648**	5,643	**--**	--
Repayments during the year		**(1,750)**	(1,173)	**--**	--
At the end of the year		**24,896**	24,998	**--**	--

Notes to the Financial Statements

1 ACTIVITIES

a) Oman Flour Mills Company SAOG ("the Parent Company") / ("OFM") is a public joint stock company registered in the Sultanate of Oman. The principal activity of the Parent Company is milling of wheat and other cereals and sale of flour and the processing and sale of animal feed.

The consolidated financial statements as at and for the year ended 31 December 2022 comprise the Parent Company and its subsidiaries and associates, together referred to as the "Group" [refer notes b) and c) below)].

The Parent Company is the subsidiary of Oman Food Investment Holding Company SAOC ("OFIC"), the ultimate Parent Company [see note 13 b)].

b) At the end of the reporting period, the investments directly owned by OFM and the percentage holdings are as follows:

Investments	**2022 %**	2021 %
Subsidiary:		
- Atyab Investments LLC ("AI") [see note c) below]	**100.00**	100.00
Associate:		
- Oman Fisheries Company SAOG ("OFC") [note 8 b)]	**17.27**	25.15

c) Atyab Investments LLC ("AI") is a wholly owned subsidiary of OFM. AI is a limited liability company and is engaged in investments in the food sector and related industries in the Sultanate of Oman. At the end of the reporting period, the investments directly owned by AI (indirectly by OFM) and the percentage holdings are as follows:

Investments	Principal activities	**2022 %**	2021 %
Subsidiaries:			
- Atyab Food Industries LLC ("AFI")	Manufacture of fresh and frozen bakery products	**100.00**	100.00
- Atyab International Services LLC ("AIS")	Providing laboratory services for testing of materials	**100.00**	100.00
- Atyab Technical Services LLC ("ATS")	Providing sponsorship services for various businesses	**100.00**	100.00
- Sohar Flour Mills Company LLC ("SFM")	Manufacturing, importing and exporting of wheat and flour	**60.00**	60.00
- Omaus Pty Limited ("OPL") [see note d) below]	procurement of wheat from Australia	**100.00**	--
- Atyab International Services (Uzbekistan) ("AIS-U") / (see note below)	Laboratory services for testing of chemicals and consultancy services	**100.00**	--

Note:
AIS-U is an indirect subsidiary of the Group held by AIS as at 31 December 2022.

Notes to the Financial Statements *(Continued)*

1 ACTIVITIES (Continued)

c) *(Continued)*

Investments	Principal activities	**2022 %**	2021 %
Associates:			
- Atyab IFFCO Poultry LLC ("AIP")	Investing activities in food sector	**50.00**	50.00
- Arabian Food Production Company SAOC ("AFP")	Investing activities in food sector	**33.33**	33.33
- Food Techno Park LLC ("FTP")	Providing innovation in the food sector - operations not commenced	**50.00**	50.00
- Bio Products Oman SAOC ("BPO")	Production of cattle feed - operations not commenced	**33.33**	33.33

d) Omaus PTY Limited ("OPL") is a wholly owned subsidiary of AI registered in Australia in the state of Victoria. OPL is a limited liability company and is formed for facilitating the Parent Company's procurement of wheat from Australia.

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS

2.1 Basis of preparation

The Group's and the Parent Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the relevant disclosure requirements of the Capital Market Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman.

These consolidated and separate financial statements are presented in Omani Rials.

2.2 New and amended IFRS adopted by the Group

The financial statements have been drawn up based on accounting standards, interpretations and amendments effective at 1 January 2022. The Company has adopted the following new and revised Standards and Interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee, which were effective for the current accounting period:

- Amendments to IFRS 3 'Business combinations' update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16 'Property, plant and equipment' require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related costs in profit or loss, instead of deducting the amounts received from the cost of the asset.
- Amendments to IAS 37 'Provisions, contingent liabilities and contingent assets' specify the costs that an entity includes when assessing whether a contract will be loss-making.

Notes to the Financial Statements *(Continued)*

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)

2.2 New and amended IFRS adopted by the Group (Continued)

- Annual Improvements to IFRS Standards 2018–2020 amend:

  - IAS 41 'Biological assets' to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in other accounting standards;
  - IFRS 1 'First time adoption of International Financial Reporting Standards' to simplify the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
  - IFRS 9 'Financial instruments' to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; and
  - IFRS 16 'Leases' illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements.

The Management believes the adoption of the above amendments has not had any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for the current accounting period.

2.3 New and amended IFRS which are in issue but not yet effective

At the end of the reporting period, the following significant new and revised standards were in issue but not yet effective:

- IFRS 17 'Insurance contracts' establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS 17 is effective for annual periods commencing on or after 1 January 2023.

- Amendments to IAS 1 (classification of liabilities as current or non-current) clarify the requirements for presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that if a liability is subject to covenants, the Company may only classify a liability as non-current if it meets the covenant tests as at the reporting date, even if the lender does not test compliance until a later date. The meaning of settlement of a liability is also clarified.

  The mandatory application date of this amendment has been deferred from 1 January 2023 to 1 January 2024.

- Amendments to IAS 1 'Presentation of financial statements' require an entity to disclose its material accounting policy information rather than its significant accounting policies. The amendments are applicable for annual periods commencing on or after 1 January 2023.

- Amendments to IAS 8 'Accounting policies, changes in accounting estimates and errors' introduce the definition of accounting estimates. The amendments also help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are applicable for annual periods commencing on or after 1 January 2023.

- Amendments to IAS 12 'Income taxes' narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are applicable for annual periods commencing on or after 1 January 2023.

- Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates' clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. Otherwise, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments have been deferred until IASB has finalised its research project on the equity method.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes to the Financial Statements *(Continued)*

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)

2.3 New and amended IFRS which are in issue but not yet effective (Continued)

- Amendments to IFRS 16 (Lease liability in a sale and leaseback) clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are applicable for annual periods commencing on or after 1 January 2024

The Management believes the adoption of the above amendments is not likely to have any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for future periods.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, the Management is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgement based on historical experience and other factors are inherent in the formation of estimates that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods effected. In particular, estimates that involve uncertainties and judgements which have significant effect on the financial statements are as follows:

- *Useful lives of property, plant and equipment and intangible assets*

  The Management determines the estimated useful lives of property, plant and equipment for calculating depreciation and amortization, respectively. The estimation of useful lives of property, plant and equipment and intangible assets is based on Management's assessment of various factors such as the supplier's technical estimates, operating cycles, the maintenance programs and normal wear and tear. The Management reviews, on an annual basis, whether intangible assets have suffered any impairment.

- *Quantity of inventories*

  The calculation of closing stock quantities of Group's certain raw materials requires the use of estimates. At the end of the reporting period, the Management believes that the estimated figure of closing quantity of the inventories derived from the use of scientific formulae and as reflected in the accounting records, closely approximates the actual quantities.

- *Provision for slow and non-moving inventories*

  Provision for slow and non-moving inventories is based on Management's estimates of the realizable value of the inventories based on the Group's provisioning policy or otherwise, historical experiences considering the technical usage of the inventories.

- *Share of unaudited results of an associate and a subsidiary*

  Share of results in an associate (AIP) and a subsidiary (OMAUS) are based on the unaudited financial statements at 31 December 2022. Based on past practice and experience, the Management believes that the share of results of the associate based on the unaudited financial statements at 31 December 2022 is not likely to be materially different from the audited results. The level of transactions in the subsidiary is not material and accordingly the managemet does not believe that the audited results would be materially different.

- Determination of directly attributable costs

  Determination of directly attributable costs to the construction of the grain silos of SFM requires judgement and estimation. The Management determines the directly attributable costs based on level of expected work carried to complete the capital work-in-progress [refer note 5 f)].

Notes to the Financial Statements *(Continued)*

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

- *Estimation of lease term*

  The Management determines the lease term as the 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 Management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease by considering all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

- *Incremental borrowing rate*

  The Management applies judgement when electing the incremental borrowing rate to discount the lease liabilities.

- *Expected credit losses (ECLs)*

  The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 3 years and the corresponding historical credit losses experienced within this period.

  The Group uses the provision matrix valuation method to calculate ECLs for trade receivables. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the impact of pandemic, GDP growth, oil prices and inflation rates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

  The Group uses a single rate valuation method to calculate ECLs for amounts due from related parties (including subsidiaries and associates) since the historical data is not representative and there have been insignificant credit losses in the past. The default rates are based on those provided by external credit rating agencies for industry and country wise default rates and adjusted for forward-looking factors specific to the economic environment in the Sultanate of Oman.

  At every reporting date, the default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between default rates, forecast economic conditions and ECLs require the use of estimates. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

  ECL on amounts due from related parties (including subsidiaries and associates) and other receivables is provided if the amount is deemed material.

  ECL on bank balances and short term deposits is determined using credit rating information supplied by independent rating agencies, where available. ECL on bank balances and short term deposits is provided if the amount is deemed material.

- *Impairment of non-financial assets*

  At the end of the reporting period, the Management has assessed if there any indicators of impairment of non-financial assets (property, plant and equipment, investment properties, intangible assets, investment in subsidiaries and associates and right of use assets), especially considering the effects of business disruptions due to COVID 19 pandemic. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

  The Management has concluded based on assessment of available evidence, that impairment has not arisen in the carrying values of the non-financial assets at the end of the reporting period.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes to the Financial Statements *(Continued)*

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

- *Going concern assumption in SFM*

  The following events or conditions on the face of it could indicate a material uncertainty exists that may cast doubt on SFM's ability to continue as a going concern:

  - during the year, SFM incurred a net loss of RO 646,354 (2021 – RO 1,429,848) and the accumulated losses at the end of the reporting period amounted to RO 6,737,965 (2021 – RO 6,091,611) which has eroded 100% (2021 – 100%) of the share capital of SFM resulting in a deficiency of assets amounting to RO 258,740 (2021 – RO 83,429); and

  - at the end of the reporting period, the current liabilities of SFM exceeded its current assets by RO 8,611,185 (2021 – RO 5,939,587).

  However, SFM's management have concluded that no material uncertainty exists and the financial statements of SFM have been prepared on a going concern basis as:

  - SFM has entered into an agreement with PASFR (note 30) which has started generating income in the current year since the construction of the grain silos have been completed;

  - A significant portion of SFM's trade and other payables included under current liabilities, is towards amounts due to a Shareholder; and

  - SFM's Shareholders have confirmed that they will provide adequate funds to continue operations, if required.

- *Government subsidy*

  The method of calculation of the flour subsidy receivable from the Government of the Sultanate of Oman as referred to in note 11 d). The Management has taken the view that the methods of calculation of wheat subsidy as set out initially by the Ministry of Agriculture, Fisheries and Water Resources ('MOAFW') will apply and that there will not be any change in the methods of calculation arising from an assessment currently being carried out by MOAFW and Ministry of Finance ('MOF') as explained in note 11 d) to the financial statements. The Management's view is that even if there is any change in the methods of calculation, the change would not be retrospective and the current amounts receivable of RO 4,524,173 against flour subsidy will therefore remain recoverable.

- *Fair value of investment properties*

  Estimation of the fair values of investment properties is generally based on independent valuer's assessment of the properties. If it is not practicable to obtain an independent valuation, the Management estimates are used to determine the fair values based on their knowledge and experience of the present value of future expected cash flows to be generated from the investment properties.

  The valuations, whenever undertaken, are performed by an accredited independent valuer with a recognised and relevant professional qualification and recent experience of the location and category of the investment property being valued.

  The fair valuation model is consistent with the principles in IFRS 13 'Fair value measurements' and requires the use of significant estimates and judgements.

- *Deferred taxation*

  Significant management judgement is required to determine the amount of deferred taxation that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Notes to the Financial Statements *(Continued)*

4 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied in dealing with items considered material to the Group and Parent Company's financial statements.

a) Basis of consolidation

These financial statements have been prepared under the historical cost convention except for certain financial and non-financial assets, which are re-measured at fair values.

The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiaries. All significant intra-group transactions, profits and balances are eliminated on consolidation and all sales and profit figures relate to external transactions and balances only. Non-controlling interests, if any, in the equity and results of a subsidiary are shown as separate items in the consolidated financial statements.

b) Revenue

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Revenue from services is recognised at the point in time when services are rendered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the services.

The normal credit term is 30 to 90 days upon delivery of goods or upon completion of services.

Variable consideration

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., fixed and progressive rebates). In determining the transaction price for the sale of goods, the Management considers the effects of variable consideration and consideration payable to the customer (if any).

If the consideration in a contract includes a variable amount, the Management estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with fixed and progressive rebates which give rise to variable consideration.

Rebates

The Group offers two types of rebates i.e. fixed rebate and volume rebate.

Fixed rebate

Fixed rebate is extended for certain contracts against the overall value of sales undertaken and are irrespective of any criteria to be complied with. Fixed rebates are accounted simultaneously through a credit note when the revenue is accounted and effectively reduced from revenue.

Notes to the Financial Statements *(Continued)*

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Revenue (Continued)

Volume rebates

The Group provides volume or progressive rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold.

The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

Right of return

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventories, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods.

Refund liability

For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

c) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment is their purchase price together with any incidental expenses. The cost of property, plant and equipment also includes borrowing costs that are directly attributable to the acquisition of the property, plant and equipment up to the date of capitalisation.

Following initial recognition at cost, expenditure incurred to replace a component of an item of property, plant and equipment which increases the future economic benefits embodied in the item of property, plant and equipment is capitalised. All other expenditures are recognised in the statement of income as an expense as incurred.

Items of property, plant and equipment are derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the statement of income in the year the item is derecognized. Freehold land is not depreciated.

Depreciation is charged on the property, plant and equipment so as to write off their cost less their estimated residual values over their estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

	Group (Years)	Parent Company (Years)
Buildings	5 to 40	5 to 40
Plant, machinery and tools	5 to 25	15
Furniture, fittings and equipment	3 to 10	3 to 5
Motor vehicles	4 to 6.67	4
Crates, dollies, pans, etc	3 to 5	--

Notes to the Financial Statements *(Continued)*

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Property, plant and equipment (Continued)

Capital work-in-progress:
Capital work-in-progress is stated at cost and includes all expenditures incurred on engineering, design work and costs directly attributable to the project engineering, procurement and construction / installation until such time the assets are put to use, when these will be allocated to property, plant and equipment. Capital work-in-progress is not depreciated.

d) Investment properties

Property, which is held for rental or capital appreciation, is classified as investment property. The carrying amount of investment property is the fair value of the property as determined on a recurring basis by a registered independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Changes in the fair value are recognised in the statement of income.

Capital work-in-progress is not depreciated. All expenditure incurred on engineering, design work and costs directly attributable to the project engineering, procurement and construction / installation are treated as capital work in progress until such time the assets are put to use, when these will be allocated to investment properties.

e) Intangible assets

Software
Intangible asset comprises the cost of ERP software. Computer software costs that have probable economic benefit exceeding more than one year are recognised as intangible asset. Intangible asset is amortised using the straight-line method over their estimated useful life of 3 years and any impairment losses are recognised.

Goodwill
Goodwill arising on acquisition of subsidiary is initially recognised at cost, being the excess of cost of business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is subsequently measured at cost less accumulated impairment losses. Negative goodwill is recognised immediately in the consolidated statement of income. Impairment losses, if any, in respect of goodwill arising on consolidation are assessed on an annual basis.

f) Investment in subsidiaries and associates

Investments in subsidiaries – Group

An entity over which the Group exercises control is classified as a subsidiary. Control is achieved where the Group has power over the investee, that exposes or gives rights to variable returns from its involvement with the investee and is able to use its power to affect the amount of returns from the investee. Generally, control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee.

Investments in associates – Group

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. When the Group accounts are prepared, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

Dividend received is reduced from the carrying value of the investment in the associates in the year in which the dividend is received.

Notes to the Financial Statements *(Continued)*

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Investment in subsidiaries and associates (Continued)

Investments in associates – Group (Continued)

Initial recognition and measurement:

At the date of acquisition, any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the subsidiary and associate is recognised as goodwill. The Group's share in the subsidiaries and associates is the aggregate of the holdings in that entity by the Parent Company and its subsidiaries.

Investments in subsidiaries and associates – Parent Company

Investments in subsidiaries and associates are accounted in the separate financial statements by using the equity method. Investments in subsidiaries and associates are initially recorded at cost and the carrying amount is increased or decreased to recognise the Parent Company's share of the profits or losses of the subsidiary / associate and other comprehensive income after acquisition.

The carrying amount of these investments is reduced to recognise any impairment of the value of the individual investment. If the Parent Company's share of losses exceeds its interest in the investment, the carrying value of that investment is reduced to nil and the recognition of any further losses is discontinued unless the Parent Company has an obligation to make further funding contributions to that subsidiary or associate.

g) Fair value measurement

The Group 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).

The fair values of quoted investments are determined with reference to the closing prices in organized financial markets at the end of the reporting period.

The fair values of the non-quoted equity investments have been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in Management's estimate of fair value for these non-quoted equity investments.

However, when sufficient more recent information is not available to measure fair value or when there is a wide range of possible fair value measurements, and cost represents the best estimate of fair value in the range, the non-quoted investments are carried at cost.

Notes to the Financial Statements *(Continued)*

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Inventories

Inventories are stated at lower of cost and net realisable value. Net realisable value is a price at which inventories can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective items.

The cost of grains (raw materials) is determined by the weighted average price method. Other raw materials and packing materials are determined by the first-in first-out method and spares are determined by the weighted average cost method. The cost of finished goods is determined by the first-in first-out method. In case of finished goods, cost includes an appropriate share of overheads based on normal operating capacity.

Work in progress comprises direct materials, direct labour costs and other variable overheads.

i) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of bank deposits, bank balances and cash with maturity of three months or less from the date of acquisition, net of bank borrowings, if any.

Bank borrowings that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

j) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). They are generally due for settlement within 30 to 90 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

k) Taxation

Taxation is provided for in accordance with the Sultanate of Oman's fiscal regulations.

Deferred taxation is provided using the liability method on all temporary differences at the reporting date. It is calculated at the tax rates that are expected to apply to the period when it is anticipated the liabilities will be settled, and is based on the rates (and laws) that have been enacted at the end of the reporting period.

Deferred tax assets are recognized in relation to carry forward losses and unused tax credits to the extent that it is probable that future taxable profits will be achieved.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes to the Financial Statements *(Continued)*

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Financial assets

Initial recognition

The Group's financial assets comprise trade and other receivables, bank balances and cash, short term deposits, amounts due from subsidiaries and related parties, investments at fair value through other comprehensive income and investments at fair value through profit and loss. These financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value (plus transaction costs, for financial assets other than at FVTPL).

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets across the various categories are analyzed as follows:

Financial assets at amortised cost:

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as separate line item under general and administration expense in the statement of income.

Notes to the Financial Statements *(Continued)*

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Financial assets (Continued)

Equity instruments at fair value through other comprehensive income (FVOCI)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments, which are not held for trading, as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of income. Equity investments designated at FVOCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss (FVTPL)

The Group classifies the following financial assets at fair value through profit or loss (FVTPL):

- debt investments that do not qualify for measurement at either amortised cost or FVOCI;
- financial assets that are held for trading, and
- equity investments for which the Group has not elected to recognise fair value gains and losses through OCI

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of income.

Dividend income

Dividend income from investments is accounted when the right to receive payment is established.

m) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. The Group measures the impairment using the expected credit loss (ECL) model for different categories of financial assets.

Trade receivables

The Group recognises allowance for expected credit losses (ECLs) applying a simplified approach for trade receivables, at an amount equal to lifetime ECLs. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the trade receivables and the economic environment.

Other financial assets

For other financial assets, which are subject to impairment, the ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a lifetime ECL is recognised for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For amounts due from related parties (including subsidiaries and associates), other receivables, bank balances and cash and short term deposits, the ECL adjustments are made only if they are material.

Notes to the Financial Statements *(Continued)*

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Impairment (Continued)

Write off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-financial assets

At the end of each reporting period, the Management assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Management estimates the recoverable amount of the asset and recognizes an impairment loss in the statement of income. The Management also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognized immediately in the statement of income.

The recoverable amount is assessed as higher of asset's or CGU's value in use (VIU) and fair value less costs to sell. In assessing the VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and other asset specific risks. The Management also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss reversals are recognised immediately in the statement of income.

n) Employees' end of service benefits

Payment is made to Omani Government's Social Security Scheme under Royal Decree number 72 / 91 (as amended) for Omani employees.

Provision is made for amounts payable under the Sultanate of Oman's Labour Law under Royal Decree number 35 / 2003 applicable to non Omani employees' accumulated periods of service at the end of the reporting period.

o) Foreign currency transactions

Foreign currency transactions and monetary assets and liabilities are translated into Omani Rials at the exchange rate prevailing on the transaction date and at the end of the reporting period. Exchange differences arising are taken to the statement of income.

p) Provisions

A provision is recognized in the statement of financial position when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Notes to the Financial Statements *(Continued)*

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Operating segments

An operating segment is component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment's operating results are reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

r) Leases

The Group leases its office equipment, quay space and factory lands under various leasing arrangements.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices unless it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Lease liabilities include (wherever applicable) the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option, and
- penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used.

Lease payments are allocated between the principal and finance cost. The finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs, if applicable.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Payments associated with short-term leases and of low-value assets are recognised on a straight-line basis as an expense in the statement of income.

Lessor
Lease income from the investment properties where the Group is a lessor is recognised on a straight-line basis over the lease term. The investment properties are included in the statement of financial position of the Group.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes to the Financial Statements *(Continued)*

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Financial liabilities

All financial liabilities are initially measured at fair value and are subsequently measured at amortised cost.

t) Dividends

The Board of Directors recommend to the Shareholders dividend to be paid out of Parent Company's profits. The Parent Company's Board of Directors take into account appropriate parameters including the requirements of the Commercial Companies Law of Oman and other relevant directives issued by CMA while recommending the dividend. Dividends are recognized as a liability in the period they are declared.

u) Directors' remuneration

The Parent Company follows the Commercial Companies Law of Oman, and other relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors' remuneration and meeting attendance fees. Directors' remuneration and meeting attendance fees are charged to the statement of income in the year to which they relate.

v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

w) Contract liability

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

x) Deferred financing costs

The cost of obtaining long-term financing is deferred and amortised over the term of the long-term loan using the effective interest rate method. Deferred financing costs less accumulated amortisation are offset against the drawn amount of long-term loans. The amortisation of deferred financing costs is charged to the statement of income.

y) Government subsidy

A government subsidy that becomes receivable as compensation for expenses already incurred or for the purpose of giving immediate financial support to the Company is recognised as a deduction from the cost of sales in the year in which it becomes receivable. Any unused amount of government subsidy is deferred and netted off against subsidy receivable.

z) Rental income

Rental lease income from the grain silos where the Group is a lessor is recognised as income on a straight-line basis over the lease term.

Notes to the Financial Statements *(Continued)*

5 PROPERTY, PLANT AND EQUIPMENT

a) The balances and movement of property, plant and equipment during the years ended 31 December 2022 and 31 December 2021 for the Group and Parent Company are set out on pages 54 to 57.

b) Certain buildings of the Parent Company are constructed on land provided by the Government of the Sultanate of Oman at a nominal amount of RO 1.

c) The factory buildings and plant facilities of AFI are built on a plot of leasehold land in Barka under a lease agreement that is valid until 30 May 2034.

The grain silos and plant and machinery of SFM are built on land leased from Sohar Industrial Port under a 25 year non-cancellable and renewable lease agreement.

d) Property, plant and equipment of SFM are mortgaged against term loans and bank borrowings availed from local commercial banks (notes 17 and 18).

e) During the year, the cost of certain SFM's grain silos that are expected to be used for rental purposes as per the agreement detailed under note 30 and other third parties have been classified as investment properties.

f) The Group's capital work in progress of RO 1.4 million (2021 – RO 17.5 million) mainly includes costs incurred by the Parent Company towards packing machinery, cleaning machineries and chain belt which are awaiting installation at the end of the reporting period.

At the end of the reporting period, borrowing costs (including interest on lease liabilities) incurred by SFM amounting to RO 859,446 which were directly attributable to the construction of the grain silos and buildings have been capitalised as part of property, plant and equipment (2021 – RO 818,191)

g) The depreciation on property, plant and equipment for the year has been allocated as follows:

		Group		Parent Company	
		2022	2021	**2022**	2021
	Note	**RO '000**	RO '000	**RO '000**	RO '000
Cost of sales	22	**2,851**	2,739	**1,221**	1,269
Selling and distribution	23	**4**	6	**3**	6
General and administration	24	**278**	276	**105**	95
		3,133	3,021	**1,329**	1,370

Notes to the Financial Statements *(Continued)*

6 INVESTMENT PROPERTIES

Parent Company

Year 2022	**Freehold land RO '000**
At 31 December 2021 (as restated)	**1,750**
Fair value changes during the year	**250**
At 31 December 2022	**2,000**

Year 2021	**Freehold land RO '000**
At 31 December 2020 (as originally stated)	37
Effect of restatement (note 32)	1,713
At 31 December 2021 (as restated)	1,750

Group

Year 2022	**Freehold land RO '000**	**Grain silos RO '000**	**Plant and machinery RO '000**	**Total RO '000**
At 31 December 2021 (as restated)	**1,750**	**--**	**--**	**1,750**
Transferred from property, plant and equipment during the year (note 5)	**--**	**5,076**	**4,057**	**9,133**
Fair value changes during the year	**250**	**--**	**--**	**250**
At 31 December 2022	**2,000**	**5,076**	**4,057**	**11,133**

Year 2021	**Freehold land RO '000**
At 31 December 2020 (as originally stated)	37
Effect of restatement (note 32)	1,713
At 31 December 2021 (as restated)	1,750

The following further notes apply:

a) Freehold land comprises of land owned by the Parent Company situated in Al-Khuwair that is leased to third parties subject to renewal on an annual basis. The fair value of the investment properties based on an independent valuer's report dated 22 December 2022 amounted to RO 2,000,000 (2021 – RO 1,750,000).

b) Grain silos and plant and machinery are constructed by SFM on land leased from Sohar Industrial Port, under a 25 year non-cancellable and renewable lease agreement [note 9 a)]. The construction was completed during the year and accordingly, the investment properties were capitalised in November 2022 [note 5 e)].

At the end of the reporting period, SFM's Management believes the fair value of the grain silos and plant and machinery is not expected to be significantly different from the carrying value as the construction was completed in November 2022.

The investment properties are mortgaged with a local commercial bank as security for the term loan availed [note 17

c) Rental income, under note 26 to the financial statements, includes rent from the investment properties amounting to RO 349,697 (2021 - RO 30,000) for the Group and RO 30,000 (2021 – RO 30,000) for the Parent Company. The direct operating expenses incurred on the investment properties amounted to RO 29,725.

Notes to the Financial Statements *(Continued)*

7 INTANGIBLE ASSETS

Group

Software	**2022 RO '000**	2021 RO '000
Cost		
At the beginning of the year	**61**	29
Additions during the year	**--**	32
At the end of the year	**61**	61
Amortization		
At the beginning of the year	**24**	13
Charge for the year (note 24)	**14**	11
At the end of the year	**38**	24
Net book value		
At the end of the year	**23**	37

8 INVESTMENTS

a) Investment in a subsidiary

The carrying value of investment in a subsidiary is eliminated in the process of consolidation in the Group's financial statements. In the Parent Company, the investment in a subsidiary is accounted using the equity method. The movements in the carrying value of the investment in a subsidiary in the Parent Company is as follows:

Atyab Investments LLC	**2022 RO '000**	2021 RO '000
At the beginning of the year	**19,119**	18,240
Investment in subsidiaries and associates of AI	**2,424**	1,032
Share of results for the year	**(1,061)**	(153)
At the end of the year	**20,482**	19,119

The following further notes apply:

i) The financial year ending of the subsidiary is 31 December and accordingly, these financial statements incorporate the results of the subsidiary for the year ended 31 December 2022.

ii) The investment of RO 20.482 million (2021 – RO 19.119 million) includes AI's ownership of the registered share capital of RO 250,000 (2021 – RO 250,000) and an additional RO 21.251 million (2021 – RO 18.827 million) that is categorised as Shareholder's current account in the financial statements of AI as it is awaiting formal registration as share capital. The Management has confirmed that there is an intention to register the amount on current account as share capital in the long term, but that in the meantime they confirm that it is to be considered as an investment in the subsidiary of a permanent nature.

iii) The fair value of investment in a subsidiary cannot be readily obtained in the absence of relevant fair value estimates as the investment is unquoted.

iv) At the end of the reporting period, the Group's share in the unaccounted losses of a subsidiary (SFM) that have not been accounted amounted to RO 222,522 (2021 – nil).

Notes to the Financial Statements *(Continued)*

8 INVESTMENTS (Continued)

a) Investment in a subsidiary (Continued):

v) AI holds 60% shareholding in SFM that has non-controlling interest. The results of SFM, not adjusted for proportion of ownership and inter-company eliminations, are summarized as follows:

	2022 RO '000	2021 RO '000
Assets		
Non-current assets	**33,733**	30,042
Current assets	**3,123**	5,063
Total assets	**36,856**	35,105
Liabilities		
Non-current liabilities	**25,380**	24,185
Current liabilities	**11,734**	11,004
Total liabilities	**37,114**	35,189
Revenue	**8,619**	8,231
Net loss and total comprehensive loss	**(646)**	(1,430)

b) Investment in associates:

The Group applies equity method of accounting for the investment in associates. The movement in the carrying value of Group's and Parent Company's investment in associates during the year are as follows:

Year 2022	**Parent Company OFC RO '000** [see note iv) below]	**FTP RO '000** [see note iii) below]	**BPO RO '000** [see note iii) below]	**AFP RO '000**	**AIP RO '000**	**Group Total RO '000**
At the beginning of the year	**1,395**	**48**	**165**	**5,598**	**2,747**	**9,953**
Acquired during the year	**--**	**--**	**759**	**--**	**--**	**759**
Share of results for the year	**(73)**	**(2)**	**(52)**	**(346)**	**(101)**	**(574)**
At the end of the year	**1,322**	**46**	**872**	**5,252**	**2,646**	**10,138**

Year 2021	**Parent Company OFC RO '000** [see note iv) below]	**FTP RO '000** [see note iii) below]	**BPO RO '000** [see note iii) below]	**AFP RO '000**	**OOSC RO '000**	**AIP RO '000**	**Group Total RO '000**
At the beginning of the year	1,749	--	--	4,864	324	2,547	9,484
Sold during the year	--	--	--	--	(324)	--	(324)
Acquired during the year	66	51	165	1,033	--	406	1,721
Share of results for the year	(420)	(3)	--	(299)	--	(206)	(928)
At the end of the year	1,395	48	165	5,598	--	2,747	9,953

Notes to the Financial Statements *(Continued)*

8 INVESTMENTS (Continued)

b) Investment in associates: (Continued)

The following further notes apply:

i) OFC is a public joint stock company whereas AFP is a closed joint stock Company and both are registered in the Sultanate of Oman.

AIP and FTP are limited liability companies and BPO is a closed joint stock Company registered in the Sultanate of Oman and are engaged in investing activities and for innovations in food sector. AIP owns 94% shareholding in Sohar Poultry Company SAOC ("SPC") and accordingly SPC is a subsidiary of AIP.

ii) The financial year ending of OFC, FTP, BPO and AFP is 31 December and the financial year ending of AIP is 30 June. However, these financial statements incorporate the results of all the associates for the year ended 31 December 2022.

iii) FTP and BPO have not commenced their operations as at the end of the reporting period.

iv) As on 31 December 2022, the fair value of the investment in OFC amounts to RO 3,332,929 (2021 – RO 1,887,000). The fair value of other investments in associates cannot be readily obtained in the absence of relevant fair value estimates as the investments are unquoted

v) The results of associates and their assets and liabilities, not adjusted for proportion of ownership, are summarized as follows:

Year 2022	**FTP**	**BPO**	**OFC**	**AFP**	**AIP**
	RO '000	**RO '000**	**RO '000**	**RO '000**	**RO '000**
Assets					
Non-current assets	–	1,948	6,988	30,751	4,140
Current assets	92	762	7,338	5,517	3,395
Total assets	92	2,710	14,326	36,268	7,535
Liabilities					
Non-current liabilities	–	-	1,170	14,624	361
Current liabilities	1	68	6,501	5,145	1,667
Total liabilities	1	–	7,671	19,769	2,028
Revenue	–	30	12,797	13,346	8,786
Net loss and total comprehensive loss	(5)	(158)	(1,169)	(1,039)	(202)

Year 2021	**FTP**	**BPO**	**OFC**	**AFP**	**AIP**
	RO '000	**RO '000**	**RO '000**	**RO '000**	**RO '000**
Assets					
Non-current assets	–	–	7,308	16,425	4,713
Current assets	97	–	3,015	10,072	3,090
Total assets	97	–	10,323	26,497	7,803
Liabilities					
Non-current liabilities	–	–	558	4,954	342
Current liabilities	2	–	4,167	3,741	1,823
Total liabilities	2	–	4,725	8,695	2,164
Revenue	–	–	12,205	11,611	7,167
Net loss and total comprehensive loss	(7)	–	(1,666)	(900)	(412)

Notes to the Financial Statements *(Continued)*

8 INVESTMENTS (Continued)

c) Other investments

	Fair value hierarchy	**Group and Parent Company** **2022** **RO '000**	2021 RO '000
Investments at fair value through profit or loss *(quoted) [see notes below]*			
At the beginning of the year		**1,519**	1,533
Purchases during the year		**557**	489
Sales during the year		**(582)**	(799)
Net realised gain on sales during the year		**32**	23
Fair value changes during the year		**(33)**	273
	Level 1	**1,493**	1,519
Investments at fair value through other comprehensive income *(un-quoted)*	*Level 2*	**355**	355
		1,848	1,874

The following further notes apply:

i) At the end of the reporting period, the sector-wise analysis of the Group's and Parent Company's carrying value of investments at fair value is as follows:

	2022 **RO '000**	2021 RO '000
MSX quoted investments:		
Banks and investment	**1,057**	942
Industrial	**96**	301
Services	**318**	260
	1,471	1,503
Cash balance with Portfolio Managers	**22**	16
	1,493	1,519
Un-quoted investments:		
Fund for Development of Youth Projects SAOC	**355**	355

ii) Investments at fair value through profit or loss comprise of local marketable securities and are measured at fair value at the close of business on 31 December 2022 (2021 – 31 December 2021).

iii) Investments at fair value through profit or loss with a carrying value of RO 359,014 (2021 – RO 370,600) are registered in the name of Portfolio Managers who hold it in trust for and on behalf of the Parent Company.

iv) At the end of the reporting period, none of the Parent Company's investments at FVTPL represent 10% or more of the investees' share capital (2021 – none)

v) At the end of the reporting period, none of the Parent Company's investments at FVTPL represents 10% of the market value of the Parent Company's investments portfolio (2021 – none).

Notes to the Financial Statements *(Continued)*

9 LEASES

a) The Group has entered into the following lease arrangements:

- OFM has leased lands in Mina Sultan Qaboos for the purpose of silos and in Jibroo for the purpose of factory. The lease terms for both the lands are for a period of 9 and 15 years, respectively.
- AI has leased a plot of land in Barka for factory premises from the Ministry of Housing for and on behalf of AFI under an operating lease agreement that will expire on 30 May 2034.
- SFM has entered into leasing arrangements for quay space and lands in the Sohar Industrial Port area, in the Sultanate of Oman. The average lease term for the quay space is around 25 years and 18.5 years for the lands.
- AIS has entered into a leasing arrangement for office equipment, wherein the ownership of the asset will be transferred to the Company at the end of the lease term. The lease term is 5 years.

b) The right-of-use asset on the land lease and office equipment lease arrangements has been recognised as follows:

	Parent Company	
	2022	2021
	RO '000	RO '000
Cost		
At the beginning and at the end of the year	**84**	84
Depreciation		
At the beginning of the year	**28**	19
Charge for the year [note f) below]	**9**	9
At the end of the year	**37**	28
Net book values		
At the beginning of the year	**56**	65
At the end of the year	**47**	56

Year 2022				Group
	Office equipment RO '000	**Quay space RO '000**	**Factory lands RO '000**	**Total RO '000**
Cost				
At 31 December 2021 and at 31 December 2022	**7**	**2,768**	**1,314**	**4,089**
Depreciation				
At 31 December 2021	**2**	**340**	**240**	**582**
Charge for the year [note f) below]	**1**	**113**	**83**	**197**
At 31 December 2022	**3**	**453**	**323**	**779**
Net book values				
At 31 December 2022	**4**	**2,315**	**991**	**3,310**
At 31 December 2021	**5**	**2,428**	**1,074**	**3,507**

Notes to the Financial Statements *(Continued)*

9 LEASES (Continued)

b) (Continued)

Year 2021	Office equipment RO '000	Quay space RO '000	Factory lands RO '000	Total RO '000
At 31 December 2020	7	2,768	1,272	4,047
Additions during the year	--	--	42	42
At 31 December 2021	7	2,768	1,314	4,089
Depreciation				
At 31 December 2020	1	226	158	385
Charge for the year [note f) below]	1	114	82	197
At 31 December 2021	2	340	240	582
Net book values				
At 31 December 2021	5	2,428	1,074	3,507
At 31 December 2020	6	2,542	1,114	3,662

c) At the end of the reporting period, the lease liabilities (present value of discounted payments) are disclosed in the statement of financial position as follows:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Non-current portion	**3,770**	3,881	**46**	52
Current portion	**107**	80	**9**	11
	3,877	3,961	**55**	63

d) The movement in lease liabilities during the year is as follows:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
At the beginning of the year	**3,961**	3,991	**64**	71
Additions during the year	**--**	42	**--**	--
Paid during the year	**(306)**	(302)	**(11)**	(11)
Interest on lease liabilities expensed [note 9 f)]	**222**	230	**2**	3
At the end of the year	**3,877**	3,961	**55**	63

e) The contractual maturity analysis of the undiscounted cash flows of the lease liabilities is as follows:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Upto 1 year	**315**	310	**11**	11
Between 1 year to 5 years	**1,257**	1,247	**45**	45
Above 5 years	**5,159**	5,456	**17**	17
	6,731	7,013	**73**	73

Notes to the Financial Statements *(Continued)*

9 LEASES (Continued)

f) The amounts relating to leases are summarised as follows:

	Group		Parent Company	
	2022 RO '000	2021 RO '000	**2022 RO '000**	2021 RO '000
Depreciation	**197**	197	**9**	9
Interest cost	**222**	230	**2**	3
Short term lease payments	**623**	374	**477**	253
Income from sub-leasing right of use assets	**92**	55	**--**	--

g) The total cash outflow for leases amounted to RO 928,976 (2021 – RO 422,486) for the Group and RO 11,315 (2021 – RO 11,315) for the Parent Company.

h) The land leased for the factory and office premises by SFM is under usufruct mortgage with a local commercial bank providing facilities to SFM [note 17 d)].

10 INVENTORIES

	Group		Parent Company	
	2022 RO '000	2021 RO '000	**2022 RO '000**	2021 RO '000
Raw materials	**27,117**	30,044	**26,540**	29,160
Finished goods	**1,464**	1,281	**1,166**	1,017
Packing materials and spares	**3,485**	3,357	**1,958**	2,065
Work in progress	**582**	401	**--**	--
	32,648	35,083	**29,664**	32,242
Provision for slow and non-moving inventories [note a) below]	**(1,447)**	(1,839)	**(1,186)**	(1,664)
	31,201	33,244	**28,478**	30,578

The following further notes apply:

a) The movement in the provision for slow and non-moving inventories is as below:

	Group		Parent Company	
	2022 RO '000	2021 RO '000	**2022 RO '000**	2021 RO '000
At the beginning of the year	**1,839**	1,351	**1,664**	1,285
(Reversed) / provided during the year (note 22)	**(7)**	504	**(116)**	379
Written-off during the year	**(385)**	(16)	**(362)**	--
At the end of the year	**1,447**	1,839	**1,186**	1,664

b) At the end of the reporting period, inventory of finished goods of the Group and the Parent Company represent, average sales of 6 days and 6 days, respectively (2021 – 7 days and 6 days average sales for Group and Parent Company).

c) Certain inventories of the Group are under commercial mortgage with a local commercial bank providing credit facilities (notes 17 and 18).

Notes to the Financial Statements *(Continued)*

11 TRADE AND OTHER RECEIVABLES

	Group		Parent Company	
	2022 RO '000	2021 RO '000	**2022 RO '000**	2021 RO '000
Trade receivables	**20,925**	19,095	**14,009**	12,476
Less: Allowance for expected credit losses (ECL) [see note b) below]	**(2,813)**	(1,601)	**(1,281)**	(941)
	18,112	17,494	**12,728**	11,535
Advances to capital creditors	**2,969**	1,008	**2,930**	672
Advances to suppliers	**11,555**	1,308	**7,726**	**1,308**
Subsidy receivable [note d) below]	**4,524**	--	**4,524**	--
Other receivables (net of ECL)	**1,358**	1,091	**507**	436
Accrued interest and prepayments	**741**	464	**654**	365
	39,259	21,365	**29,069**	14,316

The following further notes apply:

a) Except for certain trade receivables of the Parent Company amounting to RO 6.34 million (2021 - RO 2.71 million) which are secured by bank guarantees and secured through mortgages of land and property, the remaining Group's and Parent Company's trade receivables are unsecured. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days credit (2021 – same terms).

b) The movement in allowance for expected credit losses against trade receivables is as below:

	Group		Parent Company	
	2022 RO '000	2021 RO '000	**2022 RO '000**	2021 RO '000
At the beginning of the year	**1,601**	1,121	**941**	617
Established during the year (note 24)	**1,212**	480	**340**	324
At the end of the year	**2,813**	1,601	**1,281**	941

c) Certain trade receivables of the Group have been assigned to a local commercial bank against facilities availed (notes 17 and 18).

d) The subsidy receivable from the Government of the Sultanate of Oman represents a subsidy on purchase of wheat and certain raw materials relating to animal feed production (refer note 3). The subsidy receivable of RO 4,524,173 (2021 – not applicable) for the period May 2022 to December 2022 is awaiting certification by professional consultants and subject to final approval by the Ministry of Finance following which the payments are to be settled. The subsidy certification by the professional consultants for the period May 2022 to December 2022 has been kept on hold by the MOAFW and MOF since they are in the process of reviewing the procedures for computing the wheat subsidy. The Management is confident that the outcome of the assessment would not materially impact the amount of the subsidy receivable claimed of RO 4,524,173 (2021 – not applicable), as the amount has been determined based on a method of calculation prescribed by the MOAFW.

e) The information about the credit exposure for trade receivables is detailed in note 29 b).

Notes to the Financial Statements *(Continued)*

12 DEPOSITS, BANK BALANCES AND CASH

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Short term deposits [see note b) below]	**7,500**	5,000	**7,500**	5,000
Restricted bank deposits	**--**	500	**--**	--
	7,500	5,500	**7,500**	5,000
Bank balances and cash:				
Bank balances [see note a) below]	**5,647**	10,008	**4,275**	7,921
Cash in hand	**145**	63	**33**	16
Cash and cash equivalents	**5,792**	10,071	**4,308**	7,937

The following further notes apply:

a) Bank balances include call deposits, which earn interest at commercial rates (2021 – similar terms).

b) Although the maturity periods of the deposits range between 1 year to 2 years, the Management has an option to withdraw the amounts at short notice and accordingly the entire amount has been classified under current assets. The short term deposits earn interest in the range of 4.25% to 4.75% (2021 – 4.35% to 5.20%) per annum.

13 SHARE CAPITAL

a) The Parent Company's authorised, issued and paid up share capital is RO 15,750,000 (2021 - RO 15,750,000) comprising of 157,500,000 (2021 – 157,500,000) shares of RO 0.100 each (2021 - RO 0.100 each).

b) At the end of the reporting period, shareholders of the Parent Company who own 10% or more of the Parent Company's shares, and the number of shares they hold are as follows:

	2022		2021	
	Number of shares	**%**	Number of shares	%
Oman Food Investment Holding Company SAOC	**80,418,100**	**51.06**	80,418,100	51.06
Civil Services Employees' Pension Fund	**20,020,267**	**12.71**	20,020,267	12.71

14 LEGAL RESERVE

Parent Company:

In accordance with Article 132 of the Commercial Companies Law of Oman, annual appropriation of 10% of the net profit for the year of the Parent Company, is to be made to the legal reserve until the reserve equals one third of the share capital. The reserve is not available for distribution but can be utilized to set off against any accumulated losses and increasing the Company's share capital by issuing shares.

No transfer has been made in the current year as the Parent Company has already achieved the minimum amount required in the legal reserve in an earlier period.

Group:

In accordance with Article 274 of the Commercial Companies Law of Oman, annual appropriation of 10% of the net profit for the year of the individual subsidiaries, is to be made to the legal reserve until the reserve equals one third of the share capital. The reserve is not available for distribution but can be utilized to set off against any accumulated losses. No transfer has been made in the current year for those subsidiaries who have already achieved the minimum amount required in the legal reserve in an earlier period.

Notes to the Financial Statements *(Continued)*

15 GENERAL RESERVE

The general reserve is a voluntary distributable reserve, created in 1982 on completion of the animal feed mill by a transfer from the specific reserve set aside towards construction and equipment costs. No transfers have been made during the current year (2021 – nil).

16 EARNINGS, DIVIDEND AND NET ASSETS PER SHARE

a) Net assets per share:

Net assets per share is calculated by dividing the net assets at the end of the reporting period by the number of shares outstanding as follows:

	Group		Parent Company	
	2022	2021	**2022**	2021
	'000	'000 (as restated - note 32)	**'000**	**'000** (as restated - note 32)
Net assets (in Rials Omani)	**72,301**	75,491	**72,322**	75,512
Number of shares outstanding	**157,500**	157,500	**157,500**	157,500
Net assets per share (in Rials Omani)	**0.459**	0.479	**0.459**	0.479

b) Basic earnings per share:

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	Group		Parent Company	
	2022	2021	**2022**	2021
	'000	'000	**'000**	'000
Weighted average number of shares outstanding during the year	**157,500**	157,500	**157,500**	157,500
Net profit for the year	**1,749**	4,742	**2,008**	5,314
Add: Net profit for the year attributable to the non-controlling interest	**259**	572	**--**	--
Profit for the year attributable to the Parent Company (in Rials Omani)	**2,008**	5,314	**2,008**	5,314
Basic earnings per share (in Rials Omani)	**0.013**	0.034	**0.013**	0.034

As there are no dilutive potential shares, the diluted earnings per share are identical to the basic earnings per share.

c) Proposed dividend and dividend per share

The Board of Directors has proposed a dividend of RO 1,968,750 (2021 – RO 5,197,500) which is subject to Shareholders' approval at the forthcoming Annual General Meeting. Dividend per share is determined by dividing the proposed dividend for the year by the weighted average number of ordinary shares outstanding of 157,500,000.

During the year, an amount of RO 38,794 representing unclaimed dividends for the year 2021 (2021 – RO 63,662 for the year 2020), has been transferred to the Investor's Trust Fund of the Capital Market Authority.

Notes to the Financial Statements *(Continued)*

17 TERM LOANS

	Note	Group 2022 RO '000	Group 2021 RO '000
Term loan 1	a)	**1,441**	2,995
Term loan 2	b)	**--**	6,700
Term loan 3	b)	**--**	1,000
Term loan 4	b)	**--**	590
Term loan 5	b)	**8,083**	--
Term loan 6	c)	**15,628**	14,000
		25,152	25,285
Less: unamortised transaction cost		**(256)**	(287)
		24,896	24,998
Less: current portion		**(3,171)**	(3,048)
Total non-current portion		**21,725**	21,950

The following further notes apply:

a) Term loan 1 was obtained from a local commercial bank by AFI. The loan is denominated in US Dollars and carries interest at 3.5% plus 3 months USD Libor per annum. The overall loan obtained from the bank has been bifurcated into four further loans. Two out of the four term loans were prepaid during the year. The remaining loans are repayable in equal quarterly installments commencing after two years from the date of first disbursement. The loan is secured by a corporate guarantee and an undertaking letter from the Parent Company, to debit their account for any overdues under loan repayment.

b) In SFM, term loans 2 to 4 have been restructured and revised into term loan 5 during the year. Term loan 5 was obtained from a local commercial bank by SFM. The loan is repayable in 21 half yearly installments of variable amounts (2021 – not applicable) which commenced from October 2022. The interest on the loan is 6% per annum (2021 – not applicable).

c) Term loan 6 was obtained from a local commercial bank by SFM, is subject to interest at 5.727% per annum which is to be reset annually with a margin of 2.20% (2021 - 1.70%) over the latest announced CBO rate of interest for private sector time deposits, with a floor rate fixed at 5.25% per annum (2021 – 5.25% per annum). The sanctioned loan amount is RO 15,627,600 which has been fully disbursed during the year (2021 – RO 13,999,954). The loan is repayable in 46 equal quarterly installments of RO 339,730 each which will commence from 2023, on completion of 3.5 years moratorium period.

d) The term loans 2, 3, 4, 5 and 6 and the bank borrowings (note 18) are secured by the following:

- usufruct mortgage on SFM's lands leased for factory and office premises located at Sohar Industrial Port [note 9 h)];
- commercial charge over the entire assets of SFM [notes 5 d), 6 b), 7, 9 h), 10 c) and 11 c)];
- assignment of the insurance policies over all assets of SFM;
- assignment of guarantees provided by SFM's contractors
- assignment of SFM's trade receivables [note 11 c)];
- corporate guarantee of SFM's Shareholders; and
- subordination of SFM's Shareholders' current accounts.

e) The term loan agreements for loans 2, 3, 4 and 5 contain certain restrictive covenants which, if violated, could permit the banks to cancel or reduce the facilities [note 29 d)].

Notes to the Financial Statements *(Continued)*

17 TERM LOANS (Continued)

f) The maturity profile of the non-current portion of term loans (including unamortised transaction cost) based on the remaining period to maturity from the end of the reporting period is as follows:

	Group 2022 RO '000	Group 2021 RO '000
Between 1 and 2 years	**1,900**	3,622
Between 2 and 5 years	**8,755**	6,546
Over 5 years	**11,326**	12,069
	21,981	22,237

18 BANK BORROWINGS

	Group 2022 RO '000	Group 2021 RO '000	Parent 2022 RO '000	Parent 2021 RO '000
Loans against trust receipts [note a)]	**45,259**	15,035	**44,912**	12,870
Bank overdraft [note a)]	**295**	--	**--**	--
Bank borrowings forming part of cash and cash equivalents	**45,554**	15,035	**44,912**	12,870
Short term loan [note b)]	**952**	5,270	**--**	4,500
	46,506	20,305	**44,912**	17,370

The following further notes apply:

a) The Parent Company has approved credit facilities arranged from Islamic / commercial banks in the Sultanate of Oman which carry profit / interest at commercial rates when availed. During the year, the Parent Company has acquired loans against those facilities amounting to RO 44.91 million (2021 - RO 17.37 million). Group's bank borrowings comprising of loans against trust receipts and bank overdraft obtained from various local commercial banks, carry interest ranging from 3.25% to 6.25% per annum (2021 – 3.20% to 6% per annum).

b) Short term loan is obtained from local commercial bank and carries interest at 6.4% per anum (2021 3.20% to 3.25% per annum). The short term loan has a maturity of less than 6 months from the end of the reporting period.

c) The interest rates on bank borrowings are subject to quarterly review with banks.

d) Bank borrowings and other facilities are availed against securities provided as disclosed in note 17 d).

Notes to the Financial Statements *(Continued)*

19 TAXATION

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000 (as restated - note 32)	**RO '000**	RO '000 (as restated - note 32)
Statement of income				
Current tax	**683**	1,292	**526**	1,138
Deferred tax (credit) / charge	**(1,369)**	(87)	**26**	(163)
	(686)	1,205	**552**	975
Statement of financial position				
Non-current liability:				
Deferred tax liability [note d) below]	**484**	1,005	**484**	459
Non-current asset:				
Deferred tax asset [note d) below]	**849**	--	**--**	--
Current liability:				
Current taxation	**683**	1,292	**526**	1,138
Prior year	**73**	75	**60**	50
	756	1,367	**586**	1,188

a) The status of the tax assessments of the Companies within the Group pending to be finalised by the Tax Authority is as follows:

Group Companies	**Assessments pending for years**
Oman Flour Mills Company SAOG	2020 and 2021
Atyab Investments LLC	2018 to 2021
Atyab Food Industries LLC	2019 to 2021
Atyab International Services LLC	2019 to 2021
Atyab Technical Services LLC	2019 to 2021
Sohar Flour Mills LLC	2019 to 2021

b) In accordance with Ministerial Decision number 103 / 2019, SFM is exempt from income tax for a period of five years from 30 January 2019 to 29 January 2024.

c) During the year, AIS's, ATS's and SFM's tax assessment for the year 2018 were finalised by the Tax Authority with no additional demand for tax and the Parent Company's tax assessment for the years 2018 and 2019 were finalised by the Tax Authority with an additional demand for tax amounting to RO 30,995 which was paid subsequent to the end of the reporting period.

d) The deferred tax asset / (liability) and the deferred tax credit / (charge) in the statement of income are attributable to the following items:

Parent Company	Accelerated tax depreciation RO '000	Provisions and others RO '000	Total RO '000
At 31 December 2020 (as originally stated)	(663)	290	(373)
Effect of restatement (note 32)	--	(249)	(249)
At 1 January 2021 (as restated)	(663)	41	(622)
Credited to the statement of income	58	105	163
At 31 December 2021	(605)	146	(459)
At 31 December 2021	**(605)**	**146**	**(459)**
Credited / (charged) to the statement of income	**41**	**(66)**	**(25)**
At 31 December 2022	**(564)**	**80**	**(484)**

Notes to the Financial Statements *(Continued)*

19 TAXATION (Continued)

d) *(Continued)*

Group	Accelerated tax depreciation RO '000	Provisions and others RO '000	Carry forward tax losses RO '000	Total RO '000
At 31 December 2020 (as originally stated)	(1,294)	369	82	(843)
Effect of restatement (note 32)	--	(249)	--	(249)
At 1 January 2021 (as restated)	(1,294)	120	82	(1,092)
Credited / (charged) to the statement of income	50	119	(82)	87
At 31 December 2021	(1,244)	239	--	(1,005)
At 31 December 2021	**(1,244)**	**239**	**--**	**(1,005)**
Credited / (charged) to the statement of income	**(420)**	**158**	**1,632**	**1,370**
At 31 December 2022	**(1,664)**	**397**	**1,632**	**365**

e) Taxation is provided at 15% (2021 – 15%) on the profit for the year adjusted for tax purposes. The reconciliation of taxation on the accounting profit with the taxation charge in statement of income for the year is as follows:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Tax charge on accounting profit of taxable companies	**(434)**	(1,186)	**(384)**	(943)
(Add) / less tax effect of:				
Income exempt from tax	**131**	15	**131**	15
Prior period excess	**13**	14	**--**	--
Deferred tax	**1,367**	87	**(26)**	163
Non-deductible expenses	**(391)**	(135)	**(273)**	(210)
Current taxation charge for the year	**686**	(1,205)	**(552)**	(975)

20 TRADE AND OTHER PAYABLES

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Trade payables	**4,617**	9,198	**2,391**	8,008
Accrued expenses and other payables	**4,253**	4,036	**1,187**	1,714
Amounts due to related parties [notes 21 d) and f)]	**22**	--	**12**	67
Provisions associated with the disposal of the investment in a subsidiary (refer to note below)	**535**	535	**535**	535
Directors' remuneration	**150**	150	**38**	35
	9,577	13,919	**4,163**	10,359

The following further note applies:

At the end of the reporting period, the Parent Company has closing provision totaling RO 535,386 (2021 - RO 535,386) towards potential liabilities likely to arise as specified under the sale-purchase agreement relating to the disposal of the investment in Modern Poultry Farms Company SAOC ('former subsidiary') in the year 2019.

Notes to the Financial Statements *(Continued)*

21 RELATED PARTY TRANSACTIONS AND BALANCES

a) The Group, the Parent Company and the subsidiaries enter into transactions in the ordinary course of business between themselves, with the Directors, Shareholders and entities in which certain Directors or Shareholders of the Parent Company have significant influence or control. Prices and terms of payment for these transactions are approved by the Management and Board of Directors. The nature and volume of significant related party transactions and the amounts involved during the year were as follows:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Revenue				
Subsidiaries:				
- Sale of grains to SFM	**--**	--	**4,454**	1,175
- Sale of flour to AFI	**--**	--	**2,305**	2,047
Related parties:				
- Sale of feed to Modern Poultry Farms Company SAOC (MPF)	**5,282**	4,493	**5,273**	4,484
- Sale of feed to Sohar Poultry Company SAOC (SPC)	**1,225**	1,465	**1,208**	1,448
- Sale of feed to Mazoon Dairy Company SAOC (MDC)	**1,810**	2,226	**1,484**	1,900
- Sale of feed to National Livestock and Development Company SAOC (NLDC)	**12**	12	**36**	--
- Sale of feed and flour to Bio Products Oman LLC (BIO)	--	--	**14**	--
- Sale of feed to Oman Fisheries Company SAOG (OFC)	**20**	20	**--**	--
- Sale of feed to Al Naama Poultry Company SAOC (ANPC)	--	--	**106**	--
- Sale of feed to Al Bashayer Meat Company SAOC (ABMC)	**235**	235	**504**	221
Other income				
Subsidiaries:				
- Interest income from SFM	**--**	--	**197**	151
- Rental income from AIS	**--**	--	**60**	60
Expenses				
Subsidiaries:				
- Laboratory services fee to AIS	**--**	--	**504**	504
- Purchase of flour from SFM	**--**	--	**157**	220
Related party:				
- Purchase of packing material from Gulf Plastics Company SAOC	**151**	163	**151**	163

Notes to the Financial Statements *(Continued)*

21 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

b) The key management personnel compensation for the year comprises:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Short term employment and end of service benefits	**644**	563	**393**	354
Directors' remuneration [note c) below]	**150**	150	**35**	35
Directors' meeting attendance fees	**42**	50	**29**	35
	192	200	**64**	70
Directors' and key management personnels' traveling expenses	**10**	--	**10**	--
	846	763	**467**	424

c) The Directors' meeting attendance fees and Directors' remuneration of the Parent Company are subject to Shareholders' approval at the forthcoming Annual General Meeting.

d) The amounts due from and due to subsidiaries and related parties are payable on normal credit terms. Except for amounts due from a related party of RO 2,999,347 (2021 – RO 2,708,669), in the Parent Company, which is subject to interest at 6% per annum (2021 - 6% per annum), all other amounts are not subject to interest (2021 – similar terms).

e) Amounts due from subsidiaries and related parties at the end of the reporting period are as follows:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Subsidiaries:				
- Sohar Flour Mills Company LLC	**--**	--	**5,678**	4,858
- Atyab Investments LLC	**--**	--	**1,851**	2,318
- Atyab Food Industries LLC	**--**	--	**1,549**	1,179
- Atyab International Services LLC	**--**	--	**256**	--
- Bread House LLC	**--**	--	**9**	9
- Atyab Technical Services LLC	**--**	--	**-**	--
- Omaus Pty Limited	--	--	**3,829**	--
Related parties:				
- Modern Poultry Farms Company SAOC	**2,855**	1,945	**2,709**	1,943
- Mazoon Dairy Company SAOC	**1,412**	811	**1,065**	736
- Sohar Poultry Company SAOC	**69**	708	**59**	424
- Oman Oil Seeds Company SAOC	**11**	**--**	**--**	--
- Oman Fisheries Company SAOG	**18**	3	**--**	--
- Atyab IFFCO Poultry LLC	**1**	1	**1**	1
- Al Bashayer Meat Company SAOC	**219**		**215**	--
- A'Naama Poultry SAOC	**106**	--	**106**	--
- Bio Products LLC	**7**		**7**	--
- Omani National Livestock Development Company SAOC	**3**	1	**2**	--
	4,701	3,469	**17,336**	11,468

Notes to the Financial Statements *(Continued)*

21 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

f) Amounts due to related parties at the end of the reporting period are as follows:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
- Oman Food Investment Holding Company SAOC	**14**	--	**9**	--
- Gulf Plastics Company SAOC	**--**	--	**3**	--
- Atyab International Services LLC	**--**	--	--	67
- Nakheel Oman Development Company SAOC	**8**	--	--	--
	22	--	**12**	**67**

22 COST OF SALES

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Cost of materials consumed	**97,786**	71,314	**89,880**	62,196
Less: Government subsidy	**(4,451)**	--	**(4,451)**	--
	93,335	71,314	**85,429**	62,196
Salaries and employee related costs (note 25)	**4,373**	4,000	**1,914**	1,754
Depreciation on property, plant and equipment [note 5 g)]	**2,851**	2,739	**1,221**	1,269
Depreciation on right-of-use assets	**70**	45	**9**	9
Provision for slow and non-moving inventories [note 10 a)]	**(7)**	504	**(116)**	379
Other overheads	**4,225**	2,508	**3,952**	2,227
	104,847	81,110	**92,409**	67,834

The following note applies:

The Parent Company is entitled for Government subsidy on consumption of wheat and certain raw materials relating to animal feed production which effectively limits the maximum cost consumption by the Parent Company.

23 SELLING AND DISTRIBUTION

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Salaries and employee related costs (note 25)	**2,172**	1,816	**391**	249
Advertising, sales promotion and other overheads	**1,720**	1,659	**342**	236
Vehicle expenses	**709**	487	**1**	4
Depreciation [note 5 g)]	**4**	6	**3**	6
Repairs and maintenance	--	3	--	3
	4,605	3,971	**737**	498

Notes to the Financial Statements *(Continued)*

24 GENERAL AND ADMINISTRATION

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Salaries and employee related costs (note 25)	**3,397**	2,880	**2,333**	1,770
Allowance for expected credit losses [note 11 b)]	**1,212**	480	**340**	324
Professional fees	**405**	383	**249**	267
Repairs and maintenance	**281**	249	**170**	147
Depreciation [note 5 g)]	**278**	276	**105**	95
Rent, utilities and insurance	**233**	125	**78**	24
Corporate social responsibility	**150**	400	**150**	400
Directors' remuneration [note 21 b)]	**150**	150	**35**	35
Communication expenses	**101**	93	**28**	25
Directors' meeting attendance fees [note 21 b)]	**42**	50	**29**	35
Travelling expenses	**40**	18	**16**	1
Amortisation of intangible assets (note 7)	**14**	11	**--**	--
Miscellaneous	**774**	412	**343**	207
	7,077	5,527	**3,876**	3,330

25 SALARIES AND EMPLOYEE RELATED COSTS

a) Salaries and employee related costs are included in the statement of income and are analysed as follows:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Cost of sales (note 22)	**4,373**	4,000	**1,914**	1,754
Selling and distribution (note 23)	**2,172**	1,816	**391**	249
General and administration (note 24)	**3,397**	2,880	**2,333**	1,770
	9,942	8,696	**4,638**	3,773

b) Salaries and employee related costs included under cost of sales, selling and distribution, general and administration expenses comprise:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Salaries, wages and other benefits	**9,270**	8,090	**4,300**	3,457
Contributions to defined retirement plan for Omani employees	**529**	459	**308**	288
Cost of end of service benefits for expatriate employees	**143**	147	**30**	28
	9,942	8,696	**4,638**	3,773

Notes to the Financial Statements *(Continued)*

25 SALARIES AND EMPLOYEE RELATED COSTS (Continued)

c) The movements in expatriate employees' end of service benefits liability recognised in the statement of financial position are as follows:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
At the beginning of the year	**543**	628	**33**	115
Charge for the year	**143**	147	**30**	28
Transferred from a Subsidiary	**--**	--	**2**	--
Payments made during the year	**(54)**	(232)	**(1)**	(110)
At the end of the year	**632**	543	**64**	33

26 INVESTMENT, FINANCE AND OTHER INCOME (NET)

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Investment and other income:				
Rental income	**456**	85	**94**	90
Interest income	**313**	279	**510**	420
Commission income	**162**	--	**162**	--
Dividend income	**114**	77	**114**	77
Profit on disposal of investments at fair value through profit or loss	**32**	23	**32**	23
Profit on disposal of plant and equipment	**19**	13	**15**	11
Gain on disposal of investment in associate	**--**	64	**--**	--
Fair value changes in investments at fair value through profit or loss	**(33)**	273	**(33)**	273
Miscellaneous	**260**	221	**195**	172
	1,323	1,035	**1,089**	1,066
Less: finance and other expenses:				
Interest expense	**(2,023)**	(879)	**(971)**	(106)
Portfolio management fees	**(43)**	(10)	**(43)**	(10)
	(743)	146	**75**	950

Notes to the Financial Statements *(Continued)*

27 CASH GENERATED FROM OPERATIONS

The reconciliation of the profit for the year before taxation to the cash generated from operations is shown below:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Profit before tax	**1,063**	5,947	**2,560**	6,289
Adjustments for:				
Share of results in a subsidiary	**--**	--	**1,061**	153
Share of results in associates	**574**	928	**73**	420
Depreciation on property, plant and equipment [note 5 g)]	**3,133**	3,021	**1,329**	1,369
Amortisation on intangible assets	**14**	11	**--**	--
Depreciation on right of use assets	**197**	197	**9**	9
Fair value changes in investment properties	**(250)**	--	**(250)**	--
Directors' meeting attendance fees and remuneration	**192**	200	**64**	70
Profit on disposal of plant and equipment	**(19)**	(13)	**(15)**	(11)
Profit on disposal of investments at fair value through profit or loss	**(32)**	(23)	**(32)**	(23)
Gain on sale of investment in associate	**--**	(64)	**--**	--
Net interest expense / (income)	**1,710**	600	**461**	(314)
Dividend income	**(114)**	(77)	**(114)**	(77)
Employees' end of service benefits	**143**	147	**30**	28
Provision for slow and non-moving inventories (net)	**(7)**	504	**(116)**	379
Allowance for expected credit losses (net)	**1,212**	480	**340**	324
Changes in fair value of investments through profit or loss	**33**	(273)	**33**	(273)
Operating profit before payment of end of service benefits and working capital changes	**7,849**	11,585	**5,433**	8,343
Payment of employees' end of service benefits	**(54)**	(232)	**(1)**	(110)
Working capital changes:				
Inventories	**2,050**	(16,646)	**2,216**	(16,556)
Trade and other receivables	**(19,106)**	(2,243)	**(15,093)**	(1,663)
Dues from subsidiaries and related parties	**(1,210)**	(781)	**(5,923)**	(1,570)
Trade and other payables	**(4,034)**	6,016	**(5,603)**	6,246
Cash used in operations	**(14,505)**	(2,301)	**(18,971)**	(5,310)

Notes to the Financial Statements *(Continued)*

28 COMMITMENTS AND CONTINGENCIES

a) Commitments

At the end of the reporting period, the Group and the Parent Company had the following purchase commitments in the normal course of business:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Capital commitments	**1,226**	4,773	**820**	2,471
Purchase commitments	**25,810**	20,849	**23,265**	20,353
Letters of credit	**--**	862	**5,794**	506
	27,036	26,483	**29,879**	23,330

b) Contingent liabilities

At the end of the reporting period, the Group and Parent Company had the following bank guarantees and performance bonds issued in the normal course of business:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Corporate guarantees	**26,318**	25,827	**26,318**	25,477
Performance bonds	**61**	20	**--**	--
	26,379	25,847	**26,318**	25,477

29 FINANCIAL RISK AND CAPITAL MANAGEMENT

The Group's activities expose it to various financial risks, primarily being, market risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management is carried out internally in accordance with the approval of the Board of Directors.

a) Market risks

Currency risk

The Group and Parent Company is exposed to foreign exchange risk arising from various currency exposures primarily relating to UAE Dirhams, US Dollars and Euros. The Company's exposure to foreign currencies at the end of the reporting period is as follows:

	Group		Parent Company	
	2022	2021	**2022**	2021
	RO '000	RO '000	**RO '000**	RO '000
Trade receivables	**2,200**	1,759	**708**	341
Bank balances	**1,122**	401	**1,002**	208
Trade payables	**832**	754	**307**	369
Term loans	**1,441**	2,995	**--**	--
	5,595	5,909	**2,017**	918

Notes to the Financial Statements *(Continued)*

29 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

a) Market risks (Continued)

However, majority of the Group's financial assets and financial liabilities which are denominated in foreign currencies are fixed against Rials Omani. Hence the Management believes that there would not be a material impact on the Group's and Parent Company's profitability if the remaining foreign currencies weakens or strengthens against the Rials Omani with all other variables held constant.

Interest rate risk

The Group and the Parent Company have bank deposits, term loans and borrowings, which are interest bearing and exposed to changes in market interest rates. The relevant interest rates are disclosed in notes 12, 17 and 18 to the financial statements.

The Management analyses interest rate exposure on a regular basis, renegotiates interest rates at terms favorable to the Group and ensures that they are as far as possible on a fixed rate basis. The bank deposits, term loans and bank borrowings are at fixed interest rates except, term loan 1 which is at semi variable interest rates on USD LIBOR basis. The Group is therefore not exposed to significant interest rate risk due to fluctuation in the market interest rate.

Price risk

The Group is exposed to price risk.

The Parent Company's investments are subject to market price risk arising from uncertainties about future prices of equities. Market price risk is managed through the diversification of the investments, thereby avoiding concentration of investments in individual securities. Furthermore, the Parent Company's investments are managed according to the guidelines provided by the Board of Directors.

The Parent Company's quoted investments are publicly traded in the Muscat Stock Exchange. Assuming that:

- the MSX index indices would have changed by 5%;
- the Parent Company's equity instruments move according with the historical correlation with the index; and
- all other variables are constant

the impact on the net profit of the Group and Parent Company would approximate to RO 73,550 (2021 – RO 75,150).

b) Credit risk

Credit risk primarily arises from credit exposures to customers, including outstanding receivables and committed transactions. The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

The carrying value of trade and other receivables and amounts due from related parties (including dues from subsidiaries in Parent Company) approximate their fair values due to the short-term nature of those receivables.

The credit exposure of trade receivables is further analyzed as follows:

- 31% of Group's trade receivables are due from 5 customers (2021 – 28% from 5 customers).
- 43% of Parent Company's trade receivables are due from 5 customers (2021 – 41% from 5 customers).
- 55% of related party dues are receivable from subsidiaries in the Parent Company's financial statements (2021 – 73%).

Notes to the Financial Statements *(Continued)*

29 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

b) Credit risk (Continued)

Expected credit losses:

The Group and the Parent Company applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The expected credit losses was determined as follows for trade receivables:

GROUP
Year 2022

	Current	Past due by more than 0 - 90 days	91 - 180 days	181 - 270 days	Above 270 days	Specific debts	Total
Carrying value (RO '000)	**10,242**	**3,996**	**2,279**	**1,180**	**2,577**	**651**	**20,925**
Expected loss rate	**4.50%**	**4.20%**	**6.85%**	**9.75%**	**48.97%**	**100.00%**	
Loss allowance (RO '000)	**461**	**168**	**156**	**115**	**1,262**	**651**	**2,813**

Year 2021

	Current	Past due by more than 0 - 90 days	91 - 180 days	181 - 270 days	Above 270 days	Specific debts	Total
Carrying value (RO '000)	9,382	4,426	2,220	928	1,642	497	19,095
Expected loss rate	1.29%	2.51%	5.23%	9.38%	40.74%	100.00%	
Loss allowance (RO '000)	121	111	116	87	669	497	1,601

PARENT
Year 2022

	Current	Past due by more than 0 - 90 days	91 - 180 days	181 - 270 days	Above 270 days	Specific debts	Total
Carrying value (RO '000)	**7,147**	**2,669**	**1,783**	**540**	**1,233**	**637**	**14,009**
Expected loss rate	**2.15%**	**4.23%**	**6.45%**	**14.26%**	**15.00%**	**100.00%**	
Loss allowance (RO '000)	**154**	**113**	**115**	**77**	**185**	**637**	**1,281**

Year 2021

	Current	Past due by more than 0 - 90 days	91 - 180 days	181 - 270 days	Above 270 days	Specific debts	Total
Carrying value (RO '000)	6,074	2,690	1,727	401	1,144	440	12,476
Expected loss rate	1.37%	2.45%	4.86%	15.71%	17.92%	100.00%	
Loss allowance (RO '000)	83	66	84	63	205	440	941

Notes to the Financial Statements *(Continued)*

29 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

b) Credit risk (Continued)

Bank balances and short term deposits:
Credit risk from balances maintained in current accounts and fixed deposits with local commercial banks is managed by ensuring balances are maintained with reputed banks only. The ECL on these balances are not expected to be material to the Group's and Parent Company's financial position at the end of the reporting period and have accordingly not been provided.

Amounts due from related parties
Amounts due from related parties (including dues from subsidiaries in Parent Company) are expected to have low credit risk. Accordingly, no expected credit losses on such dues have been provided.

c) Liquidity risk

The Management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available including unutilized credit facilities to meet all liabilities as they fall due. The Group and Parent Company manages liquidity risk of maintaining adequate reserves, banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows.

The maturity analysis in respect of the lease liabilities and term loans has been provided in notes 9 e) and 17 f) respectively. All current financial liabilities are expected to be repaid within three to six months from the end of the reporting period.

d) Capital management

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group sets capital in proportion to risk and makes adjustments to it in the light of changes in economic conditions, the risk characteristics of the underlying assets, and covenants entered into with the providers of external debt. In order to maintain or adjust the level of equity, the Group adjusts the level of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. The Group also ensures compliance with externally imposed capital requirements.

In the context of managing capital (Shareholders' funds), SFM has covenanted, with banks providing external debt, to maintain specified ratios. At the end of the reporting period, the actual ratios were not within the covenanted level and SFM's Management believes that the non-compliance of these covenants will not result in immediate repayment of the term loans and bank borrowings.

30 SIGNIFICANT AGREEMENT

SFM has entered into a 'Lease Agreement' dated 5 December 2018 with The Public Authority for Stores and Food Reserve ("PASFR") for the provision of storage space in wheat grain silos in Sohar Industrial Port. The key terms and conditions of the agreement are as follows:

- the total operating lease income over the period of the agreement will be limited to RO 24.9 million;
- the constructions of the storage silos have been completed during the year;
- the Company will bear all costs in relation to the construction and maintenance of the silos;
- the duration of the agreement will be 20 years from the date of completion of the construction of the silos, with an option for extension of the lease period should both parties agree; and
- in the absence of anything in the agreement to the contrary, on expiry of the agreement, the beneficial ownership of the silos will remain with SFM.

Notes to the Financial Statements *(Continued)*

31 OPERATING SEGMENTS

The Group has four reportable segments, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on a regular basis. The following summary describes the operations in each of the Group's reportable segments.

- Flour Mill: Includes the milling and sale of flour from wheat and other cereals.
- Feed Mill: Includes the milling and sale of animal feed from various raw materials.
- Atyab Food Industries LLC: Includes selling and distribution of fresh and frozen bakery products, confectionary items and other flour related products.
- Others: Includes investments in other companies.

Information regarding the results of each reportable segment is set out on page 58. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as Management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Intersegment pricing is determined at arm's length basis.

32 PRIOR PERIOD RESTATEMENTS

Change in accounting policy in the financial statements:
During the year, the Group, has changed the accounting policy for valuation of investment properties to the fair value model as allowed by IAS 40 'Investment Property'. Previously, the investment properties were valued at cost less depreciation. The change in accounting policy has been made in accordance with IAS 8 'accounting policies, changes in accounting estimates and errors'.

The Board of Directors believe the fair valuation of investment properties would reflect the market value of property in the financial statements and provide more reliable and relevant information for the stake holders. The impact on the line items in the Group and Parent Company's financial statements for the comparative periods ended 31 December 2021 has been retrospectively adjusted as follows:

			Parent Company
Line item in the financial statements	As previously reported	Effect of restatement	As restated
Year ended 31 Decemeber 2020	RO '000	RO '000	RO '000
Statement of changes in equity			
Retained earnings	54,579	1,464	56,043
Statement of financial position			
Investment properties	37	1,713	1,750
Deferred tax liability	210	249	459
Net assets per share	0.470	0.009	0.479

			Group
Line item in the financial statements	As previously reported	Effect of restatement	As restated
Year ended 31 Decemeber 2020	RO '000	RO '000	RO '000
Statement of changes in equity			
Retained earnings	53,268	1,464	54,732
Statement of financial position			
Investment properties	37	1,713	1,750
Deferred tax liability	756	249	1,005
Net assets per share	0.470	0.009	0.479

Notes to the Financial Statements *(Continued)*

33 NON-ADJUSTING EVENT AFTER REPORTING PERIOD

At the end of the reporting period, the Group's acquisition process with respect to a proposed acquisition of a stake of 40% in Modern Dairy Farms LLC amounting to approximately RO 180,000 is in progress and is subject to obtaining necessary statutory and other approvals. As on 31 December 2022, no adjustments have been made to the Group's financial statements.

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

Year 2022	Freehold land RO '000	Buildings on freehold land RO '000	Buildings on leasehold land and leasehold improvements RO '000	Plant, machinery and tools RO '000	Furniture, fittings and equipment RO '000	Motor vehicles RO '000	Crates, dollies, pans, etc. RO '000	Capital work-in-progress RO '000 [note 5 f)]	Total RO '000
Cost									
At 31 December 2021	**219**	**22,316**	**5,189**	**51,538**	**3,063**	**2,229**	**760**	**17,531**	**102,845**
Additions during the year	**270**	**508**	**1**	**131**	**286**	**39**	**111**	**3,947**	**5,293**
Transferred from capital work in progress	**--**	**100**	**9,518**	**10,425**	**--**	**--**	**--**	**(20,043)**	**--**
Transferred to investment properties (note 6)	**--**	**--**	**(5,076)**	**(4,057)**	**--**	**--**	**--**	**--**	**(9,133)**
Disposals during the year	**--**	**--**	**--**	**--**	**(2)**	**(74)**	**--**	**--**	**(76)**
At 31 December 2022	**489**	**22,924**	**9,632**	**58,037**	**3,347**	**2,194**	**871**	**1,435**	**98,929**
Depreciation									
At 31 December 2021	**--**	**12,535**	**409**	**33,817**	**2,759**	**1,974**	**569**	**--**	**52,063**
Charge for the year [note 5 g)]	**--**	**531**	**169**	**2,078**	**173**	**90**	**92**	**--**	**3,133**
Relating to disposals	**--**	**--**	**--**	**--**	**(2)**	**(74)**	**--**	**--**	**(76)**
At 31 December 2022	**--**	**13,066**	**578**	**35,895**	**2,930**	**1,990**	**661**	**--**	**55,120**
Net book values									
At 31 December 2022	**489**	**9,858**	**9,054**	**22,142**	**417**	**204**	**210**	**1,435**	**43,809**
At 31 December 2021	**219**	**9,781**	**4,780**	**17,721**	**304**	**255**	**191**	**17,531**	**50,782**

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes to the Financial Statements *(Continued)*

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

Year 2021	Freehold land RO '000	Buildings on freehold land RO '000	Buildings on leasehold land and leasehold improvements RO '000	Plant, machinery and tools RO '000	Furniture, fittings and equipment RO '000	Motor vehicles RO '000	Crates, dollies, pans, etc. RO '000	Capital work-in-progress RO '000 [note 5 f)]	Total RO '000
Cost									
At 31 December 2020	219	21,895	4,875	51,064	2,920	2,250	644	9,308	93,175
Additions during the year	--	121	314	493	145	3	116	8,570	9,762
Transferred from capital work in progress	--	300	--	47	--	--	--	(347)	--
Disposals during the year	--	--	--	(66)	(2)	(24)	--	--	(92)
At 31 December 2021	219	22,316	5,189	51,538	3,063	2,229	760	17,531	102,845
Depreciation									
At 31 December 2020	--	11,997	259	31,902	2,596	1,890	490	--	49,134
Charge for the year [note 5 g)]	--	538	150	1,981	165	108	79	--	3,021
Relating to disposals	--	--	--	(66)	(2)	(24)	--	--	(92)
At 31 December 2021	--	12,535	409	33,817	2,759	1,974	569	--	52,063
Net book values									
At 31 December 2021	219	9,781	4,780	17,721	304	255	191	17,531	50,782
At 31 December 2020	219	9,898	4,616	19,162	324	360	154	9,308	44,041

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Parent Company

Year 2022	Freehold land RO '000	Buildings RO '000	Plant, machinery and tools RO '000	Furniture, fittings and equipment RO '000	Motor vehicles RO '000	Capital work-in-progress RO '000 [note 5 f)]	Total RO '000
Cost							
At 31 December 2021	219	15,091	33,516	2,124	218	1,551	52,719
Additions during the year	--	-	31	129	29	446	635
Transferred from capital work in progress	--	100	612	--	--	(712)	--
Disposals during the year	--	--	-	--	(49)	--	(49)
At 31 December 2022	219	15,191	34,159	2,253	198	1,285	53,305
Depreciation							
At 31 December 2021	--	10,820	28,221	1,953	216	--	41,210
Charge for the year [note 5 g)]	--	333	922	70	4	--	1,329
Relating to disposals	--	--	-	--	(49)	--	(49)
At 31 December 2022	--	11,153	29,143	2,023	171	--	42,490
Net book values							
At 31 December 2022	219	4,038	5,016	230	27	1,285	10,815
At 31 December 2021	219	4,271	5,295	171	2	1,551	11,509

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes to the Financial Statements *(Continued)*

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Parent Company

Year 2021	Freehold land RO '000	Buildings RO '000	Plant, machinery and tools RO '000	Furniture, fittings and equipment RO '000	Motor vehicles RO '000	Capital work-in-progress RO '000 [note 5 f)]	Total RO '000
Cost							
At 31 December 2020	219	15,091	33,419	2,069	226	838	51,862
Additions during the year	--	--	116	55	--	760	931
Transferred from capital work in progress	--	--	47	--	--	(47)	--
Disposals during the year	--	--	(66)	--	(8)	--	(74)
At 31 December 2021	219	15,091	33,516	2,124	218	1,551	52,719
Depreciation							
At 31 December 2020	--	10,474	27,334	1,892	214	--	39,914
Charge for the year [note 5 g)]	--	346	953	61	10	--	1,370
Relating to disposals	--	--	(66)	--	(8)	--	(74)
At 31 December 2021	--	10,820	28,221	1,953	216	--	41,210
Net book values							
At 31 December 2021	219	4,271	5,295	171	2	1,551	11,509
At 31 December 2020	219	4,617	6,135	127	12	838	11,948

Notes to the Financial Statements *(Continued)*

31 OPERATING SEGMENTS (Continued)

	Flour Mill		Feed Mill		Bakery		Others		Group	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RO'000	RO'000 (as restated - note 32)	**RO'000**	RO'000	**RO'000**	RO'000	**RO'000**	RO'000	**RO'000**	RO'000 (as restated - note 32)
External revenue										
- Local sales	**41,344**	34,878	**56,823**	46,319	**13,408**	12,934	**2,379**	2,324	**113,954**	96,455
- East Africa	**1,600**	24	**--**	--	**--**	--	**--**	--	**1,600**	24
- Others	**8,871**	4,584	**372**	--	**1,313**	--	**--**	--	**10,556**	4,584
Total external revenue	**51,815**	39,486	**57,195**	46,319	**14,721**	12,934	**2,379**	2,324	**126,110**	101,063
Inter segment sales	**(6,790)**	(2,047)	**--**	(1,679)	**--**	--	**(661)**	--	**(7,451)**	(3,726)
Total revenue	**45,025**	37,439	**57,195**	44,640	**14,721**	12,934	**1,718**	2,324	**118,659**	97,337
Segment gross profit	**5,464**	4,067	**2,228**	6,039	**4,938**	4,904	**1,182**	1,217	**13,812**	16,227
Overheads	**(2,592)**	(2,244)	**(2,952)**	(2,679)	**(4,868)**	(3,791)	**(1,270)**	(784)	**(11,682)**	(9,498)
Segment operating profit	**2,872**	1,823	**(724)**	3,360	**70**	1,113	**(88)**	433	**2,130**	6,729
Finance costs	**(1,542)**	(117)	**(398)**	--	**(126)**	(143)	**--**	(629)	**(2,066)**	(889)
Investment and other income	**1,263**	855	**--**	--	**58**	39	**2**	141	**1,323**	1,035
Segment results	**2,593**	2,561	**(1,122)**	3,360	**2**	1,009	**(86)**	(55)	**1,387**	6,875
Taxation									**686**	(1,205)
Share of result in associates									**(574)**	(928)
Non-controlling interest									**259**	572
Net profit for the year	**2,593**	2,561	**(1,122)**	3,360	**2**	1,009	**(86)**	(55)	**1,758**	5,314
Segment assets	**111,504**	78,023	**16,809**	21,738	**16,803**	17,589	**28,380**	37,978	**173,496**	155,328
Investment in subsidiaries									**(20,482)**	(19,119)
Investments									**1,848**	1,874
Due from related parties									**4,701**	3,469
Total assets	**111,504**	76,310	**16,809**	21,738	**16,803**	17,589	**28,380**	37,978	**159,563**	141,552
Segment liabilities	**60,102**	18,396	**16,248**	9,723	**5,881**	5,503	**3,820**	30,143	**86,051**	63,765
Taxation	**-**	--	**--**	--	**--**	--	**--**	--	**1,240**	2,372
Total liabilities	**60,102**	18,396	**16,248**	9,723	**5,881**	5,503	**3,820**	30,143	**87,291**	66,137
Non-controlling interest									**29**	76
Depreciation	**1,713**	962	**414**	408	**868**	857	**138**	794	**3,133**	3,021
Capital expenditure	**1,446**	506	**477**	424	**--**	487	**3,370**	8,345	**5,293**	9,762

THANK YOU

شَرِكة المَطاحن العُمَانيَة (ش.م.ع.ع)
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