شركة المطاحن العمانية (ش.م.ع.ع)

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

ANNUAL REPORT 2021

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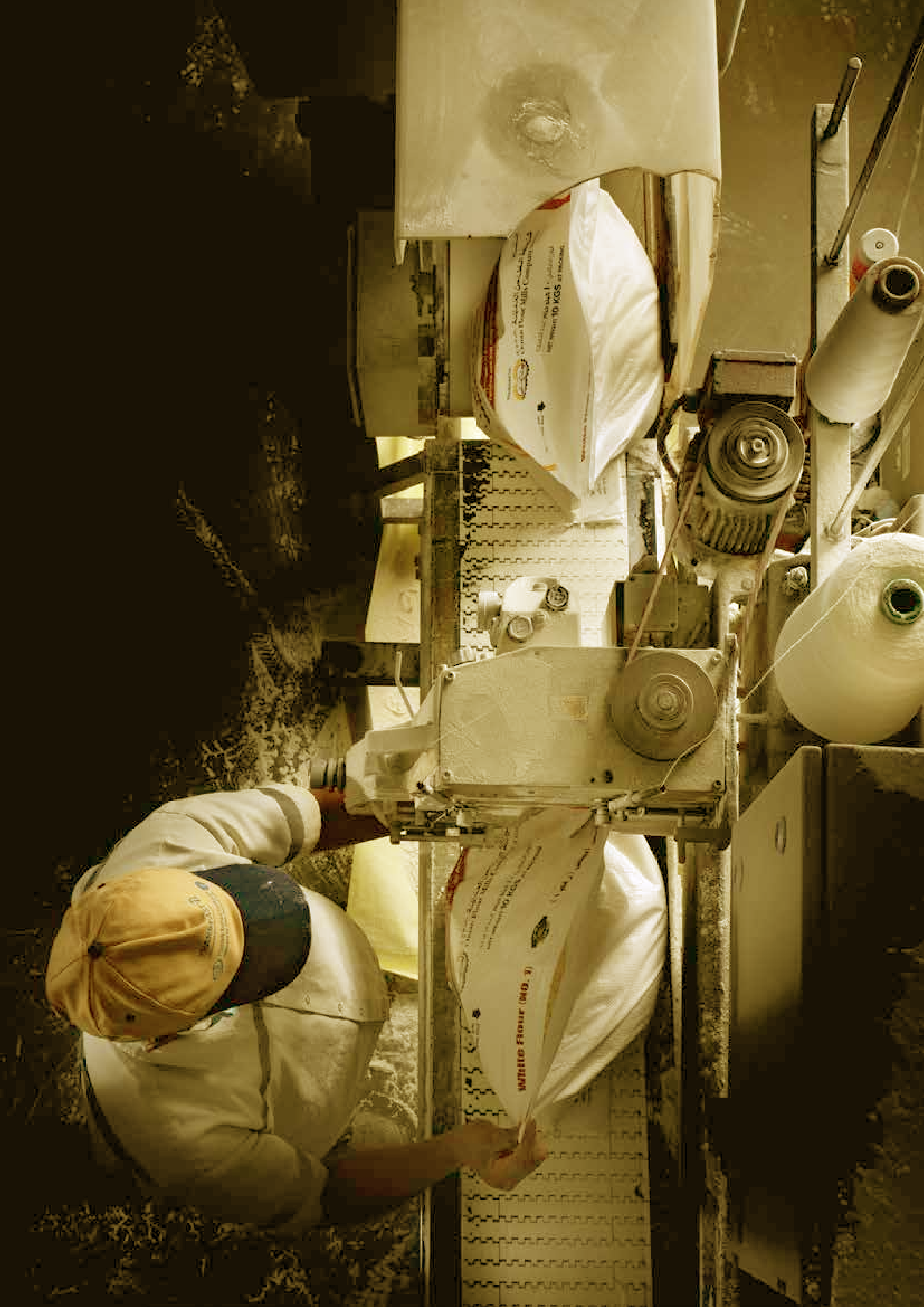
ANNUAL REPORT 2021

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)


White Flour (NO. 1)

Contents

Chairman's message

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.

His Excellency Sheikh Salah Al Mawali
Chairman of the Board of Oman Flour Mills Company (S.A.O.G)

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 2021 in its new look. Oman Flour Mills and its subsidiaries have been resilient in such challenging times to cope with the dynamic global markets 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 reports during the year 2021.

The performance of Oman Flour Mills Company over the past years demonstrated the company's capabilities to respond to economic growth and the high expectations of consumers on the level of expected service. In the year 2021, 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, whilst 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 to realize our vision to make Oman Flour Mills Company (SAOG) a pioneering model for proficiency in the field of (flour) services in the region by the year 2021.

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 recorded revenues of the group amounted to RO 97.34 million, compared to RO 94.05 million achieved in the past fiscal year. The group achieved a growth of 3.5% in total revenues.

On the other hand, the increase in the total expenditures of the cost of sales, selling and administration expenses amounted to 7.6% during the year 2021 compared to the past fiscal year. The main reason for this increase is attributed to the increase in the purchase prices of raw materials compared to last year. The company achieved a net profit for this period of RO 4.7 million as compared to RO 9.1 million in 2020, which included the profit made from the sale of shares of Modern Poultry Farms Company SAOC, which amounted to RO 1.88 million during the first quarter of 2020.

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 acknowledgements and appreciation to the Executive Management and the employees of the company for providing the best products and services to investors. We seek God Almighty's blessing to favor our journey, to guide us and pave our path in serving our dear country under the inspiring leadership of our loyal, His Majesty Haitham bin Tariq Al Said, may God protect him.

Chiefs' messages

Mr. Haitham Al Fannah
Chief Executive Officer

Keeping our promise to be the best food manufacturing organization in the market, we strive to provide the best quality of healthy food to our valued customers. We are committed to our country and its people and hence, are working on diversifying our portfolio in the food sector to cater to the ever-growing market needs. At OFM, we are determined to maximize our shareholders' returns and therefore, we invest in technology. Our Employees are very important to us and investing in them is a top priority.

Mr. Haitham Al-Saadi
Chief Financial Officer

Our organizational capital, i. e. Human, Financial, Physical, and Intellectual, sets us apart from the competition. To maintain our position, at OFM, our philosophy is all about sustainability. Projects are funneled through economic, social, and environmental lenses. This balanced approach ensures that all stakeholders' interests are taken care of.

Mr. Ibrahim Al Amri
Chief Operations Officer

The aftermath of 2020 had hit the markets hard in 2021 which made it a challenging year for all. At OFM our priority remained the same; to provide the flour and feed supply to the nation and our regional clients. Despite the shipping challenges which made our key suppliers at default for longer periods of 2021, the improvised steadfastness and commitment our OFM team was a key success factor in maintaining continuity of the production.

Towards the end of 2021, we were prepared with full enthusiasm to fulfil all market and bulk customers' requirements on time with our usual uncompromised quality. The test of 2021 was no less than 2020, however, the OFM team proved again that the deep values and working culture are stronger than ever before. I remain so proud of my team; and my sincere thanks goes to OFM CEO and The Board for their overwhelming support.

Board of directors

Sheikh Salah bin Hilal Al Mawali
Chairman

Salim Saif Al Abdali
Deputy Chairman

Hamad Mohammed Al Wahaibi
Board Member

Khamis Abdullah Al Farsi
Board Member

Musallam Mohammed Al Barami
Board Member

Saleem pirbakhash Al Raisi
Board Member

Ahmed Mohamed Al Kindi
Board Member

COMPANY OVERVIEW

Who we are?

Oman Flour Mills Co. SAOG, was established in the year 1977 with a wheat milling capacity to mill 150 metric tons per day of wheat flour and allied products. The company gradually increased our flour milling capacity over the years and today, has a capacity of 800 MT per day. In 1983, the company set up an animal feed mill with milling 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.

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

Started in:

1977

Specialized in:

Flour and feed products

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 RO 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

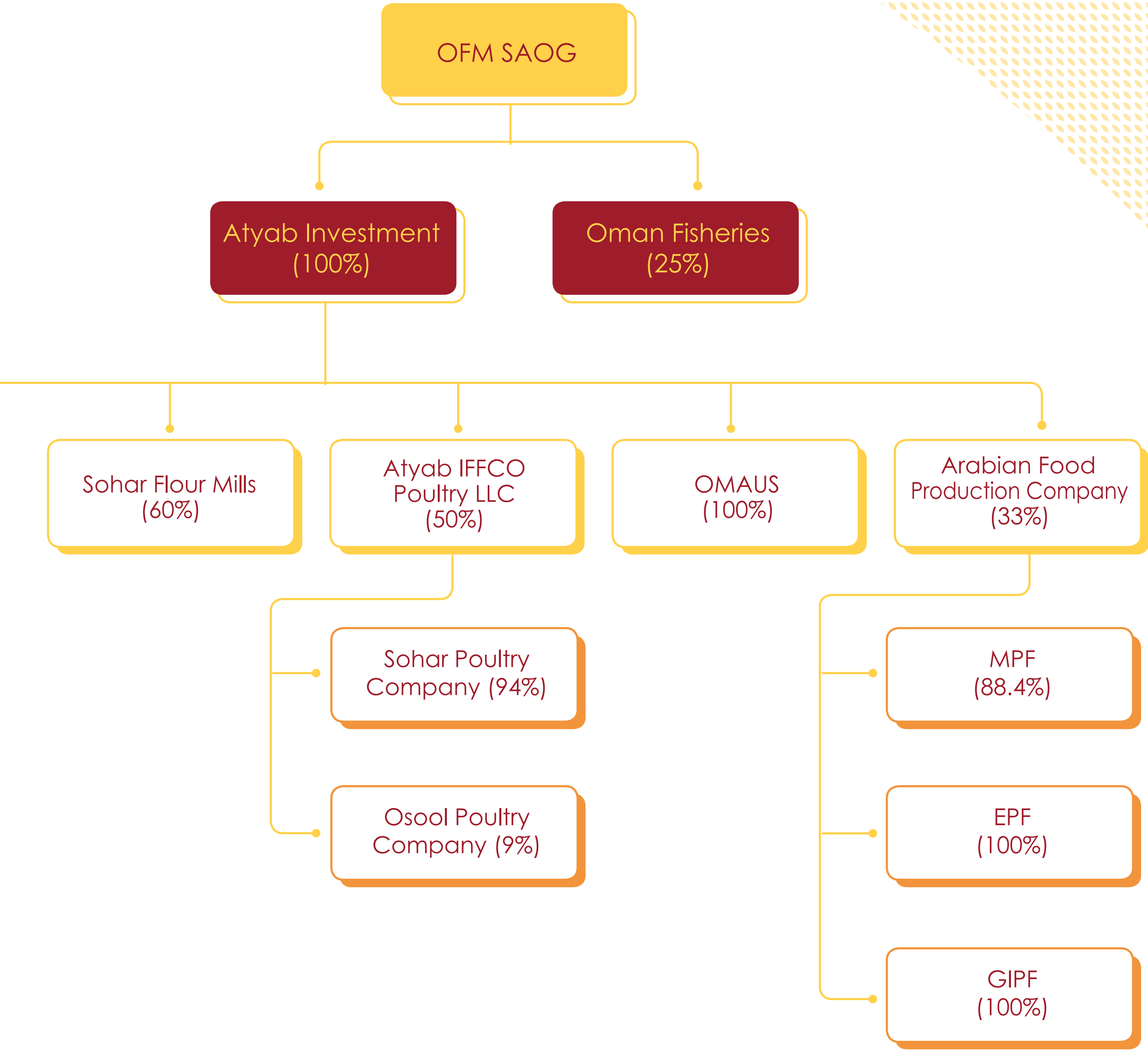
- Integrity in Business
- Commitment to tasks and relationships
- Focused Diversification in businesses
- Development of in-house talent

Who we are?
Our Brands

Who we are?
Group Structure

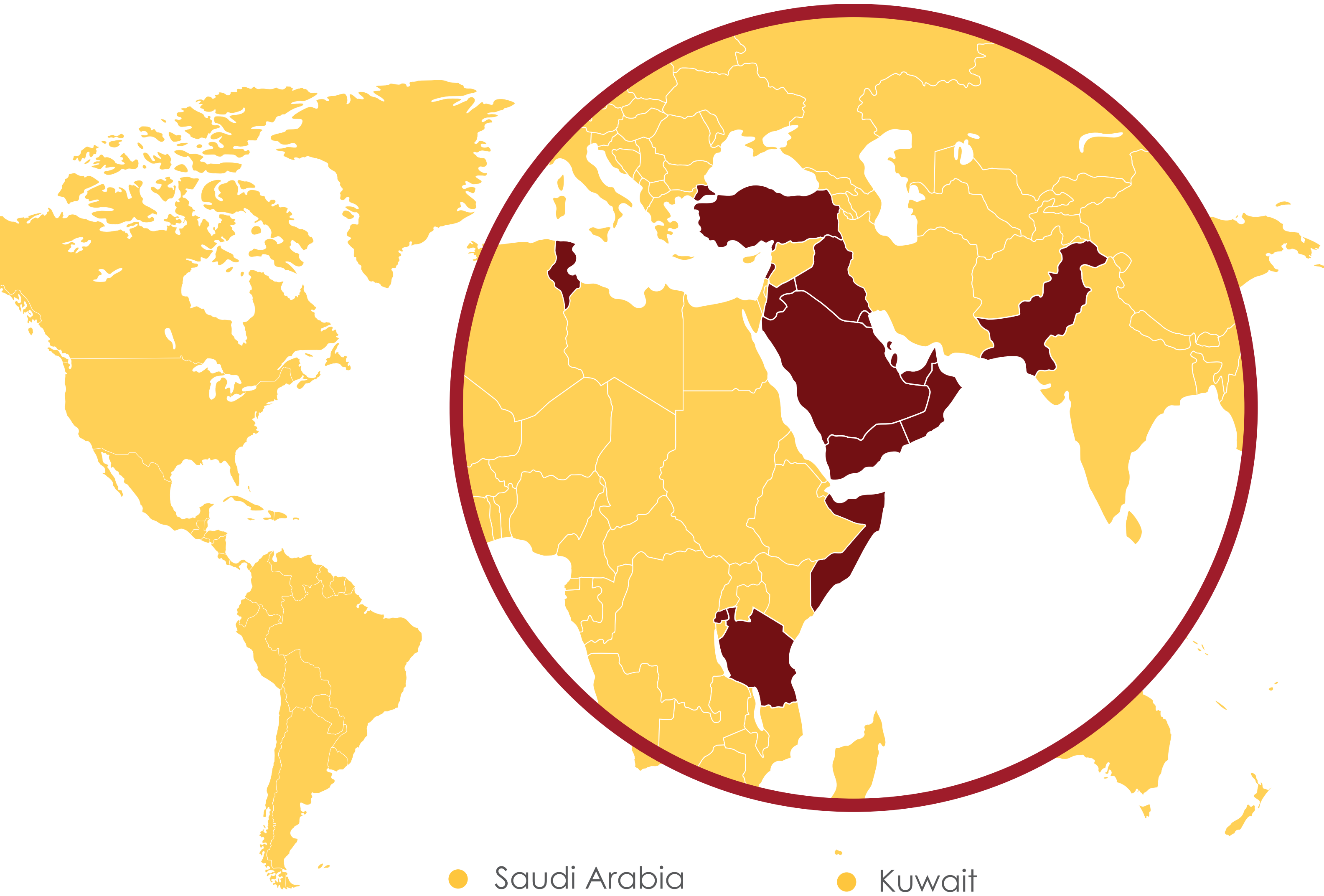
Group Size | **RO 115 m**

- Bio Product (33%)
- Atyab Food Industry (100%)
- Atyab International Services (100%)
  - Techno Park (50%)
  - Agro & Foodtechno Centre, (Uzbekistan)
- Atyab Tech Services (100%)


OFM SAOG
Atyab Investment (100%)
Oman Fisheries (25%)
Sohar Flour Mills (60%)
Atyab IFFCO Poultry LLC (50%)
OMAUS (100%)
Arabian Food Production Company (33%)
Sohar Poultry Company (94%)
Osool Poultry Company (9%)
MPF (88.4%)
EPF (100%)
GIPF (100%)

Who we are?
Key Clients

Who we are?
Our Markets



- Saudi Arabia
- Qatar
- UAE
- Yemen
- Tunisia
- Somalia
- Tanzania
- Rwanda
- Kuwait
- Iraq
- Jordan
- Pakistan
- Bahrain
- Lebanon
- Turkey

Exports to 20 Countries across the Middle East Africa Region

** Prior to 2020 the company exported its products to Mauritius , Hong Kong and Djibouti


BUHLER
BARAK

What we do?

Flour products

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

Feed products

- Barakat Cattle Feed
- Alpha Specialized Feed
- Barakat Poultry Feed

PRODUCTS

Products Launched across the group in 2021

Oman Flour Mills

Bur flour
Stone milled flour, healthier option

Omani Wheat

Bon Vivant
Healthy and niche bakery segment option

Barley Flakes

Enhanced Paratha Flour

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. Our innovation team focuses on delivering the best products to the customers. The challenges caused by the COVID 19 pandemic decelerated the companies' pace for launching new products. Hypermarkets and malls have put restrictions on crowd pulling activities and hence the company took a conscious decision to defer launch of certain new products. However, the company has done all the development work and is awaiting better market conditions for product launches.

The Omani fields that yielded the wheat crops

طحين البُر العُماني

Omani Bur Flour

الخيرُ في مزارعنا

ذهبي

DAHABI

Atyab food industries

The bakery will continue to innovate and offer new products to consumers in 2021. The company will pay special focus to frozen products, and ready to eat packaged food products. The bakery is also looking to develop small retail franchises at fuel filling stations to provide fresh, on the go bakery products.

Other Bakery products launched include:

- Fibre Bread 300gm
- Orange Maamoul
- Creamy Pizza Cheese
- Medium 400gm (frozen)
- Potato Samoon Roll
- Milk Bun 420gm 6 pcs
- Milk Samoon 325gm 5 pcs
- Croissant 70gm
- 600gm White Bread
- 600gm Milk Bread
- 600gm Brown Bread

Other Products that will be launched in 2022

1. Pro-Biotic Feed: The company has developed poultry feed for broilers. It reduces the dependence for anti-biotics. This will enable poultry players to offer antibiotic free chickens to the consumers which is a healthier product.

2. Second Brand of rice: The company's current rice product has received good feedback on the quality of cooking and taste. The companies' rice packaging technology (4D Polypack) has won awards at the Flexible Awards for Packaging (FPA) USA. To generate volumes and offer a product for the bulk customers, the company shall be offering a second, more affordable Basmati rice called Dahabi Classic.

3. Bur Flour Retail Packing: In 2019, the company launched Bur flour, a stone milled atta product. The product has done exceedingly well in the market. The company will offer this Atta in small packing for the retail consumers.

4. Organic Flour: The product will be under the Dahabi brand. The wheat used in the production of this flour is free from pesticides.

5. Bur Barley Flour (Golden Grains): The flour is a combination of Atta and Barley. It has been proven that Barley has various health benefits. This is an innovative healthy product which is not offered by any manufacturers in the region.

6. The company plans to launch puffed healthy breakfast cereals in 2021. These cereals will be positioned as premium offerings. Towards the second half of the year, the company will launch flaked cereals to gain high volumes. The breakfast cereals form a part of the company's larger health strategy.

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 (The Group's) financial statements for the year ended 31 December 2021.

GROUP PERFORMANCE HIGHLIGHTS

Revenue: The total revenue recorded is RO 97.34m as compared to RO 94.05m recorded in the previous year i. e. an increase of 3.5%. All sectors achieved an increase in the revenues, except flour sector, which has witnessed a decrease of 17.3%.

Expenses: The group total expenses (COGS, selling and admin) have increased by 7.6% as compared to the previous year's same period. The main reason for its increase is attributed to the increase in the purchase prices of raw materials compared to last year.

Investment income: The group earned total investment income of RO 1.04k as compared to RO 2.4m which included a one-time profit of RO 1.9 million from the sale of the Company's stake in MPF in 2020. If we exclude the one-time income of MPF, group's investment income has increased by almost RO 5500k (pls check figure) in 2021 mainly due to an increase of RO 514k in the value of the company's investment in the Muscat Stock Exchange.

Net Profit: The net profit after the tax recorded for the year is RO 4.7m as compared to RO 9.1m in 2020. The group's net profit has reduced by 33.5% compared to the previous year, after excluding the one-time gain of RO 1.9 million from the sale of the Company's stake in MPF.

PARENT, SUBSIDIARY AND ASSOCIATE COMPANIES

The parent company performance (before tax) along with our subsidiaries and associates is as follows:

1. **Oman Flour Mills SAOG (OFM):**
   OFM recorded a profit (before tax) of RO 6.3m as compared to previous year's profit (before tax) of RO 11.4m. Sales revenue has decreased by RO 1.4 million (-1.8%) as compared to last year mainly due to decline in sales volume by 12.6% which is compensated by increase in sales prices by 10.8%. Further, Raw material cost has increased by RO 2.7 million (4.5%) mainly due to an overall increase in the prices of raw materials (grains) by 17% which is compensated by 12.6% decline in cost of sales due to volume mix. This has led to an overall decrease in the operating profit by RO 3.8 million (-38.8%) as compared to last year.

2. **Atyab Food Industries LLC (AFI) (100%):**
   AFI made a profit (before tax) of RO 1,010k as compared to previous year's profit of RO 865k. The bakery has increased its profitability, even under the current down trend in demand attributable mainly to the recent circumstances (COVID-19).

3. **Atyab International Services LLC (formerly Atyab FoodTech LLC) (AIS) (100%):**
   AIS made a profit (before tax) of RO 354k as compared to the previous year's profit (before tax) of RO 410k. The decrease in profit is due to increase in G&A expenses for the year 2021.

4. **Atyab Technical Services LLC (ATS) (100%):**
   ATS earned a net sponsorship fee (before tax) of RO 310k as compared to RO 212k in the previous year's same period.

5. **Sohar Flour Mills LLC (SFM) (60%):**
   The Company has reported a net loss of RO 1,429k as compared to loss of RO 1,960k for the same period last year. The decline in loss for the period is mainly due to change in product mix with increase in the average sales price in 2021. The main reasons for the loss are slow build-up of the sale book and capacity utilization (linked to the Silos limitation).

6. **Oman Oilseeds Crushing Company (30%):**
   The share of AI's in the company was sold and an amount of RO 389k have been recovered in the month of February 2021. The carrying value of the investment was RO 323K. Accordingly, a gain of RO 65k was recorded from the sale of the investment.

7. **Oman Fisheries Company SAOG (OFC):**
   The share of OFM amounted to 25.16% of the Company's capital as of 31 December 2021. OFC reported a loss of RO 1.7 million in 2021.

PARENT, SUBSIDIARY AND ASSOCIATES COMPANIES (CONTINUED):

8. **Food Techno Park LLC (FTP) (50%):** AIS holds 50% stake in FTP. There is a loss of RO 7k reported in 2021. FTP has not yet commenced its commercial operations.

9. **Bio Product Oman LLC (BPO) (33.33%):** Atyab Investment LLC holds 33.33% share of BPO and Nakheel Development holds 66.67% shares. BPO has not yet commenced its commercial operations.

10. Atyab IFFCO Poultry (50%):

a. **Sohar Poultry Co SAOC (SPC):** SPC has reported a loss of RO 443K as compared to a profit of RO 230K for the last year. The main reason for the decrease in profitability is due to a one-time provision of RO 652k in relation to an ongoing legal case. Otherwise, the Company's operations have remained stable as compared to last year.

b. **Osool Poultry Co. SAOC:** The share of Atyab IFFCO amounted to 9.9% of the Company's capital as of 31 December 2021.The project commenced commercial activates in the second quarter of 2021 and reported a net loss of RO 409k mainly due finance cost and depreciation charge.

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

a. **Modern Poultry Farms SAOC (MPF):** MPF has reported a net loss of RO 387k as compared to a profit of RO 309k in last year 2020. The decline in profits is primarily due to decrease in revenue by RO 316k (-3.7%) and increase in cost of sales by RO 550k (8.9%) as compared to last year.

b. **Emirates Poultry Farms (EPF):** The Company achieved revenues of OMR 3.5 million during the year 2021 as compared to RO 2 million in 2020. EFP has incurred a net loss of RO 202k in 2021 mainly due to significant increase in raw material prices.

c. **Gulf Poultry Farms (GPF):** The project is progressing as per schedule. GIF has incurred pre-operating loss of RO 225k in the current period.

AWARDS AND ACHIEVEMENTS:

Oman Flour Mills in early 2021 has been awarded the HM cup for industrial excellence in the Category of Corporate social responsibility. The company in Feb 2021 commissioned a barley flaking line. This has enabled the company offer value added flaked barley products to its customers.

To support local growers in Oman, the company has signed an agreement to procure wheat from growers at harvest. The company will add value to this wheat and offer 100% Omani wheat bur flour, to customers. Omani bur flour sale was started in last quarter 2021.

To ensure plant availability, The Company also successfully succeeded in shutting down the mill for maintenance as per the specified schedule.

Oman Flour Mills has been awarded with the Economic Vision award under the category of private company's large association by Al Roya Economic Awards.

CORPORATE SOCIAL RESPONSIBILITY (CSR):

In the last AGM held on 31-March-2021, the shareholders have approved a budget of RO 200,000 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.

OFM being a responsible member of the society has supported generously during the Cyclone Shaheen. The Company allocated an amount of RO 200,000 which is provided for the rehabilitation of the affected areas due to cyclone. Further, OFM CSR committee has organized various visits of the most affected regions and donated livelihoods to the families.

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:

- Currently OFM is exploring the opportunity of working directly with grain growers. OFM

FUTURE OUTLOOK (CONTINUED):

has received legal advice for its direct sourcing initiatives. In Q1 2022 the company will appoint an accounting firm who would assist with the company formation;

- Various go to market studies were commissioned in Q3 of 2021, OFM is currently evaluating the findings from these studies and shall formulate an action plan for execution in Q1 2022;
- Pre-Mix and New Feed mill expansion – Currently design consultation and terms of reference has been floated. Machinery supplier has also been finalized for these projects;
- To develop an Industrial cluster for various Mini factories; Shortlisting of ideas has been completed. Currently technical and market studies for the shortlisted segments is on the verge of completion. An action plan for execution based on these findings shall be formulated in Q1 2022; and
- OFM is working on implementing best practices for agent management and is also looking to change its incentive schemes in H1 2022.

Other group companies

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.

Further, an investment is made in a project namely Food Techno park. The aim of the project is to develop an innovation Centre for food related activities.

Atyab Food Industries (AFI) have appointed a consultant to develop long term strategies to capitalize on the growth opportunities available in the market and region.

Sohar Flour Mills construction of Sohar Silos is expected to be completed in Q2 2022.

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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 RO 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 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 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. 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 (new barley flaking line).

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 tons. Oman flour mills have two unloaders that have a combined unloading installed capacity of 750 Tons/Hour.

The Company markets its flour products under the brand name "DAHABI" meaning gold. More than 20 varieties of flour and allied products are produced under this brand name. During the year 2021, the Company has launched few new flour products like Patent flour, Omani Wheat flour products and Bur flour. The Company also produces more than 20 different types of animal feeds under the brand name "BARAKAT". Under the feed, flake barley, Mix grain were the new products launched in 2021. 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.

THE GROUP STRUCTURE IS DEPICTED BELOW:

GROUP FINANCIAL PERFORMANCE:

Parent Company:

Oman Flour Mills (OFM) parent company, is the flagship company of the group whose businesses include flour and animal feed milling. OFM contributes about 79.7% of the group sales revenue.

Revenue: RO 77.57 million

Cost of sale and overheads: RO 71.66 million

Profit after tax
(before subsidiary and associates losses):
RO 5.89 million

Subsidiaries:

1. **Subsidiary - Atyab Investments LLC** - 1. Subsidiary - Atyab Investments LLC - 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) (formerly Atyab Bakery)** - Net revenue in the current year was RO 12.93 million as compared to RO 12.08 million in the previous year, an increase of 7.1%. The bakery made a net profit after

tax of RO 855K as compared to a profit of RO 734K in the previous year. The increase in profit is mainly due to increase in revenue & gross profit. The company owns and operates its own fleet and today its distribution reach covers almost the entirety of the Sultanate. The bakery has completed 10 years of operations and can proudly claim that the products are of the highest quality and the best in the region. AFI has obtained HACCP & ISO certifications and has passed quality audits to supply to major international franchises. AFI is currently supplying to most major franchises in Oman and UAE and efforts are on-going to start supplying to other GCC markets in the coming years.

3. **Atyab International Services LLC (formerly Atyab FoodTech LLC) (AIS).** 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 AFT has sourced various external contracts for testing, food analysis, pest control and training. The profit for the year after tax is RO 315K as compared to RO 348K in the previous year.

4. **Atyab Technical Services LLC (ATS)**. 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 profit after tax on sponsorship fees in the current year is RO 274K as compared to RO 180K in the previous year -.

5. **Sohar Flour Mills (SFM):** The Company commenced commercial operations in March-19. 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 is approximately 10% of the local flour market. The company is expected to have its 160k MT grain Silos ready for use by the end of June 2022. The company has achieved a sales turnover of RO 8.23 million compared to RO 8.06 million in the previous year. The company has incurred a net loss of RO 1.43 million, compared to RO 1.96 million in the previous year. The reduction of losses were a result of improved gross profits & operating profits as compared to last year. Low capacity utilization and high depreciation charge remains the biggest challenge for SFM to overcome. The company now has a full fledge sales team and is on growth path to achieve higher sales turnover.

6. **Associate – Atyab Iffco Poultry LLC:** Atyab Iffco Poultry LLC (an equal partnership with IFFCO, a UAE based company) holds about 94.3% of the capital 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 loss of RO 392K as compared to the previous year profit of RO 332K. The main reason for the decrease in profitability is a one-time provision of RO 652k in relation to an ongoing legal case. Otherwise, the Company's operations have remained stable as comparted to last year. Osool Poultry project commenced commercial activities in the second quarter of 2021 and reported a net loss of RO 409k mainly due to finance cost and depreciation charges.

7. **Associate- Oman Oilseeds Crushing S.A.O.C:** The share of AI's in the company was sold and an amount of RO 389k have been recovered in the month of February 2021. The carrying value of the investment was RO 323K. Accordingly, a gains of RO 65k was recorded from the sale of the investment.

8. **Associate-Arabian Food Production S.A.O.C (AFPC):** AFPC is established jointly with IFFCO Group of UAE and Gulf Japan Food Fund (GJFF) to take over the running business of Modern Poultry Farm (MPF), Emirates Poultry Farm (EPF), and a new table egg producing facility, Gulf International Poultry Farm (GIPF), in Ibri. MPF has reported a net loss of RO 387k as compared to a profit of RO 309k in last year's same period 2020. The main drive behind the drop in profitability is the hike in the feed cost. EPF has incurred a net loss of RO 202k in 2021. GIPF project construction is as per schedule. Partial production was commenced in 3rd quarter of 2021 and GIPF has incurred pre-operating loss of RO 225k in the current period.

9. **Associate- Food Techno Park LLC (AFTP) (50%):** Atyab FoodTech holds 50% stake in AFTP. There is a loss of RO 7k reported in 2021.

10. **Bio Product Oman LLC (BPO) (33.33%):** Atyab Investment LLC holds 33.33% share of BPO and Nakheel Development holds 66.67% shares. BPO has not yet commenced its commercial operations.

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	**2021 RO'000**	2020 RO'000
Flour and related products	**37,438**	45,247
Feed and related products	**44,641**	34,527
Eggs and others	**2,324**	2,198
Bakery products	**12,934**	12,078

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

- Revenue of the Group at about RO 97.34 million is higher than the previous year by 3.5% 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 RO 4.74 million as compared to RO 9.01 million in the previous year.
- Net profit margin of the Group was 4.9% as compared to 9.6% in the previous year.
- Earnings per share of the Group decreased to 34 baizas in 2021 from 61 baizas in 2020.
- Parent Company's total quantity sales for the year was about 523k MT, which is lower by 12.6% compared to the previous year.
- Parent company's net profit after tax is RO 5.3 m compared to RO 9.8 m in the previous year.
- Gross profit margin of the Parent Company in the current year is 12.6% as compared to 17% in the previous year.
- Net Investment, interest and other income is RO 1,067k, as compared to RO 474K in the previous year.

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

	2021	2020	2019	2018*	2017
Revenue RO'000	97,337	94,051	86,887	119,456	86,045
Net Profit (after tax) – RO'000	4,742	9,009	5,709	16,323	14,719
Shareholders' Equity – RO'000	73,951	78,420	77,664	79,992	79,522
Dividend paid	60%	50%	50%	100%	50%

*2018 results are for 18 months.

OPPORTUNITIES AND THREATS

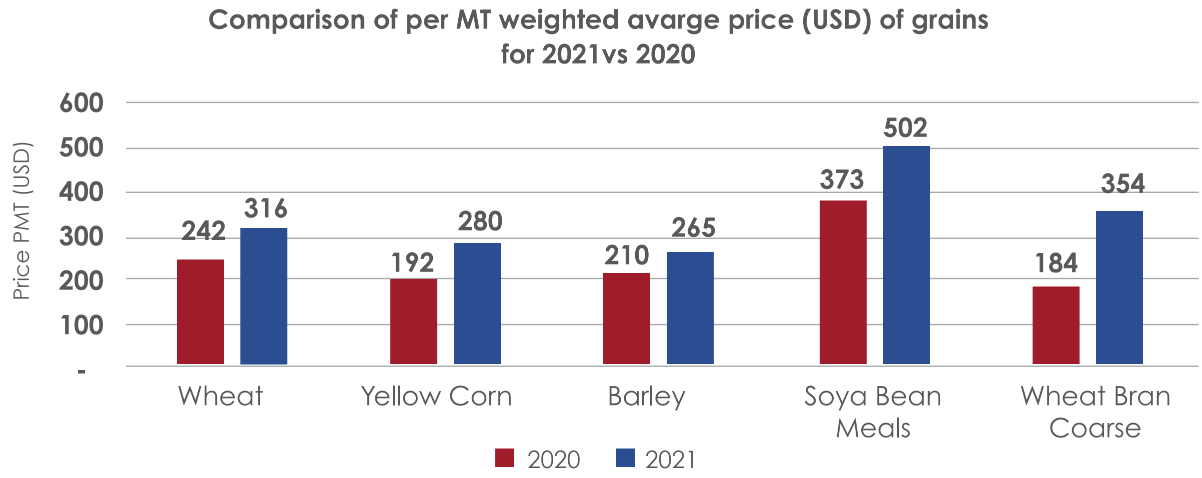
COVID-19 Impact:

With the effective roll out of vaccination for Covid 19 in Oman, the severe effects of pandemic on the market have partially eased-out and has resulted in an improved commercial activity. However, OFM foresaw potential disruption and crafted a business continuity plan. The objective of the plan was to ensure limited disruptions in operations, however the steps taken has slightly increased the overheads for the company.

Price fluctuation:

2021 has witnessed a steep rise in grains prices across the world. The price increased is fueled by supply shortage, extreme weather conditions, political tensions, surge in energy prices and lately the hike in the shipping cost.

This has affected the profitability of the company in 2nd half of the financial year. Below chart shows a Comparison of 2021vs 2020 weighted average price (USD/PMT) of major raw materials:



Timely procurement of raw materials could result in a higher profitability to the company.

Day-to-day monitoring of market conditions is vital and impacts profitability. We have a full time market expert who does this function and ensures we purchase at appropriate time, even though it is difficult to predict future prices.

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 it would have stocks at lower than our competitors' prices.

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 suppliers 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 has 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.

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.

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 to order to respond to market opportunities.

Below is the future outlook of the Company and Group.

Expansion of existing business

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 GDP and enhancing food security.

Atyab Food Industries LLC commenced production in July 2012 and the products are available in the local market. In the last few years, we have increased our sales significantly and are operating at almost full capacity in some production lines. In the last couple of years, we have increased our capacity of the sliced bread, and Arabic bread line.

New business ventures being considered are:

1. Construction of the silos for strategic food reserve at Sohar Flour Mills Co. LLC. The construction of Sohar Silos is expected to be completed and ready for use by end of Q2 2022.
2. Gulf International Poultry Farm. An equal joint venture with IFFCO (UAE based company) and Gulf Japan Food Fund (Oman-Japan venture), an integrated egg farm with capacity to produce 2,500 cartons per day.
3. The Parent Company has acquired 25.16% sale in Oman Fisheries Company SAOG. This is strategic Investment of the Parent Company as part of its future business plan.
4. 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.
5. 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.
6. AIS has established a Company in Uzbekistan to benefit from the strong agricultural base and pre-operative activities are in progress.

Improving operational efficiency:

There are various capex upgradation initiatives that were completed in 2021. These includes:

- Direct loading truck bagging line project;
- Modification of Hammer mill;
- Installed a pneumatic intake system for limestone;
- New line for Barley Flaking (300T per day); and
- There is an ongoing project for packaging automation and additional pre-cleaner installation.

Further, OFM continues to implement the Lean management initiatives which were identified during the launched "Hasad" project launched couple of years back. This aims at the elimination of wastes resulting 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 2018-2021 period:

	2021	2020	2019	2018
Omanisation%	86%	76%	72%	69%

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 materials prices continue to remain volatile. This has impact on their availability and increases risk of defaults and delays.

The Company has developed a pathway for Grains from Australian Farms to PSQ. To execute implementation, the Company will be setting up a local company in Australia. Legal advice has been sought from a reputable law firm in Australia. The Company aims to conduct trials in H1 2022.

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 2021, the Company has liquidated about 25% of the traded portfolios.

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 the profitably considered.

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's 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 adopts 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 EXPANSION

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

- OFM is looking to procure directly from grain growers. The company aims to get better consistency in grains procured. A detailed pathway has been developed with the growers. A company shall be formed in Australia in Q122. The legal advice for Australian operations has been obtained and OFM is in the final stages of company incorporation in Australia.
- In addition the company is looking to leverage its experience in handling corn and expand into wet milling of Corn starch and its derivatives. Corn Starch and its derivatives have wide usage in food applications. A detailed technical study was completed in 2021. A go to market plan and market opportunity assessment is being carried out by a leading consulting company. The final report shall be made available in Q2 2022.
- A technical and market study from pre-mixes was completed in 2021. The project is in execution stage. Machinery tenders have been awarded. The project will help reduce cost for captive pre-mixes and provide an additional revenue stream for the company.
- In addition, OFM is looking at developing an Industrial cluster for various mini factories. The aim of these mini factories is to set up small scale manufacturing units designed to meet the requirements of Oman. Go to market studies have been completed for four food segments. In addition, two locations have been identified. The company is preparing a phased execution plan for this initiative.
- 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.
- Oman Flour Mills is evaluating brownfield investments in the Honey bottling and High-end bakery segments; and
- The Company is looking to venture to invest in organic segment in 2022.

OFM closely works with OFIC and other stakeholders in Oman to participate in various projects.

AIS has established a Company in Uzbekistan to benefit from the strong agricultural base and pre-operative activities are in progress.

Atyab Food Industries (AFI) is looking to install new product lines for Donuts, Samosa Leaves and Variety products. In addition the market requirement for its bakery products is increasing and the company would need additional facilities and lines to meet this requirement. They have appointed a consultant to develop long term strategies to capitalize on the growth opportunities available in the market and region.

Sohar Flour Mills construction of Sohar Silos is expected to be completed and ready for use in Q2 2022.

With agility and diligence, and despite all the volatility, uncertainty, complexity and ambiguity that surrounds the global economy (both at macro and micro levels), OFM group will continue vigorously in pursuing its expansion plans.

Haitham Mohamed Ali Al Fannah

Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

MOORE

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REPORT OF FACTUAL FINDINGS ON THE CORPORATE GOVERNANCE REPORTING TO THE SHAREHOLDERS OF OMAN FLOUR MILLS COMPANY SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) Circular No. E/4/2015 dated 22 July 2015 with respect to the accompanying Corporate Governance report of Oman Flour Mills Company SAOG ('the Company') as at and for the year ended 31 December 2021, and its application of Corporate Governance practices in accordance with amendments to CMA Code of Corporate Governance issued under Circular No. E/10/2016 dated 1 December 2016 (collectively 'the Code').

Our engagement was undertaken in accordance with the International Standards on Related Services applicable to agreed-upon procedures engagements. These procedures were performed solely to assist you in evaluating the Company's compliance with the Code as issued by the CMA.

The procedures performed were as follows:

- We obtained the Corporate Governance report issued by the Board of Directors and ensured it includes as a minimum, the disclosure requirements detailed under Annexure 3 of the Code.
- We obtained details regarding the non-compliance with the Code, if any, identified by the Board of Directors for the year ended 31 December 2021.

We report our findings below:

We found that the Company's Corporate Governance report fairly reflects the Company's application of the provisions of the Code and additional regulations and disclosures and is free from any material misrepresentation.

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

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

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the Board of Directors' Corporate Governance report included in its annual report for the year ended 31 December 2021 and does not extend to any financial statements of Oman Flour Mills Company SAOG, taken as a whole.

24 February 2022

Moore Stephens

مور ستيفنز ش.م.م
ص.ب: ٩٣٣، الرمز: ١١٢
روي، سلطنة عمان
P.O. Box: 933, P.Code: 112
Ruwi, Sultanate of Oman
MOORE STEPHENS L.L.C.

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 2021.

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:

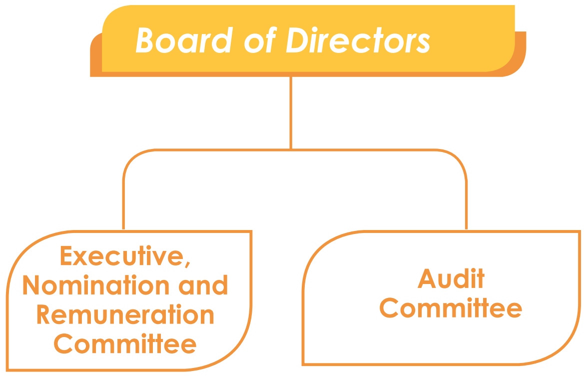
- Be transparent and maintain a high degree of disclosure.
- Satisfy the spirit of the law and not just the letter of the law.
- Performance of duties with honesty and diligence.
- Acting with prudence, care, and diligence.

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 2021, the Company applied most necessary principles and recommendations of the new Code of Corporate Governance for MSX listed companies.

BOARD OF DIRECTORS

The structure of the Board of Directors of OFM



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

The Company's Board of Directors must 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 Direc-torship	Attended last AGM
Sheikh Salah Hilal Al Maawali (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's 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, former Director General of planning at the Ministry of Agriculture and Fisheries.

Mr. Hamad bin Mohammed Al Wahaibi, 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 Bachelor's Degree in Commerce and economics since 1996 with more than 20 years of experience in the fields of investment, and has sufficient experience on the Boards of Directors of companies.

Mr. Khamees Bin Abdullah 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 Bachelor's Degree in law.

Mr. Musallam bin Mohammed Al-Barami, 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, is Finance Director at Al-Bashair Meat Company SAOC and a member of the Board of Directors of Oman Flour Mills Company SAOG. He holds a bachelor's degree in commerce and economics and has served in many administrative positions in the Administrative Court during 2009-14.

During the financial year 2021, the Board met six 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	8/3/21	11/4/21	11/5/21	11/8/21	10/11/21	29/12/21
Sheikh Salah Hilal Al Maawali (Chairman of Board of directors and Chairman of Executive, Nomination and Remuneration Committee)	✓	✓	✓	✓	✓	✓
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 two 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 by directions issued by Royal Decree No. 18/2019 through secret ballot by the shareholders.

AUDIT COMMITTEE:

The Audit Committee, consisting of three 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 for adoption of appropriate accounting policies and principles;

Details of Audit Committee meetings held during the year 2021:

Director	23 /2/ 21	8/3/21	9/5/21	9/8/21	8/11/21	8/12/21
Mr. Hamed Mohamed Al Wahaibi (Chairman-Audit Committee)	✓	✓	✓	✓	✓	✓
Mr. Musallam Mohammed Al Barami	✓	✓	✓	✓	✓	✓
Ahmed Mohammed Al Kindi	NIL	✓	✓	✓	✓	✓

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	4/2/21	30/6/21	5/8/21	10/11/21	27/12/21
Shk. Salah Hilal Al Maawal (Chairman)	✓	✓	✓	✓	✓
Eng. Salim Saif AL Abdali (Deputy Chairman of Board)	✓	✓	✓	✓	✓
Mr. Saleem Pir Baksh Al Raisi	✓	✓	✓	✓	✓
Mr. Khamis Abdullah Al Farsi	✓	✓	✓	✓	✓

The Remuneration to Directors

Chairman of the Board and its committees are paid RO 600 and the directors are paid RO 500 as sitting fee for every board/committee meeting they attend.

During the financial year 2021, the Directors were paid a total sum of RO 35,000 (previous year RO 47, 000) towards sitting fees for attending Board and Committee Meetings. The Directors were paid remuneration in the amount of RO 45,000 for the previous year 2020 as approved in the AGM held on 31 March 2021.

During the year, amount paid for official travel expenses for directors amounted to RO NIL (previous year RO 575).

Directors' remuneration proposed for the year 2021 is RO 35,000 and this is subject to approval of the AGM that is proposed to be held on 20 March 2021.

In addition to above sitting fees and remuneration, the Directors also been paid sitting fees of RO 14,700 from Atyab Investment LLC (a 100% Subsidiary of the Company) and proposed remuneration of RO 115,000 for the year 2021 (104,898 OMR in 2020).

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 ensure 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. Haitham 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. Ibrahim holds a Mechanical Engineering degree from the

University of Leeds, UK. Mr. Ibrahim 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) he is also 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 4 employees of the parent company in the financial year 2021 (12 months) aggregated to RO 392,312.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 2021 (12 months) official travel and training cost incurred on these top four executives of the parent company amounted to RO 38 (previous year RO 5,982).

Employment contracts are usually for two years and they 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 benefits for expatriates are as per Oman Labour Law.

Social Responsibility

Our company pays high attention in achieving social responsibility and believes of its continuous role in ethical behaviour and its contribution into economic development considering improvement of life quality of the work force, their families, local and public community. In the last AGM held on 31 March 202, the shareholders have approved a budget of RO 200,000 for CSR activities.

OFM being a responsible member of the society has supported generously during the Cyclone Shaheen. The Company allocated an additional amount of RO 200,000 which is provided to help the families and homes affected by the cyclone. Further, OFM CSR committee has organized various visits to the most affected regions and donated livelihoods to the families.

Details of non-compliance

There are no non-compliances during the current year 2021.

Means of communication with shareholders and investors

The following are the means of communication

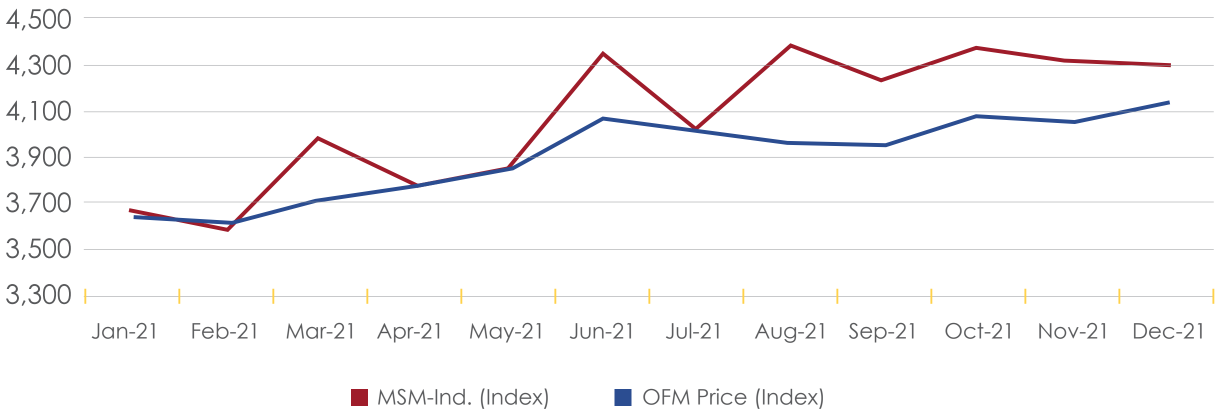
- The Company publishes its annual audited and quarterly un-audited financial statements in two newspapers, as required by the CMA Regulations.
- The Company sends its financial results and news to MSX web site.
- The Company also has its own website, ***www.omanflourmills.com*** which is an effective 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 January 2021 to December 2021 is given below:

Month	High (OMR)	Low (OMR)	Volume
January 2021	0.672	0.664	281,832
February 2021	0.656	0.652	148,352
March 2021	0.724	0.724	149,893
April 2021	0.700	0.680	147,506
May 2021	0.704	0.704	90,988
June 2021	0.784	0.780	236,766
July 2021	0.768	0.700	237,696
August 2021	0.800	0.800	655,669
September 2021	0.788	0.760	833,495
October 2021	0.796	0.796	226,717
November 2021	0.788	0.788	60,017
December 2021	0.784	0.784	250,007

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



Convertible Instruments

There are no convertible financial instruments that impact or may impact the capital of the Company as at 31 December 2021.

Major Shareholders

At 31 December 2021 the following is the analysis of shareholders holding five per cent or more

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 1,425 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 the Sultanate of Oman in 1988. Over the years, the practice has developed considerably and now services several 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 2021, Moore billed an amount of RO 8,000 towards professional services rendered to the Company (RO 7,700 is for audit and RO 300 for tax and other services).

Internal Auditor:

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

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

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 operations in the forthcoming financial year.

Sheikh Salah Hilal Al Maawali
Chairman

Mr Hamed Mohamed Al Wahaibi
Chairman Audit Committee

BUSINESS CONTINUITY DURING THE CHALLENGING TIME

Cyclone Shaheen

To ensure the safety of the staff, all OFM staff had been evacuated and sent to their homes to avoid putting them at risk. HSE team met with administration and operation departments and arranged, planned, organized and provided the shortcomings.

During the Cyclone Shaheen, HSE team monitored & controlled company premises to ensure the safety of the operational shift staff and to minimize & control damages occurred by the cyclone. Moreover, HSE team patrolled around the premises, controlling water leakages inside the mills and offices, covering products in Port SQ, looking for risks, controlling gates, providing and installing water pumps to dispose of accumulated water and supervision while removing the mountain rocks from the road.

During the cyclone our concerns were because of the heavy wind that may cause damages to the company premises, electric failures and fire. We overtook the cyclone safely with minor losses.

HSSE strategy and **Results of 2021**

Health, Safety, Security and Environmental department reflects OFM strategy with the provision of a safe and healthy work environment. At OFM, strategic objectives related to HSSE is to seek competitive advantages by promoting employees' commitment, a safe culture. In this report HSSE team will cover the strategy and results of 2021.

In February, March and May, we trained the employees for fire mock drills in different locations. The purpose of the fire drills in the buildings and the mills is to ensure that everyone knows how to exit safely as quickly as possible in case of fire, smoke, carbon monoxide or another emergency occurred. Because we care about staff's safety and we are pushing forward to reduce risks, we distributed all types of fire extinguishers and first aid kits in all company locations with inspecting the first aid kits on monthly basis. As for the fire extinguishers, we have a contract with Al-Noor Company for maintenance and Services, as the first maintenance took place in 2021 in February and the second maintenance in August. We have fourfaced four fire incidents in 2021, and the extinguishers played a major role in overcoming the risks. Every year, employees gets trained on methods of using fire equipment and the first aid box. But due to the current conditions with Covid-19, the employees were not registered in the training.

COVID-19 challenge

- Daily checking and recording the details, temperature of our staff, visitors and subcontractors. And provide them with masks.
- Distribute sanitizer machines in different locations in the Company.
- Report to HSSE team if any employee, visitor, customer have symptoms of COVID-19.
- Distributing awareness posters, leaflets, and sending emails in different languages to avoid handshaking and meetings were shifted to online meetings in the offices and also mentioning the importance of social distancing.
- Employees aged 50 and above and suffering from chronic diseases were asked to work from home.
- Sanitizing and cleaning the offices in daily basis, a contract was signed for a professional sanitizing company to fully sanitize the offices and company three times a week.
- With the cooperation with the factories, drivers weren't allowed to leave the vehicle for the safety of everyone.
- With cooperation with security and sales department, customers received the bills from the window at the entrance of the company with a distance of two meters and the payment is done through bank transfers. No cash payments were allowed.
- If an emergency incident occurs in the company, employees were asked to meet outside at the assembly point with a social distance not less than two meters.
- Employees from the factory weren't allowed to meet other employees from the Company. In case of the employee had an HR requirement it was applied online, Guests weren't allowed to enter the offices in the company.
- With the cooperation with HR team, all OFM employees were vaccinated with two doses.
- 50% employees working from home.

Strategic Review

The company has various objectives within its long-term strategy. The following are some of the activities the company has explored:

Integration Strategy

Backward Integration

Contract Farming

The company is currently exploring the opportunity of directly working with growers of APW. The senior management of OFM had a series of meetings with various stakeholders in Australia to discuss and evaluate the option of end users and growers working together. A detailed feasibility on the model development is currently being worked on. The company is positive that if this model works there could be savings in prices of APW and also a pure blend of APW which will improve extraction.

Pre-Mix Plant

The company is also looking to set-up a pre-mix facility for premixes. These pre-mixes serve as a raw material for animal feed production. The company initially plans to use these products for captive consumption. Once production is scaled up the company will sell these pre-mixes to other animal feed users within the Sultanate.

Forward Integration

Corn Starch and Liquid Glucose Facility

Oman Flour Mills currently processes about 12,000 MT/Month of yellow corn. The company would like to leverage its expertise in handling corn and get into wet milling. The end product of native starch is used in multiple food and industrial applications. This can be further processed into value added derivatives like Glucose. The company is currently conducting a feasibility for the project.

Catering and Sandwich Division

To better capitalize on the bakery segment, Atyab Food industries shall make investments into the catering segment. The company aims to target the B2B segments for catering contracts and B2C segments for sandwiches.

Frozen Bakery Products

Atyab Food Industries plans to work closely with Dawn foods and increase its presence in the frozen bakery segment. In addition the company will look into venturing into ready to eat frozen products.

Health Strategy

The company would like to venture into healthy products. The company is planning to install a health bar manufacturing facility. Currently the health bar market is growing at a rate of 6.7% in Oman. There is no large scale local manufacturing in the GCC. In addition the company plans to introduce puffed breakfast cereals and gradually flaked breakfast cereals into the market. The company is also looking to adopt the latest food products and innovations in the healthy segment.

Growth Strategy

Oman Flour Mills and Atyab Food Industries will introduce many SKUs with a better value proposition. Atyab Food Industries shall also look into expanding its presence in the UAE for frozen products. Atyab Foodtech will look to boost its training division through their Atyab Academy initiative. Atyab Foodtech is also looking to have its presence in the CIS region by setting up an office in Uzbekistan.

Mini Factories

OFM plans to set up an integrated facility for manufacturing of various food products. These factories will be set up with an investment of less than RO 1 Million. A small factory set-up is ideal for a relatively small market of Oman. This set up minimizes the risks and has greater flexibility. In the next 2-3 years the company plans to commission 5-6 such mini factories.

CSR

- In cooperation with the Ministry of Awqaf (Zakat Committee) Al-Batinah, food items were distributed to 2,000 families.
- Purchasing bags for 500 male and female students in cooperation with Dar Al Atta'a.
- In cooperation with more than 70 charitable organizations, Ramadan supplies were distributed to nearly 50,000 families.
- In cooperation with the Muttrah Charitable Team, food items were distributed in the Wilayat of Muttrah for 700 families.
- In cooperation with (Oman Automobile Association and Bausher Sports Complex), drinks and snacks were distributed to 30,000 people.
- A contribution to the construction of the Early Intervention Society building, with an amount of RO 5,000.
- Purchase of prosthetic devices for the disabled, about 304 devices (Ibri, Muscat, Sohar) The "For You" team visited orphans in the Wilayat of Samail and presented some gifts.
- Gifts were distributed to orphans in Al Batinah in cooperation with the Seed of Goodness team.
- Launching the "My Wish" program, through which we seek to raise the morale of sick children and fill their hearts with joy and happiness to help them relieve pain and stress.
- The wishes of three sick children at the Royal Hospital were fulfilled.
- Gifts were distributed to all the staff in the Oncology Department of the Royal Hospital.
- Supporting the Bandar Al-Khairan sports team in the Wilayat of Muscat in rehabilitating the stadium.
- The (For You) team carried out the largest cleaning campaign for 100 homes in Al Batinah, with the participation of 450 volunteers.
- In cooperation with the (Oman Automobile Association), drinking water was distributed in Al Batinah during Hurricane Shaheen for a week.
- 120 street vendors were incubated for a period of three months to ease the burden on them, and we provided them with some essentials.

73,380,000 Families

have been helped so far

RO. 80,500

Spent to help families

RO. 20,000,000

Disbursed to the Ministry of Health

وزارة الصحة
Ministry of Health

Cooperation with more than 70 charitable organizations

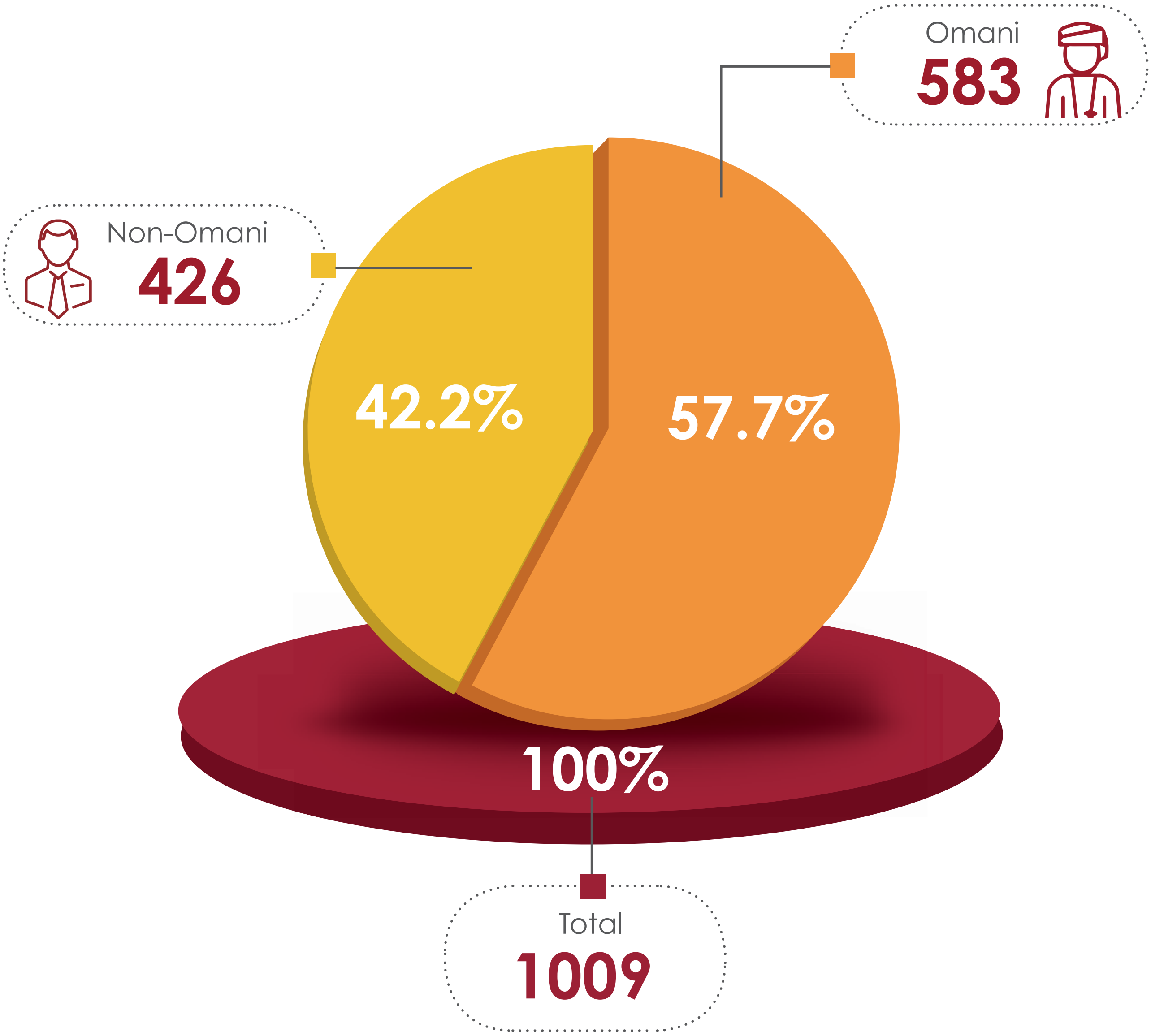
RO. 28,000,000

Handicapped Association

Human Resources

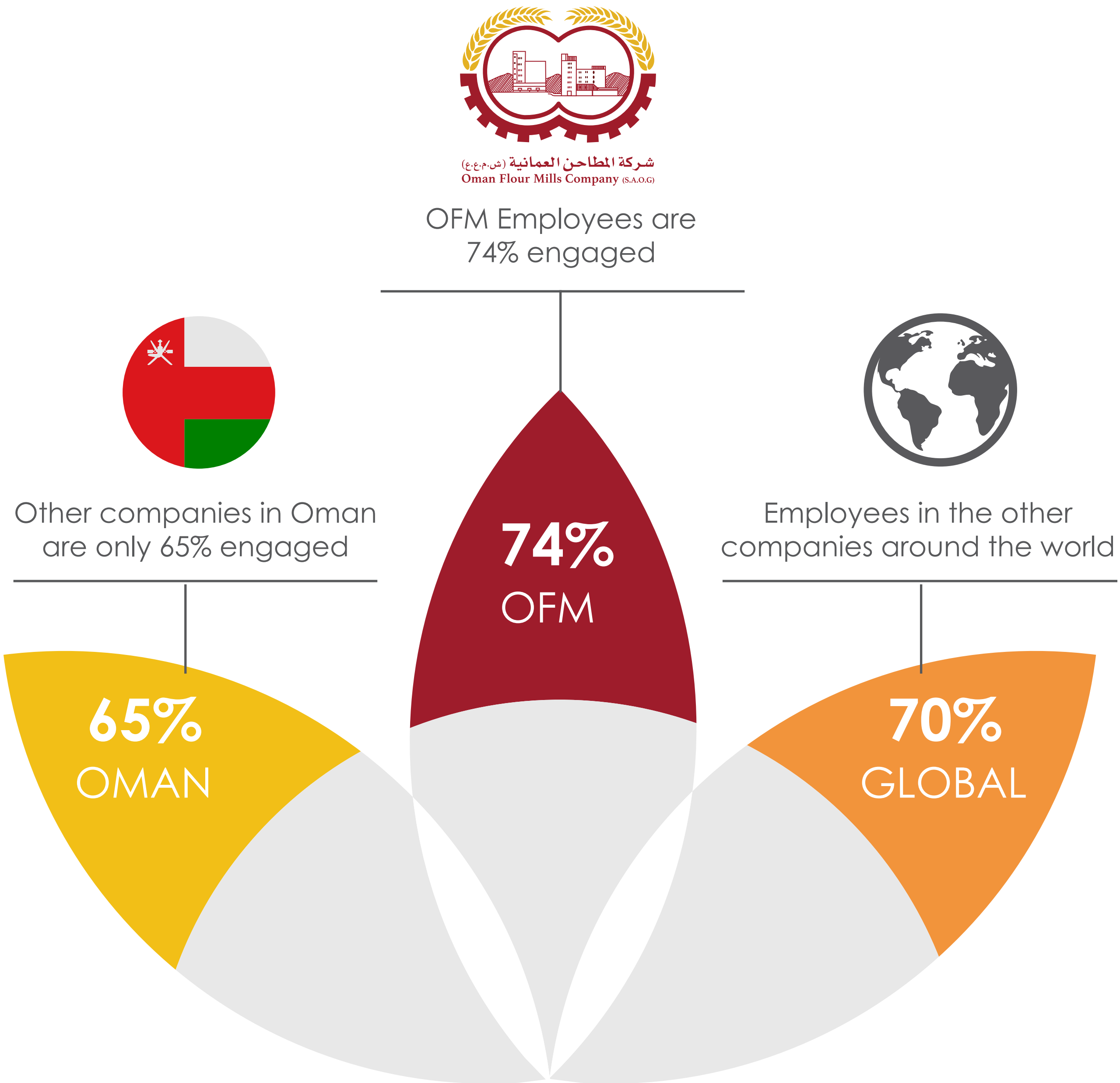
Manpower Planning

Omanisation Up to date



Well Being and Engagement

Engagement Score Compared to Local and International Companies



AWARDS & ACHIEVEMENTS

Awards 2021

His Majesty's Award for Industrial Proficiency (Excellence in the Social Responsibility Category)

Award for Economic Vision (Private Organisations – Big Companies)

World Economic Award

Best Brand Award

Achievements

1 Installation of a new flaking line in the feed division, Started sale of bran barley packing from feed mill (200 TPD) in addition to the flour mill

2 **New Approved**
- New Pre-Mix Plant
- New Feed Mill line extensions

3 **New Products**
- Flaked Barely
- Omani Wheat Flour Products

ISO certification

Quality Management
System (ISO 9001:2015)

Food Safety System
Certification (FSSC 22000:2018 Version 5)

Food Safety Management
System (ISO 22000:2018)

Environment Management
System (ISO 14001:2015)

Occupational Health and
Safety Management System (ISO 45001:2018)

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

MOORE

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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 59, which comprise the statements of financial position as at 31 December 2021, 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 2021 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.

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 2021. 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.

Registered in the Sultanate of Oman with CR No. 1220356.
Member firms in principal cities throughout the world.

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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.

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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)

- 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.

- 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.

24 February 2022

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روي، سلطنة عمان
P.O. Box: 933, P.Code: 112
Ruwi, Sultanate of Oman
MOORE STEPHENS L.L.C.

Moore Stephens

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CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Statement of financial position - Group and Parent Company

	Note	Group		Parent Company	
		2021	2020	**2021**	2020
		RO '000	RO '000	**RO '000**	RO '000
ASSETS					
Non current assets					
Property, plant and equipment	5	**50,782**	44,041	**11,509**	11,948
Investment property	6	**37**	37	**37**	37
Intangible assets	7	**37**	16	**--**	--
Investment in subsidiaries	8 a)	**--**	--	**19,119**	18,240
Investment in associates	8 b)	**9,953**	9,484	**1,395**	1,749
Investment at fair value through other comprehensive income	8 c)	**355**	355	**355**	355
Right-of-use assets	9 b)	**3,507**	3,662	**56**	65
Total non-current assets		**64,671**	57,595	**32,471**	32,394
Current assets					
Inventories	10	**33,244**	17,102	**30,578**	14,401
Trade and other receivables	11	**21,365**	19,602	**14,316**	12,977
Due from subsidiaries and related parties	21 d) and e	**3,469**	2,688	**11,468**	10,325
Investments at fair value through profit or loss	8 c)	**1,519**	1,533	**1,519**	1,533
Short term deposits	12 b)	**5,500**	6,352	**5,000**	6,000
Bank balances and cash	12 a)	**10,071**	9,604	**7,937**	7,275
Total current assets		**75,168**	56,881	**70,818**	52,511
Total assets		**139,839**	114,476	**103,289**	84,905
EQUITY AND LIABILITIES					
Equity					
Share capital	13	**15,750**	15,750	**15,750**	15,750
Legal reserve	14	**6,626**	6,540	**5,250**	5,250
General reserve	15	**2,500**	2,500	**2,500**	2,500
Retained earnings		**49,046**	53,268	**50,443**	54,579
Fair value reserve		**105**	105	**105**	105
Equity attributable to Shareholders of the Parent Company		**74,027**	78,163	**74,048**	78,184
Non-controlling interest		**(76)**	257	**--**	--
Total equity and non-controlling interest		**73,951**	78,420	**74,048**	78,184
LIABILITIES					
Non-current liabilities					
Non-current portion of term loans	17	**21,950**	18,273	**--**	--
Deferred taxation	19	**756**	843	**210**	373
Employees' end of service benefits	25 c)	**543**	628	**33**	115
Non-current portion of lease liabilities	9 c)	**3,881**	3,915	**52**	60
Total non-current liabilities		**27,130**	23,659	**295**	548
Current liabilities					
Current portion of term loans	17	**3,048**	2,209	**--**	--
Bank borrowings	18	**20,305**	596	**17,370**	--
Trade and other payables	20	**13,919**	7,320	**10,359**	4,118
Contract liabilities	4 w)	**39**	421	**18**	369
Current portion of lease liabilities	9 c)	**80**	76	**11**	11
Taxation	19	**1,367**	1,775	**1,188**	1,675
Total current liabilities		**38,758**	12,397	**28,946**	6,173
Total liabilities		**65,888**	36,056	**29,241**	6,721
Total Shareholders' equity and liabilities		**139,839**	114,476	**103,289**	84,905
Net assets per share	16 a)	**0.470**	0.496	**0.470**	0.496

These financial statements were approved by the Board of Directors on __/__/2022 and were signed on their behalf by:

Chairman

Director

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Statement of comprehensive income - Group and Parent Company

	Note	Group 2021 RO '000	Group 2020 RO '000	Parent Company 2021 RO '000	Parent Company 2020 RO '000
INCOME					
Revenue from contract with customers	4 b)	**97,337**	94,051	**77,574**	78,987
Cost of sales	22	**(81,110)**	(75,046)	**(67,834)**	(65,547)
Gross profit		**16,227**	19,005	**9,740**	13,440
EXPENSES					
Selling and distribution	23	**(3,971)**	(3,792)	**(498)**	(444)
General and administration	24	**(5,527)**	(5,367)	**(3,330)**	(3,331)
Profit from operations		**6,729**	9,846	**5,912**	9,665
Investment, finance and other income (net)	26	**146**	(146)	**950**	415
Net gain on disposal of investment in a subsidiary	30 a)	**--**	1,881	**--**	2,034
Share of results in a subsidiary	8 a)	**--**	--	**(153)**	(56)
Share of results in associates	8 b)	**(928)**	(813)	**(420)**	(719)
Profit before taxation		**5,947**	10,768	**6,289**	11,339
Taxation	19	**(1,205)**	(1,759)	**(975)**	(1,536)
Net profit for the year from operations		**4,742**	9,009	**5,314**	9,803
Net profit and total comprehensive income for the year attributable to:					
Shareholders of the Parent Company		**5,314**	9,647	**5,314**	9,803
Non-controlling interest in the subsidiary		**(572)**	(638)	**--**	--
		4,742	9,009	**5,314**	9,803
Earnings per share	16 b)	**0.034**	0.061	**0.034**	0.062
Dividend per share	16 c)	**0.060**	0.050	**0.060**	0.050

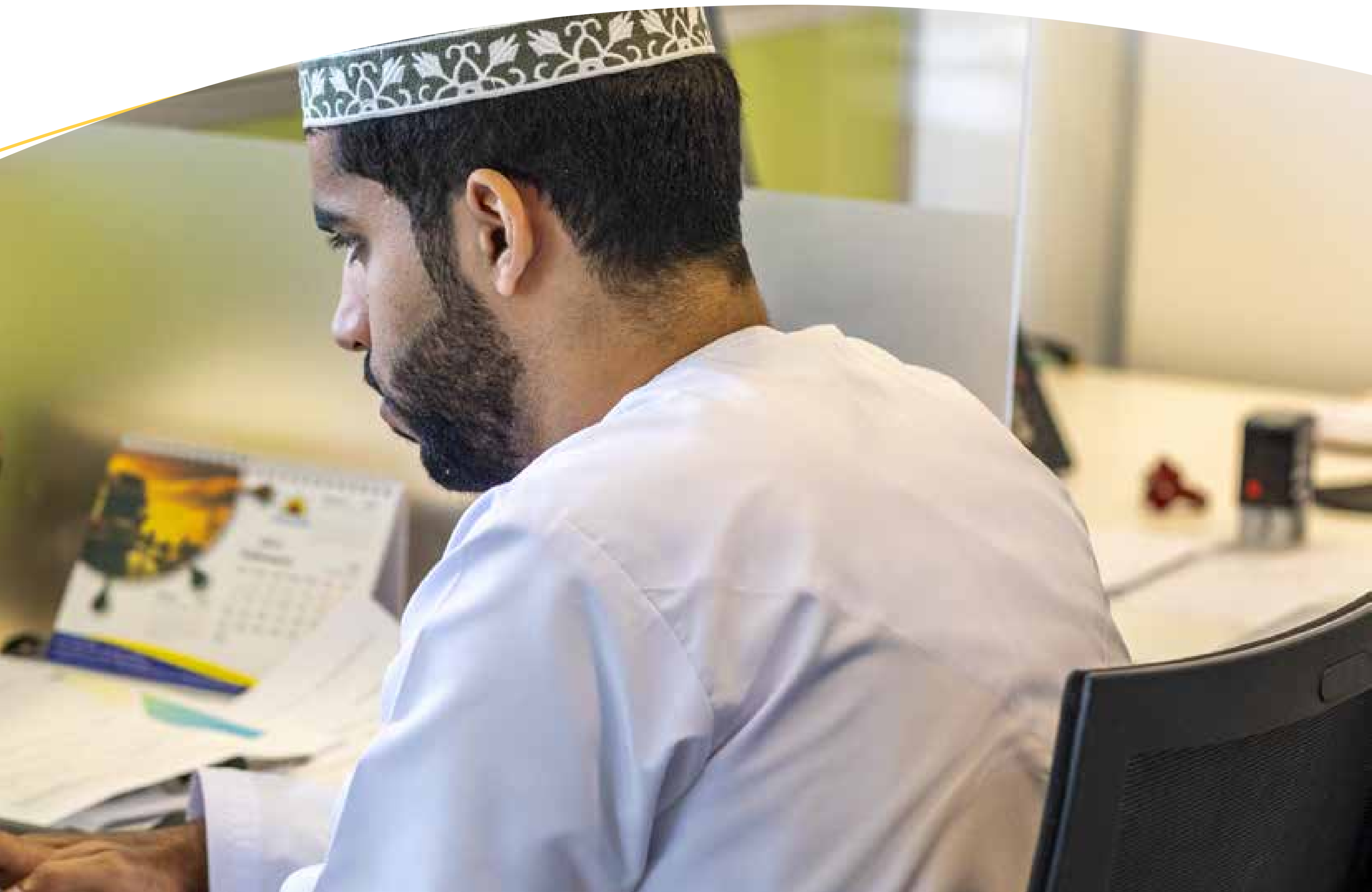
Note:

The Company has no items of other comprehensive income.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Statement of changes in equity - Group

	Total equity attributable to the shareholder of the 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	Non-controlling interest RO '000	Total RO '000
At 31 December 2019	15,750	6,467	2,500	51,569	105	76,391	1,273	77,664
Net profit and total comprehensive income for the year	--	--	--	9,647	--	9,647	(638)	9,009
Transferred to legal reserve	--	73	--	(73)	--	--	--	--
Dividend paid	--	-	--	(7,875)	--	(7,875)	--	(7,875)
De-recognition on disposal of investment in a subsidiary	--	--	--	--	--	--	(608)	(608)
Net movement in non-controlling interest	--	--	--	--	--	--	230	230
At 31 December 2020	15,750	6,540	2,500	53,268	105	78,163	257	78,420
At 31 December 2020	**15,750**	**6,540**	**2,500**	**53,268**	**105**	**78,163**	**257**	**78,420**
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**	**49,046**	**105**	**74,027**	**(76)**	**73,951**



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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 2019	15,750	5,250	2,500	52,651	105	76,256
Net profit and total comprehensive income for the year	--	--	--	9,803	--	9,803
Dividend paid	--	--	--	(7,875)	--	(7,875)
At 31 December 2020	15,750	5,250	2,500	54,579	105	78,184
At 31 December 2020	**15,750**	**5,250**	**2,500**	**54,579**	**105**	**78,184**
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**	**50,443**	**105**	**74,048**

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Statement of cash flows - Group and Parent Company

		Group		Parent Company	
		2021	2020	**2021**	2020
	Note	**RO '000**	RO '000	**RO '000**	RO '000
CASH FLOWS FROM OPERATING ACTIVTIES					
Cash generated from operations	27	**(2,301)**	14,556	**(5,412)**	9,784
Taxation		**(1,700)**	(1,380)	**(1,625)**	(1,217)
Net cash (used in) / generated from operating activities		**(4,001)**	13,176	**(7,037)**	8,567
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	5	**(9,762)**	(5,967)	**(931)**	(814)
Purchase of intangible assets	7	**(32)**	(4)		--
Proceeds from disposal of property, plant and equipment		**13**	22	**11**	14
Proceeds from disposal of investment in a subsidiary		**--**	7,797	**--**	7,797
Proceeds from disposal of investment in associate		**388**	--	**--**	--
Investment in subsidiaries and associates of AI		**--**	--	**(1,032)**	(5,580)
Investment in associates	8 b)	**(1,721)**	(5,599)	**(66)**	(76)
Maturity / placement of short term deposits		**852**	(3,352)	**1,000**	(3,000)
Movement in investments at fair value through profit or loss (net)		**311**	(1,576)	**311**	(1,576)
Net interest (expense) / income	26	**(370)**	(112)	**420**	248
Net movement in non - controlling interest		**239**	230	**--**	--
Dividend income		**77**	105	**77**	105
Net cash used in investing activities		**(10,005)**	(8,456)	**(210)**	(2,882)
CASH FLOWS FROM FINANCING ACTIVITIES					
Lease liabilities paid		**(302)**	(287)	**(11)**	(11)
Net movement in term loans (see note below)		**4,516**	1,361	**--**	--
Dividend payment		**(9,450)**	(7,875)	**(9,450)**	(7,874)
Net cash used in financing activities		**(5,236)**	(6,801)	**(9,461)**	(7,885)
Net decrease in cash and cash equivalents during the year		**(19,242)**	(2,081)	**(16,708)**	(2,200)
Cash and cash equivalents at the beginning of the year		**9,008**	11,089	**7,275**	9,475
Cash and cash equivalents at the end of the year		**(10,234)**	9,008	**(9,433)**	7,275
Cash and cash equivalents at the end of the year comprise of:					
Bank balances and cash		**10,071**	9,604	**7,937**	7,275
Bank borrowings	18	**(20,305)**	(596)	**(17,370)**	--
		(10,234)	9,008	**(9,433)**	7,275
Note:					
Changes in cash flows from financing activities (term loans):					
At the beginning of the year		**20,528**	20,919	**--**	--
Disbursements during the year		**5,643**	3,198	**--**	--
Repayments during the year		**(1,173)**	(1,837)	**--**	--
De-recognition on disposal of investment in a subsidiary		**--**	(1,752)	**--**	--
At the end of the year		**24,998**	20,528	**--**	--

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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 2021 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 the OFM and the percentage holdings are as follows:

Investments	**2021 %**	2020 %
Subsidiary:		
- Atyab Investments LLC ("AI") [see note c) below]	**100.00**	100.00
Associate:		
- Oman Fisheries Company SAOG ("OFC") [note 8 b)]	**25.15**	24.55

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	**2021 %**	2020 %
Subsidiaries:			
- Atyab Food Industries LLC ("AFI")	Manufacture of fresh and frozen bakery products	**100.00**	100.00
- Atyab International Services LLC (AIS) (formerly Atyab Foodtech Trading & Services LLC	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
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

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Notes to the financial statements

1 ACTIVITIES (Continued)

c) (Continued)

Investments	Principal activities	**2021 %**	2020 %
Associates:			
- Oman Oil Seeds Crushing Company SAOC ("OOSCC") [Note 8 b) iv]	Producing vegetable oils – operations not commenced	**--**	30.00
- Food Techno Park LLC ("FTP")	Providing innovation in the food sector - operations not commenced	**50.00**	--
- Bio Products Oman SAOC ("BPO")	Production of cattle feed - operations not commenced	**33.33**	--

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.

The Group's and the Parent Company's financial statements are presented under the historical cost except for certain financial / non-financial assets and financial liabilities which are carried at their fair values.

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 2021. The Group 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 16 'Leases' extends the availability of the practical expedient related to COVID 19 related rent concessions beyond 30 June 2021. The practical expedient applies to rent concessions relating to lease payments originally due on or before 30 June 2022. Although, the amendment is applicable for annual periods commencing on or after 1 April 2021, the Parent Company and Group has early adopted the amendment.

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 & IAS 39 - Interest Rate Benchmark Reform – Phase 2 require entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

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.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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Notes to the financial statements

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

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 'Presentation of financial statements' clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The meaning of settlement of a liability is also clarified. The amendments are applicable for annual periods commencing on or after 1 January 2023.

- 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. The amendments are applicable for annual periods commencing on or after 1 January 2022.

- Amendments to IFRS 3 'Business combinations' update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are applicable for annual periods commencing on or after 1 January 2022.

- 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. The amendments are applicable for annual periods commencing on or after 1 January 2022.

- Annual Improvements to IFRS Standards 2018–2020 amend:

  - IFRS 1 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 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;

  - IFRS 16 illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements.

  - IAS 41 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.

The amendments are applicable for annual periods commencing on or after 1 January 2022.

- 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.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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Notes to the financial statements

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 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 1 'Presentation of financial statements' require an entity to disclose its material accounting policy information rather than its significant accounting policies. Consequently, the IFRS Practice Statement 2 has also been amended to illustrate how an entity can judge whether accounting policy information is material to its financial statements. The amendments are applicable for annual periods commencing on or after 1 January 2023.

- Amendments to IAS 12 'Income taxes' narrows 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.

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.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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Notes to the financial statements

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

- *Share of unaudited results of an associate*

  Share of results in an associate is based on the unaudited financial statements at 31 December 2021 since its reporting period is 30 June. 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 2021 is not likely to be materially different from the audited results.

- 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 e)].

- *Estimation of lease term and right-of-use assets*

  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.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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Notes to the financial statements

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

- *Expected credit losses (ECLs) (Continued)*

  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 property, 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.

- *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 1,429,848 (2020 – RO 1,960,044) and the accumulated losses at the end of the reporting period amounted to RO 6,091,611 (2020 – RO 4,661,763) which has eroded 100% (2020 – 88%) of the share capital of SFM; and

  - at the end of the reporting period, the current liabilities of SFM exceeded its current assets by RO 5,957,329 (2020 – RO 3,002,800).

  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 31) which will generate sufficient income to cover SFM's losses from the year 2022 once the construction of the silos is completed;

  - SFM's gross loss has turned into profit in comparison to the previous year and the Management is expecting further increase in the operations in the current year with better margins;

  - 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.

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Notes to the financial statements

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 assets, which are re-measured at fair value.

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.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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Notes to the financial statements

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.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Property, plant and equipment (Continued)

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	--

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 property

Property, which is held for rental or capital appreciation, is classified as investment property. Investment property, which comprises of a land, is measured initially at its cost including related transaction cost and borrowing cost. Land is not depreciated as it is deemed to have an indefinite life.

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.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Investment in subsidiaries and associates (Continued)

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.

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.

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Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Fair value measurement (Continued)

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.

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.

Notes to the financial statements

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.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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Notes to the financial statements

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.

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Notes to the financial statements

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.

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Notes to the financial statements

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 property where the Group is a lessor is recognised on a straight-line basis over the lease term. The investment property is included in the statement of financial position of the Group.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Notes to the financial statements

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.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Notes to the financial statements

5 PROPERTY, PLANT AND EQUIPMENT

a) The balances and movement of property, plant and equipment during the years ended 31 December 2021 and 31 December 2020 for the Group and Parent Company are set out on pages 55 to 58.

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.

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.

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) The Group's capital work in progress of RO 17.5 million (2020 – RO 9.3 million) mainly includes costs amounting to RO 16.2 million (2020 – RO 8.5 million) incurred by SFM for the construction of grain silos at the Sohar Industrial Port. The construction is expected to be completed during the year 2022.

At the end of the reporting period, the Group's capital work in progress includes certain costs amounting to RO 967,718 (2020 – RO 674,953), including borrowing costs (comprises of interest on SFM's term loans and lease liabilities) of RO 818,191 (2020 – RO 525,426), that are directly attributable to the construction of SFM's gain silos.

On completion of construction, the grain silos will be partly classified as investment properties in line with the agreement entered into with SFM's customer (note 31). The re-classification has not been done during the year as the cost of the grain silos to be transferred to investment properties cannot be estimated reliably until the construction is completed.

f) The Parent Company's capital work in progress includes costs incurred mainly towards barley flake machinery, packing machinery, cleaning machineries and chain belt which are awaiting installation at the end of the reporting period.

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

		Group		Parent Company	
		2021	2020	**2021**	2021
	Note	**RO '000**	RO '000	**RO '000**	RO '000
Cost of sales	22	**2,739**	2,724	**1,269**	1,345
Selling and distribution	23	**6**	5	**6**	5
General and administration	24	**276**	284	**95**	101
		3,021	3,013	**1,370**	1,451

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Notes to the financial statements

6 INVESTMENT PROPERTY

Investment property comprises of land situated in Al-Khuwair that is leased to third parties subject to renewal on an annual basis. The fair value of the investment property based on an independent valuer's report dated 22 December 2020 amounted to RO 1,750,000 (2020 – RO 1,750,000) and the Management believes the fair values of the investment property approximates to RO 1,750,000 (2020 – RO 1,750,000) at the end of the reporting period. The fair value has been determined by the independent valuer on the basis of freehold vacant possession.

Rental income, under note 26 to the financial statements, includes rent from the investment property amounting to RO 30,000 (2020 – RO 30,000).

7 INTANGIBLE ASSETS

Group
Year 2021

	Software RO '000
Cost	
At 31 December 2020	**29**
Additions during the year	**32**
At 31 December 2021	**61**
Amortization	
At 31 December 2020	**13**
Charge for the year (note 24)	**11**
At 31 December 2021	**24**
Net book value	
At 31 December 2021	**37**
At 31 December 2020	**16**

Year 2020	Goodwill RO '000	Software RO '000	Total RO '000
Cost			
At 31 December 2019	154	23	177
Additions during the year	--	6	6
De-recognition on disposal of investment [note 30 a)]	(154)	--	(154)
At 31 December 2020	-	29	29
Amortization			
At 31 December 2019	--	4	4
Charge for the year (note 24)	--	9	9
At 31 December 2020	--	13	13
Net book value			
At 31 December 2020	--	16	16
At 31 December 2019	154	19	173

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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Notes to the financial statements

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	**2021 RO '000**	2020 RO '000
At the beginning of the year	**18,240**	12,715
Investment in subsidiaries and associates of AI	**1,032**	5,581
Share of results for the year	**(153)**	(56)
At the end of the year	**19,119**	18,240

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 2021.

ii) The investment of RO 19.119 million (2020 – RO 18.238 million) includes AI's ownership of the registered share capital of RO 250,000 (2020 – RO 250,000) and an additional RO 18.827 million (2020 – RO 17.794 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) AI holds 60% shareholding in SFM that has non-controlling interest that is material to the group. The results of SFM, not adjusted for proportion of ownership and inter-company eliminations, are summarized as follows:

	2021 RO '000	2020 RO '000
Assets		
Non-current assets	**30,042**	22,736
Current assets	**5,063**	5,173
Total assets	**35,105**	27,909
Liabilities		
Non-current liabilities	**24,168**	19,093
Current liabilities	**11,021**	8,175
Total liabilities	**35,189**	27,268
Revenue	**8,231**	8,057
Net loss and total comprehensive loss	**(1,430)**	(1,960)

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Notes to the financial statements

8 INVESTMENTS (Continued)

b) Investment in associates:

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

Year 2021	**Parent Company**						**Group**
	OFC	**FTP**	**BPO**	**AFP**	**OOSC**	**AIP**	**Total**
	RO '000	**RO '000**	**RO '000**	**RO '000**	**RO '000**	**RO '000**	**RO '000**
	[see note v) below]	[see note iii) below]	[see note iii) below]		[see note iv) below]		
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**

Year 2020	**Parent Company**				**Group**
	OFC	AFP	OOSC	AIP	Total
	RO '000	RO '000	RO '000	RO '000	RO '000
	[see note v) below]				
At the beginning of the year	--	167	492	1,647	2,306
Transferred from investments at FVTPL	2,392	--	--	--	2,392
Acquired during the year	76	4,773	--	750	5,599
Share of results for the year	(719)	(76)	(168)	150	(813)
At the end of the year	1,749	4,864	324	2,547	9,484

The following further notes apply:

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

AIP, FTP and BPO are limited liability companies 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.

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Notes to the financial statements

8 INVESTMENTS (Continued)

b) Investment in associates: (Continued)

ii) The financial year ending of OFC, FTP, BPO, OOSC 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 2021.

iii) During the year, AIS and AI have made investments in FTP and BPO representing 50% and 33.33% of the shares of the Companies, respectively. These associates have not commenced their operations as at the end of the reporting period.

iv) During the year, the Parent Company entered into a sale purchase agreement with a third party for the disposal of its entire shareholding of 30% in OOSC at an agreed price of RO 388,384 resulting in a gain on disposal of RO 64,712 (note 26).

v) As on 31 December 2021, the fair value of investment in OFC amounts to RO 1,887,000 (2020 – RO 2,638,733). The fair value of other investment in associates cannot be readily obtained in the absence of relevant fair value estimates as the investments are unquoted

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

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

Year 2020	OFC RO '000	AFP RO '000	OOSC RO '000	AIP RO '000
Assets				
Non-current assets	6,566	13,107	72	4,425
Current assets	5,698	7,847	1,294	2,159
Total assets	12,264	20,954	1,366	6,584
Liabilities				
Non-current liabilities	890	1,965	222	99
Current liabilities	4,109	4,236	65	1,228
Total liabilities	4,999	6,201	287	1,327
Revenue	13,021	10,562	--	6,459
Net (loss) / profit and total comprehensive loss	(3,088)	(231)	(397)	302

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Notes to the financial statements

8 INVESTMENTS (Continued)

c) Other investments

	Fair value hierarchy	**Group and Parent Company 2021 RO '000**	2020 RO '000
Investments at fair value through profit or loss *(quoted) [see notes below]*			
At the beginning of the year		**1,533**	2,592
Purchases during the year		**489**	1,616
Sales during the year		**(799)**	(40)
Net realised gain / (loss) on sales during the year		**23**	(53)
Fair value changes during the year		**273**	(190)
Transferred to investment in associates [note 8 b)]		**--**	(2,392)
	Level 1	**1,519**	1,533
Investments at fair value through other comprehensive income *(un-quoted)*	*Level 2*	**355**	355
		1,874	1,888

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:

	2021 RO '000	2020 RO '000
MSX quoted investments:		
Banks and investment	**942**	915
Industrial	**301**	301
Services	**260**	260
	1,503	1,476
Cash balance with Portfolio Managers	**16**	57
	1,519	1,533
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 2021 (2020 – 31 December 2020).

iii) Investments at fair value through profit or loss with a carrying value of RO 370,600 (2020 – RO 355,441) 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 (2020 – 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 (2020 – none).

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Notes to the financial statements

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 arrangements has been recognised as follows:

	Parent Company	
	2021	2020
	RO '000	RO '000
Cost		
At the beginning and at the end of the year	**84**	84
Depreciation		
At the beginning of the year	**19**	9
Charge for the year [note f) below]	**9**	10
At the end of the year	**28**	19
Net book values		
At the beginning of the year	**65**	75
At the end of the year	**56**	65

Year 2021				**Group**
	Office equipment	**Quay space**	**Factory lands**	**Total**
	RO '000	**RO '000**	**RO '000**	**RO '000**
Cost				
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**

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9 LEASES (Continued)

Year 2020	Office equipment RO '000	Quay space RO '000	Factory lands RO '000	Total RO '000
At 31 December 2019	--	2,768	1,272	4,040
Additions during the year	7	--	--	7
At 31 December 2020	7	2,768	1,272	4,047
Depreciation				
At 31 December 2019	--	113	75	188
Charge for the year [note f) below]	1	113	83	197
At 31 December 2020	1	226	158	385
Net book values				
At 31 December 2020	6	2,542	1,114	3,662
At 31 December 2019	--	2,655	1,197	3,852

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	
	2021 RO '000	2020 RO '000	**2021 RO '000**	2020 RO '000
Non-current portion	**3,881**	3,915	**52**	60
Current portion	**80**	76	**11**	11
	3,961	3,991	**63**	71

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

	Group		Parent Company	
	2021 RO '000	2020 RO '000	**2021 RO '000**	2020 RO '000
At the beginning of the year	**3,991**	4,046	**71**	78
Additions during the year	**42**	7	**--**	--
Paid during the year	**(302)**	(297)	**(11)**	(11)
Interest on lease liabilities expensed [note 9 f)]	**230**	235	**3**	4
At the end of the year	**3,961**	3,991	**63**	71

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

	Group		Parent Company	
	2021 RO '000	2020 RO '000	**2021 RO '000**	2020 RO '000
Upto 1 year	**310**	297	**11**	11
Between 1 year to 5 years	**1,247**	1,209	**45**	45
Above 5 years	**5,456**	5,768	**17**	28
	7,013	7,274	**73**	84

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9 LEASES (Continued)

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

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Depreciation	**197**	197	**9**	10
Interest cost	**230**	235	**3**	4
Variable lease payments not included in the lease liabilities	**--**	2	**--**	--
Short term lease payments	**374**	315	**253**	199
Income from sub-leasing right of use assets	**55**	89	**--**	--

g) The total cash outflow for leases amounted to RO 422,486 (2020 – RO 302,402) for the Group and RO 11,315 (2020 – RO 10,453) 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 f)].

10 INVENTORIES

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Raw materials	**30,044**	14,230	**29,160**	13,136
Finished goods	**1,281**	948	**1,017**	743
Packing materials and spares	**3,357**	3,088	**2,065**	1,807
Work in progress	**401**	187	**--**	--
	35,083	18,453	**32,242**	15,686
Provision for slow and non-moving inventories [note a) below]	**(1,839)**	(1,351)	**(1,664)**	(1,285)
	33,244	17,102	**30,578**	14,401

The following further notes apply:

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

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
At the beginning of the year	**1,351**	1,301	**1,285**	1,226
Provided during the year (note 22)	**504**	146	**379**	59
Written-off during the year	**(16)**	(96)	**--**	--
At the end of the year	**1,839**	1,351	**1,664**	1,285

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10 INVENTORIES (Continued)

b) At the end of the reporting period, inventory of finished goods of the Group and the Parent Company represent, average sales of 7 days and 6 days, respectively (2020 – 4 days and 3 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).

11 TRADE AND OTHER RECEIVABLES

		Group		Parent Company
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Trade receivables	**19,095**	17,139	**12,476**	12,049
Less: Allowance for expected credit losses (ECL) [see note b) below]	**(1,601)**	(1,121)	**(941)**	(617)
	17,494	16,018	**11,535**	11,432
Advances to capital creditors	**1,008**	1,545	**672**	495
Other receivables (net of ECL)	**2,399**	1,208	**1,744**	820
Accrued interest and prepayments	**464**	831	**365**	230
	21,365	19,602	**14,316**	12,977

The following further notes apply:

a) Except for certain trade receivables of the Parent Company amounting to RO 2.71 million (2020 RO 1.95 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 (2020 – same terms).

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

		Group		Parent Company
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
At the beginning of the year	**1,121**	767	**617**	414
Established during the year (note 24)	**480**	354	**324**	203
At the end of the year	**1,601**	1,121	**941**	617

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

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

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12 DEPOSITS, BANK BALANCES AND CASH

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Short term deposits [see note b) below]	**5,000**	6,352	**5,000**	6,000
Restricted bank deposits [see note c) below]	**500**	--	**--**	--
	5,500	6,352	**5,000**	6,000
Bank balances and cash:				
Bank balances [see note a) below]	**10,008**	9,555	**7,921**	7,265
Cash in hand	**63**	49	**16**	10
Cash and cash equivalents	**10,071**	9,604	**7,937**	7,275

The following further note applies:

a) Bank balances include call deposits, which earn interest at commercial rates (2020 – 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 4.35% to 5.20% (2020 – 3.25% to 5.20%) per annum.

c) Restricted bank deposits includes security deposit amounting to RO 500,000 (2020 – nil) which is held under a bank account as security by a local commercial bank against the bank borrowings availed by SFM [note 17 f)].

13 SHARE CAPITAL

a) The Parent Company's authorised, issued and paid up share capital is RO 15,750,000 (2020 - RO 15,750,000) comprising of 157,500,000 (2020 – 157,500,000) shares of RO 0.100 each (2020 - 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:

	2021		2020	
	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.

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14 LEGAL RESERVE (Continued)

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.

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 (2020 – 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	
	2021	2020	**2021**	2020
	'000	'000	**'000**	**'000**
Net assets (in Rials Omani)	**74,027**	78,163	**74,048**	78,184
Number of shares outstanding	**157,500**	157,500	**157,500**	157,500
Net assets per share (in Rials Omani)	**0.470**	0.496	**0.470**	0.496

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	
	2021	2020	**2021**	2020
	'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	**4,742**	9,009	**5,314**	9,803
Add: Net profit for the year attributable to the non-controlling interest	**572**	638	**--**	--
Profit for the year attributable to the Parent Company (in Rials Omani)	**5,314**	9,647	**5,314**	9,803
Basic earnings per share (in Rials Omani)	**0.034**	0.061	**0.034**	0.062

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

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16 EARNINGS, DIVIDEND AND NET ASSETS PER SHARE (Continued)

c) Proposed dividend and dividend per share

The Board of Directors has proposed a dividend of RO __________ (2020 – RO 7,875,000) 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.

In the Annual General Meeting held on 28 March 2021, Shareholders approved an Interim dividend of 10% of the share capital i.e. 10 baizas per share amounting to RO 1,575,000 against the profits for the year ended 31 December 2020. Interim dividend was paid on 1 September 2021.

During the year, an amount of RO 63,662 representing unclaimed dividends for the year 2020 (2020 – RO 77,130 for the year 2019), has been transferred to the Investor's Trust Fund of the Capital Market Authority.

17 TERM LOANS

			Group
	Note	**2021 RO '000**	2020 RO '000
Term loan 1	a)	**2,995**	4,168
Term loan 2	b)	**6,700**	6,700
Term loan 3	c)	**1,000**	1,000
Term loan 4	d)	**590**	590
Term loan 5	e)	**14,000**	8,321
		25,285	20,779
Less: unamortised transaction cost		**(287)**	(297)
		24,998	20,482
Less: current portion		**(3,048)**	(2,209)
Total non-current portion		**21,950**	18,273

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 4 further loans. The 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.

During the previous year, in view of the COVID-19 pandemic, AFI obtained approval from the bank for the deferment of monthly interest and two quarterly instalments for the period from April 2020 to August 2020. The quarterly installments for the 4 loans have increased from RO 293,257 to RO 362,923.

b) Term loan 2 was obtained from a local commercial bank by SFM. The loan is repayable in 16 equal half yearly installments of RO 418,750 commencing from 2022. The interest on the loan is 5.75% to 6% per annum (2020 – 5.75% per annum) subject to annual review.

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17 TERM LOANS (Continued)

c) Term loan 3 was obtained from a local commercial bank by SFM. The loan is repayable in 16 equal half yearly installments of RO 62,500 commencing from 2022. The interest on the loan is 3.25% to 6% per annum (2020 – 3.25% per annum).

d) Term loan 4 was obtained from a local commercial bank by SFM, is subject to interest at 5.75% to 6% per annum (2020 – 5.75% per annum) and is repayable in 16 half yearly installments of RO 36,875 each which commenced from 2021. The interest is subject to re-negotiation with the banks on renewal of the facilities, which generally takes place on an annual basis.

e) Term loan 5 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 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 (2020 – 5.25% per annum). The sanctioned loan amount is RO 15,627,600 of which RO 13,999,954 (2020 – RO 8,320,782) has been disbursed till 31 December 2021. The loan is repayable in 50 equal quarterly installments of RO 312,552 each which will commence from 2022, on completion of 2.5 year moratorium period.

f) The term loans 2, 3, 4 and 5 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), 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)];
- cash margin of 33% of the LTR facility to be maintained with a bank in SFM [note 12 c)];
- corporate guarantee of SFM's Shareholders; and
- subordination of OFM's Shareholders' current accounts.

g) 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)].

h) 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
	2021	2020
	RO '000	RO '000
Between 1 and 2 years	**3,622**	3,154
Between 2 and 5 years	**6,546**	6,649
Over 5 years	**12,069**	8,767
	22,237	18,570

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18 BANK BORROWINGS

	Group		Parent	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Loans against trust receipts [note a)]	**15,035**	596	**12,870**	--
Bank borrowings forming part of cash and cash equivalents	**15,035**	596	**12,870**	--
Short term loan [note b)]	**5,270**	--	**4,500**	--
	20,305	596	**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 17.37 million. Group's bank borrowings comprising of loans against trust receipts and short term loans, obtained from various local commercial banks, carry interest ranging from 3.20% to 6% per annum (2020 – 5.50% to 6% per annum).

b) Short term loan is obtained from local commercial bank and carries interest at 3.20% to 3.25% per anum (2020 Nil). 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 f).

19 TAXATION

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Statement of income				
Current tax	**1,292**	1,726	**1,138**	1,625
Deferred tax (credit) / charge	**(87)**	33	**(163)**	(89)
	1,205	1,759	**975**	1,536
Statement of financial position				
Non-current liability:				
Deferred taxation	**756**	843	**210**	373
Current liability:				
Current taxation	**1,292**	1,726	**1,138**	1,625
Prior year	**75**	49	**50**	50
	1,367	1,775	**1,188**	1,675

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19 TAXATION (Continued)

a) The status of the taxation 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	2018 to 2020
Atyab Investments LLC	2018 to 2020
Atyab Food Industries LLC	2019 and 2020
Atyab International Services LLC	2018 to 2020
Atyab Technical Services LLC	2018 to 2020
Sohar Flour Mills LLC	2018 to 2020

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, AI's and SFM's taxation assessment for the year 2017 and AFI's taxation assessment for the years 2017 and 2018 were finalised by the Tax Authority with no additional demand for tax.

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

Group	Accelerated tax depreciation RO '000	Provisions RO '000	Carry forward tax losses RO '000	Total RO '000
At 31 December 2019	(1,343)	321	212	(810)
Credited / (charged) to the statement of income	49	48	(130)	(33)
At 31 December 2020	(1,294)	369	82	(843)
At 31 December 2020	**(1,294)**	**369**	**82**	**(843)**
Credited / (charged) to the statement of income	**50**	**119**	**(82)**	**87**
At 31 December 2021	**(1,244)**	**488**	**-**	**(756)**

Parent Company	Accelerated tax depreciation RO '000	Provisions RO '000	Total RO '000
At 31 December 2019	(712)	250	(462)
Credited to the statement of income	49	40	89
At 31 December 2020	(663)	290	(373)
At 31 December 2020	**(663)**	**290**	**(373)**
Credited to the statement of income	**58**	**105**	**163**
At 31 December 2021	**(605)**	**395**	**(210)**

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19 TAXATION (Continued)

e) Taxation is provided at 15% (2020 – 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	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Tax charge on accounting profit of taxable companies	**(1,186)**	(1,853)	**(943)**	(1,752)
(Add) / less tax effect of:				
Income exempt from tax	**15**	313	**15**	313
Prior period excess	**14**	--	**--**	--
Deferred tax	**87**	(33)	**163**	89
Non-deductible expenses	**(135)**	(186)	**(210)**	(186)
Current taxation charge for the year	**(1,205)**	(1,759)	**(975)**	(1,536)

20 TRADE AND OTHER PAYABLES

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Trade payables	**9,198**	2,334	**8,008**	1,500
Accrued expenses and other payables	**4,036**	2,713	**1,714**	1,544
Amounts due to related party [notes 21 d) and f)]	**--**	1,102	**67**	--
Provisions associated with the disposal of the investment in a subsidiary (refer to note below)	**535**	1,029	**535**	1,029
Directors' remuneration	**150**	142	**35**	45
	13,919	7,320	**10,359**	4,118

The following further note applies:

At the end of the reporting period, the Parent Company has closing provision totaling RO 535,386 (2020 - RO 1,028,977) towards potential liabilities likely to arise as specified under the sale-purchase agreement relating to the disposal of the investment in MPF ('former subsidiary').

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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**	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
<u>Revenue</u>				
Subsidiaries:				
- Sale of grains to SFM	**--**	--	**1,175**	4,839
- Sale of flour to AFI	**--**	--	**2,047**	1,777
Related parties:				
- Sale of feed to Modern Poultry Farm Company SAOC (MPF)	**4,493**	4,130	**4,484**	4,121
- Sale of feed to Sohar Poultry Company SAOC (SPC)	**1,465**	960	**1,448**	925
- Sale of feed to Mazoon Dairy Company SAOC (MDC)	**2,226**	813	**1,900**	625
- Sale of feed to National Livestock and Development Company SAOC (NLDC)	**12**	117	**--**	--
- Sale of feed to Oman Fisheries Company SAOC (OFC)	**20**	25	**--**	--
- Sale of feed to Al Bashayer Meat Company SAOC (ABMC)	**14**	22	**--**	--
<u>Other income</u>				
Subsidiaries:				
- Interest income from SFM	**--**	--	**151**	66
- Rental income from AIS	**--**	--	**60**	60
Related party:				
- Interest income from SPC	**--**	23	**--**	23

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21 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	**RO '000**
Expenses				
Subsidiaries:				
- Laboratory services fee to AIS	**--**	--	**504**	504
- Purchase of flour from SFM	**--**	--	**220**	110
Related party:				
- Purchase of raw materials from Al Ghurair Resources International LLC	**--**	1,117	**--**	--
- Purchase of packing material from Gulf Plastics Company SAOC	**163**	161	**163**	161

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

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Short term employment and end of service benefits	**563**	629	**354**	389
Directors' remuneration [note c) below]	**150**	142	**35**	45
Directors' meeting attendance fees	**50**	61	**35**	47
	200	203	**70**	92
Directors' and key management personnels' traveling expenses	**--**	6	**--**	6
	763	838	**424**	487

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 2,708,669 (2020 – RO 1,017,537), in the Parent Company, which is subject to interest at 4.25% per annum, all other amounts are not subject to interest (2020 – similar terms).

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21 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Subsidiaries:				
- Sohar Flour Mills Company LLC	**--**	--	**4,858**	4,634
- Atyab Investments LLC	**--**	--	**2,318**	2,041
- Atyab Food Industries LLC	**--**	--	**1,179**	1,124
- Bread House LLC	**--**	--	**9**	9
Related parties:				
- Modern Poultry Farms Company SAOC	**1,945**	1,834	**1,943**	1,819
- Mazoon Dairy Company SAOC	**811**	551	**736**	444
- Sohar Poultry Company SAOC	**708**	265	**424**	253
- Oman Oil Seeds Company SAOC	**--**	27	**--**	--
- Oman Fisheries Company SAOG	**3**	8	**--**	--
- Atyab IFFCO Poultry LLC	**1**	1	**1**	1
- Arabian Food Production Company SAOC	**--**	1	**--**	--
- Omani National Livestock Development Company SAOC	**1**	1	**--**	--
	3,469	2,688	**11,468**	10,325

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

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
- Al Ghurair Resources International LLC	**--**	1,102	**--**	--
- Atyab International Services LLC	**--**	--	**67**	--
	--	1,102	**67**	--

22 COST OF SALES

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Cost of materials consumed	**71,314**	65,070	**62,196**	59,534
Salaries and employee related costs (note 25)	**4,000**	4,345	**1,754**	2,125
Depreciation on property, plant and equipment [note 5 g)]	**2,739**	2,724	**1,269**	1,345
Provision for slow and non-moving inventories [note 10 a)]	**504**	146	**379**	59
Depreciation on right-of-use assets	**45**	48	**9**	10
Other overheads	**2,508**	2,713	**2,227**	2,474
	81,110	75,046	**67,834**	65,547

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23 SELLING AND DISTRIBUTION

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Salaries and employee related costs (note 25)	**1,816**	1,650	**249**	217
Advertising, sales promotion and other overheads	**1,659**	1,672	**236**	205
Vehicle expenses	**487**	454	**4**	6
Depreciation [note 5 g)]	**6**	5	**6**	5
Repairs and maintenance	**3**	11	**3**	11
	3,971	3,792	**498**	444

24 GENERAL AND ADMINISTRATION

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Salaries and employee related costs (note 25)	**2,880**	3,242	**1,770**	2,027
Allowance for expected credit losses [note 11 b)]	**480**	354	**324**	203
Corporate social responsibility	**400**	175	**400**	175
Professional fees	**383**	242	**267**	206
Depreciation [note 5 g)]	**276**	284	**95**	101
Repairs and maintenance	**249**	198	**147**	113
Rent, utilities and insurance	**125**	201	**24**	95
Directors' remuneration [note 21 b)]	**150**	142	**35**	45
Communication expenses	**93**	109	**25**	34
Directors' meeting attendance fees [note 21 b)]	**50**	61	**35**	47
Travelling expenses	**18**	32	**1**	18
Amortisation of intangible assets (note 7)	**11**	9	**--**	--
Miscellaneous	**412**	318	**207**	267
	5,527	5,367	**3,330**	3,331

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	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Cost of sales (note 22)	**4,000**	4,345	**1,754**	2,125
Selling and distribution (note 23)	**1,816**	1,650	**249**	217
General and administration (note 24)	**2,880**	3,242	**1,770**	2,027
	8,696	9,237	**3,773**	4,369

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25 SALARIES AND EMPLOYEE RELATED COSTS (Continued)

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

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Salaries, wages and other benefits	**8,090**	8,629	**3,457**	4,055
Contributions to defined retirement plan for Omani employees	**459**	398	**288**	239
Cost of end of service benefits for expatriate employees	**147**	210	**28**	75
	8,696	9,237	**3,773**	4,369

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

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
At the beginning of the year	**628**	914	**115**	447
Charge for the year	**147**	210	**28**	75
Payments made during the year	**(232)**	(496)	**(110)**	(407)
At the end of the year	**543**	628	**33**	115

d) At the end of the reporting period, the Parent Company and Group's employees' end of service benefits liability is net of amounts of RO 157,546 (2020 – RO 224,377) paid to the existing employees during the current year.

26 INVESTMENT, FINANCE AND OTHER INCOME (NET)

	Group		Parent Company	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Investment and other income:				
Interest income	**279**	255	**420**	306
Fair value changes in investments at fair value through profit or loss	**273**	(190)	**273**	(190)
Rental income	**85**	125	**90**	96
Dividend income	**77**	105	**77**	105
Gain on disposal of investment in associate	**64**	--	**--**	--
Profit / (loss) on disposal of investments at fair value through profit or loss	**23**	(53)	**23**	(53)
Profit on disposal of plant and equipment	**13**	22	**11**	14
Miscellaneous	**221**	224	**172**	202
	1,035	488	**1,066**	480
Less: finance and other expenses:				
Interest expense	**(879)**	(631)	**(106)**	(62)
Portfolio management fees	**(10)**	(3)	**(10)**	(3)
	146	(146)	**950**	415

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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	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Profit before tax	**5,947**	10,768	**6,289**	11,339
Adjustments for:				
Share of results in a subsidiary	**--**	--	**153**	56
Share of results in associates	**928**	813	**420**	719
Depreciation on property, plant and equipment [note 5 g)]	**3,021**	3,013	**1,370**	1,451
Amortisation on intangible assets	**11**	9	**--**	--
Depreciation on right of use assets	**197**	197	**9**	10
Directors' meeting attendance fees and remuneration	**200**	203	**70**	92
Profit on disposal of plant and equipment	**(13)**	(22)	**(11)**	(14)
(Profit) / loss on disposal of investments at fair value through profit or loss	**(23)**	53	**(23)**	53
Net gain on disposal of investment in a subsidiary	**--**	(1,881)	**--**	(2,035)
Provisions associated with the disposal of investment in a subsidiary	**--**	(1,029)	**--**	(1,029)
Gain on sale of investment in associate	**(64)**	--	**--**	--
Net interest expense / (income)	**600**	611	**(416)**	(244)
Dividend income	**(77)**	(105)	**(77)**	(105)
Employees' end of service benefits	**147**	210	**28**	75
Provision for slow and non-moving inventories (net)	**488**	50	**379**	59
Allowance for expected credit losses (net)	**480**	354	**324**	203
Changes in fair value of investments through profit or loss	**(273)**	190	**(273)**	190
Operating profit before payment of end of service benefits and working capital changes	**11,569**	13,434	**8,242**	10,820
Payment of employees' end of service benefits	**(232)**	(496)	**(110)**	(407)
Working capital changes:				
Inventories	**(16,630)**	1,138	**(16,556)**	362
Trade and other receivables	**(2,243)**	1,688	**(1,663)**	(1,001)
Dues from subsidiaries and related parties	**(781)**	(2,713)	**(1,570)**	(904)
Trade and other payables	**6,016**	1,505	**6,245**	914
Cash (used in) / generated from operations	**(2,301)**	14,556	**(5,412)**	9,784

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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	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Capital commitments	**4,773**	5,760	**2,471**	444
Purchase commitments	**20,849**	6,762	**20,353**	6,762
Letters of credit	**862**	7,227	**506**	4,905
	26,483	19,749	**23,330**	12,111

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	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Corporate guarantees	**25,827**	23,987	**25,477**	23,987
Performance bonds	**20**	84	**--**	--
	25,847	24,071	**25,477**	23,987

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	
	2021	2020	**2021**	2020
	RO '000	RO '000	**RO '000**	RO '000
Trade receivables	**1,759**	1,564	**341**	596
Bank balances	**401**	335	**208**	197
Trade payables	**754**	353	**369**	205
Term loans	**2,995**	4,168	**--**	--
	5,909	6,420	**918**	998

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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 Securities Market. 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 75,150 (2020 – RO 73,780).

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.

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29 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

b) Credit risk (Continued)

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

- 28% of Group's trade receivables are due from 5 customers (2020 – 39% from 5 customers)
- 41% of Parent Company's trade receivables are due from 5 customers (2020 – 35% from 5 customers)
- 73% of related party dues are receivable from subsidiaries in the Parent Company's financial statements (2020 – 76%).

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 2021

		Past due by more than					
	Current	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**

Year 2020

		Past due by more than					
	Current	0 - 90 days	91 - 180 days	181 - 270 days	Above 270 days	Specific debts	Total
Carrying value (RO '000)	9,507	4,188	1,852	439	888	265	17,139
Expected loss rate	1.41%	3.72%	9.77%	16.63%	35.14%	100.00%	
Loss allowance (RO '000)	134	156	181	73	312	265	1,121

PARENT

Year 2021

		Past due by more than					
	Current	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**

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29 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

b) Credit risk (Continued)

PARENT (Continued)
Year 2020

	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)	6,927	2,820	1,095	439	541	227	12,049
Expected loss rate	1.13%	2.62%	6.30%	16.63%	17.74%	100.00%	
Loss allowance (RO '000)	78	74	69	73	96	227	617

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 h) 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.

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29 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

d) Capital management (Continued)

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 ASSETS HELD FOR SALE AND DISCONTINUING OPERATIONS

In the year 2019, the Parent Company entered into a "Sale Purchase Agreement", dated 20 November 2019, with Arabian Food Production Company SAOC ("AFP"), a related party, for the disposal of the Parent Company's entire 88.48% shareholding in MPF's share capital. The disposal of the Company's shareholding in MPF was approved by the Shareholders at the ordinary general meeting held on 13 February 2020.

a) The details of gain on disposal of investment in a subsidiary is as follows:

Parent Company	**2021 RO '000**	2020 RO '000
Consideration received in cash	--	7,797
Less: carrying value of investment held for sale [note e) above]	--	(4,650)
Gain on disposal of investment in subsidiary	--	3,147
Less: provisions associated with	--	
the disposal of the investment	--	(1,029)
Less: other related expenses	--	(84)
Net gain on disposal of investment in subsidiary	--	**2,034**

Group		**2021 RO '000**	2020 RO '000
Consideration received in cash	A	--	7,797
Net asset value of discontinued operations		--	7,627
Subsidiary's inter-company balance		--	(2,371)
Net asset value associated with discontinuing operations	B	--	5,256
Parent Company's share in net asset value associated with discontinuing operations (C = B x 88.48%)	C	--	4,650
Goodwill de-recognised on sale	D	--	154
Gain on disposal of investment in subsidiary E = [A - (C + D)]	E	--	2,993
Less: provisions associated with the disposal of investment		--	(1,029)
Less: other related expenses		--	(83)
Net gain on disposal of investment in subsidiary		--	1,881

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31 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 value of the agreement will be limited to RO 24.9 million;
- the constructions of the storage silos should be completed within 24 months from the date of order of execution. During the year, the Company has obtained an extension for the completion of the construction of the silo project;
- the Company will bear all costs in relation to the construction and maintenance of the silos; and
- the duration of the agreement will be 20 years from the date of completion of the construction of the silos.

32 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 59. 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.

33 IMPACT OF PANDEMIC

The outbreak of coronavirus (COVID-19) continues to progress and evolve, causing disruption to business and economic activities across the globe, including the Sultanate of Oman. However, the Group operates in the food industry where the demand for its consumer goods have increased during the pandemic and the Group managed to cater the demand in these crises during the year.

While the Government of Sultanate of Oman has eased lockdowns along with announcement and implementation of measures to provide assistance to the affected entities, the macro-economic uncertainty continues especially with the spread of OMICRON variant of COVID-19. The Management is regularly monitoring the evolution of the COVID 19 pandemic and will continue to assess the impact going forward too.

While circumstances are continually evolving, the risks are mitigated by the high demand for the Group's products, preventive measures taken by the Management to mitigate operational risks, price revision and cost cutting measures taken during the year to improve financial resilience in the current environment.

The Management has performed an assessment of potential impact of the pandemic on its financial statements and has concluded that there is no material impact on the operations or the profitability of the Group.

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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 [notes 5 e) and 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**

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5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

Year 2020	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	Total RO '000
Cost									
At 31 December 2019	219	21,859	4,846	50,739	2,737	2,277	531	3,819	87,027
Additions during the year	--	36	29	284	187	49	113	5,634	6,332
Transferred from capital work in progress	--	--	--	145	--	--	--	(145)	--
Disposals during the year	--	--	--	(104)	(4)	(76)	--	-	(184)
At 31 December 2020	219	21,895	4,875	51,064	2,920	2,250	644	9,308	93,175
Depreciation									
At 31 December 2019	--	11,452	119	30,019	2,430	1,853	432	--	46,305
Charge for the year [note 5 g)]	--	545	140	1,987	170	113	58	--	3,013
Relating to disposals	--	--	--	(104)	(4)	(76)	--	--	(184)
At 31 December 2020	--	11,997	259	31,902	2,596	1,890	490	--	49,134
Net book values									
At 31 December 2020	219	9,898	4,616	19,162	324	360	154	9,308	44,041
At 31 December 2019	219	10,407	4,727	20,720	307	424	99	3,819	40,722

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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 [notes 5 e) and f)]	Total RO '000
Cost							
At 31 December 2020	**219**	**15,091**	**33,469**	**2,019**	**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**	**33,566**	**2,074**	**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**	**5,345**	**121**	**2**	**1,551**	**11,509**
At 31 December 2020	**219**	**4,617**	**6,135**	**127**	**12**	**838**	**11,948**

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Notes to the financial statements

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Parent Company

Year 2020	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	Total RO '000
Cost							
At 31 December 2019	219	15,091	33,385	1,925	256	314	51,190
Additions during the year	--	--	43	94	8	669	814
Transferred from capital work in progress	--	--	145	--	--	(145)	--
Disposals during the year	--	--	(104)	--	(38)	--	(142)
At 31 December 2020	219	15,091	33,469	2,019	226	838	51,862
Depreciation							
At 31 December 2019	--	10,113	26,431	1,821	240	--	38,605
Charge for the year [note 5 g)]	--	361	1,007	71	12	--	1,451
Relating to disposals	--	--	(104)	--	(38)	--	(142)
At 31 December 2020	--	10,474	27,334	1,892	214	--	39,914
Net book values							
At 31 December 2020	219	4,617	6,135	127	12	838	11,948
At 31 December 2019	219	4,978	6,954	104	16	314	12,585

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Notes to the financial statements

32 OPERATING SEGMENTS (Continued)

	Flour Mill		Feed Mill		Bakery		Others		Group	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	RO'000	RO'000	**RO'000**	RO'000	**RO'000**	RO'000	**RO'000**	RO'000	**RO'000**	RO'000
External revenue										
- Local sales	**34,878**	42,567	**46,319**	39,770	**12,934**	12,079	**2,324**	2,196	**96,455**	96,612
- East Africa	**24**	1,842	**--**	--	**--**	--	**--**	--	**24**	1,842
- Others	**4,584**	2,703	**--**	164	**--**	--	**--**	--	**4,584**	2,867
Total external revenue	**39,486**	47,112	**46,319**	39,934	**12,934**	12,079	**2,324**	2,196	**101,063**	101,321
Inter segment sales	**(2,047)**	(1,863)	**(1,679)**	(5,407)	**--**	--	**--**	--	**(3,726)**	(7,270)
Total revenue	**37,439**	45,249	**44,640**	34,527	**12,934**	12,079	**2,324**	2,196	**97,337**	94,051
Segment gross profit	**4,067**	5,186	**6,039**	7,930	**4,904**	4,705	**1,217**	1,184	**16,227**	19,005
Overheads	**(2,244)**	(1,811)	**(2,679)**	(1,720)	**(3,791)**	(3,656)	**(784)**	(1,972)	**(9,498)**	(9,159)
Segment operating profit	**1,823**	3,375	**3,360**	6,210	**1,113**	1,049	**433**	(788)	**6,729**	9,846
Finance costs	**(117)**	(62)	**--**	--	**(143)**	(219)	**(629)**	(350)	**(889)**	(631)
Investment and other income	**855**	2,732	**--**	--	**39**	34	**141**	(400)	**1,035**	2,366
Segment results	**2,561**	6,045	**3,360**	6,210	**1,009**	864	**(55)**	(1,538)	**6,875**	11,581
Taxation									**(1,205)**	(1,759)
Share of result in associates									**(928)**	(813)
Non-controlling interest									**572**	638
Net profit for the year	**2,561**	6,045	**3,360**	6,210	**1,009**	864	**(55)**	(1,538)	**5,314**	9,647
Segment assets	**76,310**	68,485	**21,738**	16,856	**17,589**	17,275	**37,978**	25,524	**153,615**	128,140
Investment in subsidiaries									**(19,119)**	(18,240)
Investments									**1,874**	1,888
Due from related parties									**3,469**	2,688
Total assets	**76,310**	68,485	**21,738**	16,856	**17,589**	17,275	**37,978**	25,524	**139,839**	114,476
Segment liabilities	**18,396**	992	**9,723**	3,111	**5,503**	7,229	**30,143**	22,106	**63,765**	33,438
Taxation	**--**	--	**--**	--	**--**	--	**--**	--	**2,123**	2,618
Total liabilities	**18,396**	992	**9,723**	3,111	**5,503**	7,229	**30,143**	22,106	**65,888**	36,056
Non-controlling interest									**76**	257
Depreciation	**962**	996	**408**	455	**857**	799	**794**	763	**3,021**	3,013
Capital expenditure	**506**	670	**424**	145	**487**	388	**8,345**	5,129	**9,762**	6,332


DAHABI
طحين أبيض
Flour (NO. 1)

THANK YOU

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