



# ANNUAL REPORT 2021-2022



Nutgestive

Snackits

WELLSHIRE GOODIES  
Relish

KRACKlite

Caramelito  
Caramelised Biscuits



**His Majesty Sultan Haitham Bin Tarik**

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## **BOARD OF DIRECTORS**

**Mr. Nooh Bin Mohammed Al-Zidjaly**  
Chairman

**Mrs. Prerna Singh**  
Vice Chairman

**Mr. Mohammed Azad Khan**  
Director

**Mr. Khalid Ansari**  
Director

**Mr. Gnanaguruparan**  
Director

**Mr. Moosa Juma Saif Al Hasni**  
Director

**Mr. Khalid Abdullah Salim Al Eisri**  
Director

## **AUDITORS**

**Abu Timam**  
**Grant Thornton**

## **BANKERS**

**Bank Muscat SAOG**  
**Oman Arab Bank SAOC**  
**Bank Dhofar SAOG**  
**National Bank of Oman SAOG**



## DIRECTORS' REPORT



Dear Shareholders,

On behalf of the Board of Directors, I have great pleasure in welcoming you to the thirty nine Annual General Meeting of your Company.

### Revenue and Profits

The company recorded a Net Revenue of RO 11,832,010 in the financial year 2021-22 compared to RO 12,672,581 in the financial year 2020-21.

The Management focuses to maintain the market leadership position in Oman, expand export markets, endeavor of improving margins, efficiencies as advised by the board.

The NABIL brand along with the new value added portfolio of products enjoys a significant brand image in Oman market and has a good brand presence across the GCC markets and other regions as well. However, due to an increase in commodity prices, overheads and sharp increase in freight costs across all markets, the company bottom line has declined over the previous year.

Thus, the company has achieved a net profit of RO 234,027 for the financial year 2021-22 as compared to RO 784,089 in the financial year 2020-21.

### Dividend

The Board of Directors proposes a cash dividend of 25% on the paid up share capital of RO 1,000,000 amounting to RO 250,000/-. There are no other appropriations.

### Compliance with CMA

Your Company has been constantly monitoring and upgrading its internal control procedures and systems in compliance with local laws and regulations. As a part of this process, the internal controls, procedure manuals and guidelines as recommended by the Capital Market Authority, have been implemented from 2003 onwards. The Board through a process of internal audits, audit committees' regular involvement in the review process, ensures that the internal controls and procedures adopted by your company are effective.

### Corporate Governance

Your company confirms its compliance with the code of corporate governance for Public Listed Companies issued in July 2015, as updated in December 2016 and a separate note on Corporate Governance forms a part of this report.



### **Future Outlook**

Unlike the previous years' of COVID uncertainty, the challenges for 2022-23 are well established. The overall external environment looks encouraging with the COVID restrictions being lifted. Certain channels of consumption have started opening up which will help regain some of the lost volumes of the previous two years.

With the expansion done in the last year, we will be launching an entirely new range of value added products which will increase our presence in the premium range of cookies.

However, the strong headwinds of raw material and packing material cost increase are likely to challenge the bottom line outlook. The new range of products being launched this year will help bridge some portion of profit gap. We are also looking at opening up newer export markets to increase our product presence globally.

### **Acknowledgement**

The Board expresses its gratitude to His Majesty Sultan Haitham Bin Tariq. May Allah protect him and guide him for the benefit of Oman and its people.

Board sincerely thank and appreciate all the Ministries and Government Departments for their continued support to your Company.

Board also likes to convey sincere thanks to the shareholders of National Biscuit Industries Limited SAOG for the confidence they have reposed in the company and it's Board.

Finally, the Board thanks the Management and Staff members for their support in the financial year 2021-22 and looking forward to continued progress for your company.

**For and On behalf of the Board of Directors of  
National Biscuit Industries Limited SAOG**

A handwritten signature in black ink, consisting of several overlapping strokes, with a small number '1' written above it.

**NOOH BIN MOHAMMED AL- ZIDJALY  
CHAIRMAN**



## MANAGEMENT DISCUSSION AND ANALYSIS

Year ended 30th June 2022

This report contains forward-looking statements, which reflect management's current views and estimates. The forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

### I. Key Performance Highlights

- Company has achieved a net profit of RO 234,027/- in the financial year 2021-22, compared to RO 784,089/- in the financial year 2020-21. Company has managed to deliver this profit despite substantial increase in raw material, labour and freight costs.
- The first half of the financial year 2021-22 was disrupted due to strong COVID restrictions and delayed permissions on production weight alignment from authorities in GCC countries and implementation of the same. However, in the second half of the year company managed to steer the sales operation to deliver adequate growths thereby bridging the losses of the first half of the year. The management has made efforts to increase the margins by taking various measures including:
  - New Premium product launches, strategic actions on improving the product mix for various markets.
  - Increased penetration in local and export markets.
  - Focused consumer activations to increase sales of value added products.
  - Grammage correction to mitigate increased material costs.
- The key financial performance of the company for the last 5 financial years are as follows:

	2017-18 (18 Months)	2018-19 (12 Months)	2019-20 (12 Months)	2020-21 (12 Months)	2021-22 (12 Months)
Sales (RO '000)	17,211	12,551	12,695	12,673	11,832
Profit after tax ( RO '000)	926	770	875	784	234
Equity ( RO '000)	5,511	6,131	6,856	7,490	7,575
Dividend paid during the year (%)	15%	15%	15%	15%	25%



## **II. Industry Structure and Development**

- Your company has launched couple of premium products in Sultanate of Oman and continues to expand the brand footprint across GCC markets.
- Slowdown in certain export markets on account of volatility of FOREX, economic instability, import restrictions and unprecedented increase in freight.
- Competition from GCC, India and Turkey based biscuits manufacturers continues to be high across most of the export markets.
- Noticeable increase of biscuit manufacturing in major African markets and implementation of countervailing duties in these markets.

## **III. Opportunities and Threats**

### **Opportunities**

#### **Export Markets**

- Further enhancement of market mix and brand mix across all markets with a sharp focus on effective launch of new products.
- Opportunity to enhance the overall brand equity by investing in consumer activation programs and using Social media to spread brand awareness for the new launches.

### **Threats**

#### **a) Credit exposure**

- Your company extends credit to its customers in local and overseas markets and hence has credit related risks, however your Company takes adequate measures such as bank guarantees, Letter of Credit and Insurance cover wherever possible to reduce the risk.
- Your company ensures that all transactions are with renowned distributors in these markets, thereby trying to ensure ensuring minimum risks of goods and payments.
- Your company has taken a credit insurance to cover the unsecured credits for all markets.

#### **b) Foreign currency exposure**

Considering that your Company exports substantial volumes to overseas markets, it is exposed to currency related fluctuations. The majority of the Company's financial assets and financial liabilities are either denominated in local currency (Rial Omani) or in US Dollars, with which Rial Omani is pegged. Hence the management believes that there would not be a material impact on the profitability if foreign currencies weakens or strengthens against the Rial Omani with all other variables held constant.

#### **c) Diminishing realization in Export Markets**

Implementation of countervailing duties clubbed with increased freight cost across export markets has affected our company's realization and overall business.



#### **d) Market disruption due to price increase**

While your company has increased price to mitigate the escalation of raw material and packing material cost, there is a strong threat of competition delaying their price increase implementation. This could lead to resistance from consumers and channel partners.

### **IV. Discussion Financial and Operational Performance**

#### **a) Gross Margin**

The gross profit was lower as compared to the previous year due to lower sales volume achievement arising out of disruption witnessed in first half of the year and increase in raw and packing material, labour and freight cost.

#### **b) Overheads**

Overheads have been regularly monitored and generally kept under control. Your Company is in the process of rebuilding and expanding of the warehousing facility for all raw material, finished goods, storage and handling. Hence, during this period of construction external warehouses have been taken on rent for storage.

### **V. Risks and Concerns**

The key business risks and concerns are as follows:

- Impact on export business owing to implementation of countervailing duties, volatility of FOREX
- Sharp increase in raw material and packing material prices will have significant impact on the profitability of the company.
- Company is in the process expanding manufacturing capacity and to fund the new assets investment, your company will be using borrowed funds. Interest rates in the market are fluctuating and it will be a matter of concern.

### **VI. Internal Control Systems, their Adequacy and CMA Compliance**

The company has in place adequate control and systems commensurate with size of its business and operations. Your company is committed to institutionalize the principles of Good Corporate Governance within the company in line with the guidelines issued by the Capital Market Authority. Consequently, the company has developed organizational manuals covering the areas of Authority Structure, Procurement Policies and Procedures, Personnel Policies and Procedures, Corporate Governance and Accounting in compliance with CMA circular decision No.04/2002 of Dec 2002 and No E/4/2015 dated July 2015 and time to time.

### **VII. Corporate Social Responsibility**

The company regularly donates its products across Oman as a part of its CSR, Total market value of these donated products is Rial Omani 14,888/-

The Company has also employed seven handicapped persons in the factory.



**VIII. Outlook for the financial year 2022-23**

The market sentiment looks more positive as compared to 2021-22 especially given the increase in consumer footfall and lifting of travel restrictions. The company is looking at driving better market mix and product mix. Moreover, to mitigate the cost escalation on raw material and packing material, The Company is planning price increase and re-sizing product promotions. However, this might create some resistance from consumers and channel partners if the competition does not implement similar changes.

**For, National Biscuit Industries Ltd S.A.O.G.**

A handwritten signature in black ink, appearing to read "Rahul Shinde".

**Rahul Shinde**  
**Chief Executive Officer**

## REPORT OF FACTUAL FINDINGS

### TO THE SHAREHOLDERS OF NATIONAL BISCUIT INDUSTRIES LTD 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 Board of Directors' Corporate Governance Report of **NATIONAL BISCUIT INDUSTRIES LTD SAOG** (the "Company") as at and for the year ended 30 June 2022, and its application of the corporate governance practices in accordance with the amendments to CMA's 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. The procedures were performed solely to assist you in evaluating the extent of Company's compliance with the Code as issued by the CMA and are summarized as follows:


- We obtained the Corporate Governance Report (the "report") issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and
- We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 30 June 2022. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

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 of the corporate governance report 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 of the Company to be included in its annual report for the year ended 30 June 2022 and does not extend to any financial statements of the Company, taken as a whole.

  
Tammam Al Mugheiry  
License No. L1024587  
ABU TIMAM  
(Chartered Certified Accountants)  
5 September 2022





## **CORPORATE GOVERNANCE REPORT**

**Year ended 30th June 2022**

### **I) CORPORATE GOVERNANCE**

The National Biscuit Industries Limited SAOG follows the principles of good Corporate Governance and has implemented all guidelines issued by the Capital Market Authority of Sultanate of Oman. The Company has long been practicing best business practices in its industry, which are subject to continuous review to ensure that they continue to reflect the recent developments in order to conform to the best corporate governance practices. It takes feedback into account in its periodic reviews of the guidelines to ensure their continuing relevance and effectiveness to the needs of all the stakeholders.

The Board confirms that the Company applies the principles set out in the Capital Market Authority's (CMA) Code of Corporate Governance code for MSM listed companies and CMA Circular no. E/4/2015 on 22/7/2015. In this report, National Biscuit Industries Limited SAOG confirms its compliance with the code as required by Annexure -3. The Board has empowered the executive management on day-to-day operations matters, subject to the overall authority vested with the Board. The Company lays a strong emphasis on internal controls and audit and a suitable system of checks and balances is in place to ensure integrity of operations. The Company also lays high emphasis on compliance with the various laws and regulations of the country and transparency in its financial statements as lay down under the International Financial Reporting Standards.

### **II) BOARD OF DIRECTORS**

#### **1. Appointment of Directors**

The Article of Association of the Company provides for 7 directors. The individual directors of Company were elected by the shareholders at the AGM held on 27th September 2021 for a period of three years. All directors meet the minimum qualification requirement to be eligible for directorship.

#### **2. Role & Functions**

The Board of Directors play a significant role in developing the Company's strategies and objectives, while ensuring and monitoring the effectiveness of internal controls.

#### **3. Process of Nomination of Directors**

The member of the Board of Directors shall be chosen from shareholders or non-shareholders provided that, if the elected person is a shareholder, should be nominated by a shareholder possessing minimum number of 3,000 shares in the company. The nomination process is governed by the company's Articles of Association viz., Articles 6.

#### 4. Composition of the Board

The Board of Directors is responsible for the overall direction, supervision and control of the Company. During the financial year 2021-22, the Board consisted of 7 Directors who have come from varied disciplines like finance, legal, manufacturing and marketing. The Board has been constituted in an appropriate manner comprising of non-executive and independent directors.

#### 5. Number of Board Meetings and Details of Board Members

During the year ended June 2022, Six Board Meetings were held on the following dates:

15th July, 2021, 5th September 2021, 25th October 2021, 25th January 2022, 27th April 2022 and 16th June 22.

Name of Director	Category under which Directorship is held	Status of the Director	Independent	No of Board Meetings Attended	Whether attended last AGM
Nooh Bin Mohammed Al Zidjaly	Individual	Chairman Non-Executive	Yes	6	Yes
Prerna Singh	Individual	Vice-Chairman Non-Executive	Yes	6	Yes
Mohammed Azad Khan	Individual	Non-Executive	Yes	6	Yes
Khalid Ansari	Individual	Non-Executive	Yes	6	Yes
Rajamani Bhaskar *(Did not file Nomination in the AGM)	Individual	Non-Executive	Yes	2	Yes
Khalid Al Eistri *(appointed in previous AGM)	Individual	Non-Executive	No	4	Yes
Gnanaguruparan Pakkiriswamy Sivasubramanian	Individual	Non-Executive	Yes	6	Yes
Moosa Juma Saif Al Hasni	Individual	Non-Executive	Yes	6	Yes



## **6. Evaluation of Board Performance**

The Company had appointed M/s MHMY Auditors to appraise the performance of the Board of Directors as approved by the shareholders. They have completed the appraisal for the year 30th June 2021 for the period of three years as per CMA guidelines.

## **III) COMMITTEES OF THE BOARD**

Two Sub-committees are formed by the Board of Directors which is Audit Committee, and Nomination and Remuneration Committee to advise and help Board of Directors to monitor & supervise the operations of the Company. Details of these two committees are given below:

### **Audit Committee**

Set up in October 2001, the Audit Committee of Company originally consists of four members, out of which majority are non-executive and independent directors. All members of the Audit Committee are knowledgeable in finance, industry and laws and regulations governing SAOG companies.

### **Role of the Audit Committee**

The role of the Audit Committee covers the matters specified under the Code of Corporate Governance, which includes:

Overseeing the financial reporting process and disclosure of financial information in general and with particular reference to review of annual and quarterly financial statements before submission to the Board.

Reviewing any change in accounting policy and practices and any departure from International Financial Reporting Standards (IFRS).

Reviewing the adequacy of the internal control system through the reports of the internal and external auditors.

Reviewing risk management policies of the company and ensuring its adequacy.

Considering the name of the external auditors, determining their fees and terms of engagement and recommending their appointment.

Overseeing the internal audit function in general with particular reference to reviewing the scope of the internal audit plan for every year.

Reviewing proposed transactions with related parties for making suitable recommendations to the Board.

The Committee also holds discussion with the external and internal auditors independent of the management wherever necessary apart from serving as a channel of communication between the auditors and the Board.

The Audit Committee met five times during the financial year 2021-22 on 5th September 2021, 25th October 2021, 25th January 2022, 31st January, 2022 and 27th April 2022. The attendance record is tabled below.



Name of the Committee Member	Position	Meetings held during the year	Meetings attended during the year
Mohammed Azad Khan (Reappointed)	Chairman/ Member	5	5
Nooh Bin Mohammed Al Zidjaly (Reappointed)	Member	5	5
Khalid Ansari (Appointed)	Member	4	4
Prerna Singh	Member	1	1
Moosa Juma Saif Al Hasni (Appointed)	Member	4	4

#### **Nomination and Remuneration Committee**

Set up in April 2016, the Nomination and Remuneration Committee of Company originally consists of four Directors out of which majority were non-executive & independent directors. There are 3 members in the structure of Nomination & remuneration committee and majority still remains as Independent. All members of the Nomination and Remuneration Committee are knowledgeable in finance, industry and laws and regulations governing SAOG companies.

#### **Role of the Nomination and Remuneration Committee**

The role of the Nomination and Remuneration Committee covers the matters specified under the Code of Corporate Governance, which includes:

- a) Provide opinion on the most suitable candidate for Board of Directors election.
- b) Prepare annual plan, including succession planning for the executive management.
- c) Develop a succession plan for Board / Chairman.
- d) Prepare detailed job descriptions of the roles and responsibilities of Directors including the chairman.
- e) Prepare Bonus, Allowance and Incentive policy for the executive management.

The Nomination and Remuneration Committee has met two times during the year on 5th Sept 2021 and 27th April 2022. Nomination and Remuneration Committee has been discharging various functions under the Corporate Governance Code 2015 and below table depicts the attendance records of the Nomination and Remuneration Committee



Name of the Committee Member	Position	Meetings held during the year	Meetings attended during the year
Khalid Al Eisri (Appointed)	Chairman/ Member	1	1
Purna Singh (Reappointed)	Member	2	2
Moosa Juma Saif Al Hasni	Member	1	1
Gnanaguruparan Pakkiriswamy Sivasubramanian (Reappointed)	Member	2	2

#### IV) REMUNERATION OF DIRECTORS

The Directors were not paid any remuneration during the financial year 2021-22.

The Directors were paid RO 13,200/- as sitting fees for Board Meetings. Directors who are members of the Audit Committee were paid additional RO 5,700/- as sitting fees for Audit Committee meetings. Directors who are members of Nomination and Remuneration Committee (NRC) were paid additional RO 1,800/- as sitting fee of NRC meetings.

There were no other forms of remuneration paid by the Company to any of the Directors.

#### V) MANAGEMENT

##### 1. Management Discussion and Analysis

Management Discussion and Analysis report forms part of the annual report.

##### 2. Management Remuneration

The company does not provide stock options to any of the officers of the Company. However, the full-time employees of the Company are paid bonuses, at the discretion of the Board, based on their performance during the year.

The Top management consists of 6 senior managers. The remuneration expense incurred in the financial year 2021-22 relating to the top management of the Company was RO 276,695/-.

Details	RO
Salaries	150,564
Allowances and Perquisites	111,405
Terminal Benefits/ GOSI -	14,726
	<b>276,695</b>

The above remuneration includes salary, allowances, perquisites, terminal benefits/ GOSI.



### 3. Company Management

The names, designations, description of responsibilities of Senior Management in Company in brief are as follows:

**Rahul Shinde – Chief Executive Officer**, Graduate in Commerce with a Masters in Business Administration in Marketing & Finance, with 30 years of experience in various capacities in the FMCG –Food industry and working for Company for the last 11.5 years.

**Rajeev Jain - GM Consumer Operations**, Post Graduate in Business Management with 21 years of work experience in FMCG industry. Working for the company for the past 6 months.

**Harkamal Kumar- Financial Controller**, M.com and Chartered Accountant qualified from Institute of Chartered Accountants of India in May 2002, having more than 19 years of experience in reputed Manufacturing as well as Service Industries and working for Company for the last 7.5 years.

**Santosh Kumar – Head of Manufacturing Operations**, Post Graduate in Food Technology having a total of 23 Years of experience in different Food Industries and working for the company since May 2022.

**Aiman Hamed Khalfan Al Hadhrami – Head of Human Resources & Administration**, Possess Degree of Masters in Business Administration in Human Resource and Marketing, has worked with Ministry of higher education for 5 years and working for Company for the last 9 Years.

**Shaji Abraham – Head of Supply chain**, Graduate in Commerce with Executive MBA in Management. Having overall 22 years of work experience in Food Manufacturing companies and working for Company for the last 10 years.

### 4. Disclosures by management to the Board

All details relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board and the interested Directors neither participate in the discussion, nor do they vote on such matters. All such matters are also discussed in detail with the Audit Committee.

### 5. Employment Contract

Company enters into formal Contract of Employment with each employee and such contracts are in compliance with the regulation of Ministry of Manpower and Omani Labor Law.

### VI) DISCLOSURE POLICIES

A formal policy document covering systems, procedures and responsibilities has been made and approved by the Board in October 2020.

### VII) SHAREHOLDERS

#### 1. Communication to shareholders and investors

The Company has its own web site, [www.nationalbiscuits.com.om](http://www.nationalbiscuits.com.om), where information relating to the company is posted. Communication to shareholders and investors is regularly posted / updated on the MSX web site

The quarterly, half-yearly and annual results of the company are published in leading Arabic and English newspapers in the Sultanate of Oman.

**2. Distribution of Shareholding**

The shareholding pattern as on 30th June 2022 was:

Number of Shares	Number of Shareholders	Total Shares	% Share Capital
Above 100,000 (10%)	2	841,563	84.156
50,000 (5%) to 99,999	1	52,999	5.300
10,000 (1%) to 49,999	3	60,586	6.059
Below 10,000	67	44,852	4.485
<b>GRAND TOTAL</b>	<b>73</b>	<b>1,000,000</b>	<b>100.000</b>

**VIII) PROFESSIONAL PROFILE OF THE STATUTORY AUDITOR**

Abu Timam Chartered Certified Accountants, member firm of Grant Thornton International. The shareholders of the Company appointed Abu Timam Chartered Certified Accountants as the company's auditor for the financial year 2021-22. Grant Thornton is a network of independent assurance, tax and advisory firms, made up of over 50,000 people in more than 130 countries. Grant Thornton is here to help dynamic organizations unlock their potential for growth and is one of the 6 global accountancy firms as recognized by Wall Street. Abu Timam, the Oman member firm of Grant Thornton International, is headquartered in Muscat with a full-fledged branch office in Salalah. The Muscat office was established in 1995. It is one of the leading firms in Oman as evidenced by its portfolio of clients that includes many well-established companies across a broad spectrum of industries.

The total Audit fees including tax Compliance services for the financial year 2021-22 to the statutory auditors is RO 4,800/- excluding VAT.

**IX) MARKET PRICE DATA**

A tabular comparison of monthly high-low traded prices of the Company's share versus the monthly closing MSM index for the industrial Sector is presented below.

Month & Year	Company High (R.O.)	Company Low (R.O.)	MSM Index – Month end (Industrial Sector)
Jul 21	3.960	3.960	5846.411
Aug 21	3.960	3.960	5961.655
Sep 21	3.960	3.960	6250.557
Oct 21	3.960	3.960	6175.75
Nov 21	3.960	3.960	6025.695
Dec 21	3.960	3.980	6076.865
Jan 22	3.980	3.980	5798.531
Feb 22	3.980	3.990	5723.319
Mar 22	3.990	3.990	5999.923
Apr 22	3.990	3.990	6112.877
May 22	3.990	3.990	6029.727
Jun 22	3.990	3.990	5759.316



## X) DETAILS OF NON-COMPLIANCE

The Company has complied substantially with the regulations of CMA / MSM and there are no penalties or strictures imposed on the Company on any matters by the relevant Authorities during the year ended 30th June 2022.

## XI) COMPLIANCE WITH INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has been constantly monitoring and upgrading its internal controls procedures and systems in compliance with the local laws and regulations. As part of this process, the internal controls, procedures, manuals and guidelines as recommended by the Capital Market Authority have been implemented since 2003 as amended from time to time. The Board through a process of internal audits, audit committees' regular involvement in the review process, has reviewed the internal controls and procedures adopted by the company.

## XII) ANY OTHER ASPECTS

Board of Directors Acknowledge that:

1. The internal control systems are regularly reviewed and comply with internal rules and regulations.
2. The Board of Directors are responsible to ensure that the financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting interpretations Committee (IFRIC) and the requirements of the Commercial Companies Law of the Sultanate of Oman 1974 (as amended) and the rules for disclosure requirements prescribed by the Capital Market Authority .

There are no material events affecting the continuation of Company and its ability to continue its operations during the next financial year.

A handwritten signature in black ink, appearing to be "Nooh Bin Mohammed Al Zidjaly", with a small number "1" written above the start of the signature.

**NOOH BIN MOHAMMED AL ZIDJALY**  
**CHAIRMAN**

A handwritten signature in black ink, appearing to be "Mohammed Azad Khan", written in a cursive style.

**MOHAMMED AZAD KHAN**  
**AUDIT COMMITTEE CHAIRMAN**

# Independent Auditor's Report

To the Shareholders of  
National Biscuit Industries Ltd. SAOG  
P.O. Box 29, Rusayl Industrial Estate  
Al Seeb, Muscat  
Postal Code 124  
Sultanate of Oman

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of National Biscuit Industries Ltd. SAOG (the "Company"), which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the 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 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.

## Independent Auditor’s Report (continued)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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 matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Inventory valuation and provision</b></p> <p><i>Refer to accounting policies and Note 8 to the financial statements.</i></p> <p>Inventories form a significant part of the Company’s assets, amounting to RO 2,682,705 as of 30 June 2022.</p> <p>Inventories of the Company comprise of raw materials, packaging materials, finished goods and engineering stocks.</p> <p>As disclosed in Note 4.9 to the financial statements, inventories are held at lower of cost and net realisable value. At year end, the valuation of inventory is reviewed by management and the cost of inventory is reduced where inventory is forecasted to be sold below cost.</p> <p>Assessing the net realisable value of inventory is an area of significant judgement, in particular the estimation of provision for slow moving and obsolete inventories which is a critical accounting estimate and judgement.</p> <p>The impairment analysis includes significant judgement to be exercised and involves high degree of estimation uncertainty. Due to the significant judgement involved, this was a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Considered the provision methodology applied by management by comparing to prior year methodology;</li> <li>• Evaluated the assumptions and judgements applied by management in determining the provision;</li> <li>• Tested and evaluated historical information, data trends and ageing profiles; and</li> <li>• Analysed the provisions by performing analytical procedures on provisioning levels, including the historical experience.</li> </ul>

## Independent Auditor's Report (continued)

### Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Valuation of trade receivables</b></p> <p><i>Refer to accounting policies and Note 9 to the financial statements.</i></p> <p>As at 30 June 2022, trade receivables amounted to RO 2,745,285 which are net of provision for expected credit losses of RO 148,615.</p> <p>Trade receivables are recognised at their anticipated realisable value, which is the original invoiced amount less an estimated valuation allowance.</p> <p>Valuation of trade receivables is a key audit matter in the audit due to the size of the trade receivables and the high level of management judgement used in determining the expected credit losses.</p>	<p>For the management's estimations for trade receivables impairment provision, our key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the Company's process for measurement of ECL;</li> <li>• Evaluated the reasonableness of the key judgments and estimates relating to calculation of probability of default and forward looking factors made in the expected credit loss model;</li> <li>• Analysed the aging of trade receivables for its accuracy; and</li> <li>• Obtained a list of long outstanding receivables and assessed the recoverability of these through inquiry with management and by obtaining sufficient corroborative evidence to support the conclusions.</li> </ul>

### Other Information

Management is responsible for the other information. The other information comprises the Chairman's report, Management Discussion and Analysis report and Corporate governance report but does not include the financial statements and our auditor's report thereon.

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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the relevant disclosure requirements of the Capital Market Authority and the Commercial Companies Law of the Sultanate of Oman, 2019, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Independent Auditor's Report (continued)

### Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 judgment 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company 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.

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.

## Independent Auditor's Report (continued)

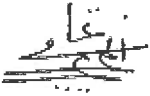
### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 Other Legal and Regulatory Requirements

In our opinion, the financial statements the Company for the year ended 30 June 2022 comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of the Sultanate of Oman, 2019, as amended, and disclosure requirements issued by the Capital Market Authority.



Tammam Al Mugheiry

Licence No. L1024587

ABU TIMAM

(Chartered Certified Accountants)



5 September 2022



## Statement of financial position

as at 30 June 2022

	Notes	30 June 2022 RO	30 June 2021 RO
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Property, plant and equipment	5	5,868,942	4,967,869
Intangible assets	6	128,571	148,751
Right-of-use assets	7	284,202	324,539
Wakala deposits	10	755,260	-
<b>Total non-current assets</b>		<b>7,036,975</b>	<b>5,441,159</b>
<b>Current assets:</b>			
Inventories	8	2,682,705	2,031,233
Trade and other receivables	9	3,603,087	2,348,206
Wakala deposits	10	-	2,727,879
Cash and bank balances	12	142,529	249,135
<b>Total current assets</b>		<b>6,428,321</b>	<b>7,356,453</b>
<b>Total assets</b>		<b>13,465,296</b>	<b>12,797,612</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity:</b>			
Share capital	13	1,000,000	1,000,000
Legal reserve	14	333,333	333,333
Retained earnings		6,241,263	6,157,236
<b>Total equity</b>		<b>7,574,596</b>	<b>7,490,569</b>
<b>Non-current liabilities:</b>			
Staff terminal benefits	15	417,771	502,819
Non-current portion of lease liabilities	16	314,636	334,002
Deferred tax liability	25(c)	45,909	51,511
<b>Total non-current liabilities</b>		<b>778,316</b>	<b>888,332</b>
<b>Current liabilities:</b>			
Trade and other payables	17	5,046,116	4,243,777
Current portion of lease liabilities	16	10,670	16,799
Provision for tax	25(a)	55,598	158,135
<b>Total current liabilities</b>		<b>5,112,384</b>	<b>4,418,711</b>
<b>Total liabilities</b>		<b>5,890,700</b>	<b>5,307,043</b>
<b>Total equity and liabilities</b>		<b>13,465,296</b>	<b>12,797,612</b>

These financial statements on pages 23 to 52 were approved by the Board of Directors on 5 September 2022 and were signed on its behalf by:

Chairman of Board of Directors

Chairman of Audit Committee

The accompanying notes on pages 27 to 52 form an integral part of these financial statements.  
The report of the Auditor is set forth on page 18



# Statement of profit or loss and other comprehensive income

for the year ended 30 June 2022

		Year ended 30 June 2022 RO	Year ended 30 June 2021 RO
Sales	18	11,832,010	12,672,581
Cost of sales	19	(10,330,300)	(10,572,316)
<b>Gross profit</b>		<b>1,501,710</b>	<b>2,100,265</b>
Other income	20	143,702	208,888
Selling and distribution expenses	21	(649,620)	(649,496)
General and administration expenses	22	(686,762)	(699,758)
<b>Profit from operations</b>		<b>309,030</b>	<b>959,899</b>
Finance costs	24	(34,569)	(38,977)
<b>Profit before tax</b>		<b>274,461</b>	<b>920,922</b>
Income tax expense	25(a)	(40,434)	(136,833)
<b>Profit for the year</b>		<b>234,027</b>	<b>784,089</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>234,027</b>	<b>784,089</b>
<b>Earnings per share</b>	27	<b>0.234</b>	<b>0.784</b>

The accompanying notes on pages 27 to 52 form an integral part of these financial statements.  
The report of the Auditor is set forth on page 18



## Statement of changes in equity

for the year ended 30 June 2022

	Share capital RO	Legal reserve RO	Retained earnings RO	Total RO
At 1 July 2020	1,000,000	333,333	5,523,147	6,856,480
Dividends paid	-	-	(150,000)	(150,000)
<i>Transaction with the Owners</i>	-	-	(150,000)	(150,000)
Profit for the year	-	-	784,089	784,089
<i>Total comprehensive income for the year</i>	-	-	784,089	784,089
At 30 June 2021	1,000,000	333,333	6,157,236	7,490,569

	Share capital RO	Legal reserve RO	Retained earnings RO	Total RO
At 1 July 2021	1,000,000	333,333	6,157,236	7,490,569
Dividends paid	-	-	(150,000)	(150,000)
<i>Transaction with the Owners</i>	-	-	(150,000)	(150,000)
Profit for the year	-	-	234,027	234,027
<i>Total comprehensive income for the year</i>	-	-	234,027	234,027
At 30 June 2022	1,000,000	333,333	6,241,263	7,574,596

The accompanying notes on pages 27 to 52 form an integral part of these financial statements.  
The report of the Auditor is set forth on page 18



## Statement of cash flows

for the year ended 30 June 2022

	Notes	Year ended 30 June 2022 RO	Year ended 30 June 2021 RO
<b>Cash flows from operating activities:</b>			
Profit for the year before tax		274,461	920,922
<b>Adjustments for:</b>			
Depreciation on property, plant and equipment	5	328,804	318,440
Amortisation	6	22,152	20,935
Depreciation on right-of-use assets	7	22,586	23,930
Provision for staff terminal benefits	15	56,276	80,830
Gain on disposal of property, plant and equipment	20	(5,200)	(9,000)
Profit on wakala deposits	20	(68,346)	(138,121)
Finance costs	24	13,753	16,675
Finance charges on lease liabilities	24	20,816	22,302
Provision for slow moving and obsolete inventories	8	12,000	24,000
Provision for expected credit losses		24,000	40,524
<b>Operating profit before working capital changes</b>		<b>701,302</b>	<b>1,321,437</b>
<b>Changes in working capital:</b>			
Inventories		(663,472)	(429,356)
Trade and other receivables		(1,338,035)	476,462
Trade and other payables		802,339	(27,363)
<b>Net cash (used in)/generated from operations</b>		<b>(497,866)</b>	<b>1,341,180</b>
Tax paid		(148,573)	(180,001)
Finance costs paid		(13,753)	(16,675)
Payment of staff terminal benefits	15	(141,324)	(28,380)
<b>Net cash (used in)/generated from operating activities</b>		<b>(801,516)</b>	<b>1,116,124</b>
<b>Cash flows from investing activities:</b>			
Additions to property, plant and equipment	5	(1,229,877)	(2,937,018)
Additions to intangible assets	6	(1,972)	(6,632)
Proceeds from disposal of property, plant and equipment		5,200	9,000
Proceeds from wakala deposits		1,985,000	1,062,688
Profit received on wakala deposits		114,446	151,010
<b>Net cash generated from/(used in) investing activities</b>		<b>872,797</b>	<b>(1,720,952)</b>
<b>Cash flows from financing activities:</b>			
Dividends paid	30	(150,000)	(150,000)
Payments of lease liabilities		(28,560)	(33,317)
<b>Net cash used in financing activities</b>		<b>(178,560)</b>	<b>(183,317)</b>
<b>Net decrease in cash and bank balances</b>		<b>(107,279)</b>	<b>(788,145)</b>
Cash and cash equivalents at the beginning of the year		250,698	1,038,843
<b>Cash and cash equivalents at the end of the year</b>	12	<b>143,419</b>	<b>250,698</b>

The accompanying notes on pages 27 to 52 form an integral part of these financial statements.

The report of the Auditor is set forth on page 18



# Notes

*(forming part of the financial statements)*

## **1 Nature of operations**

National Biscuit Industries Ltd. SAOG (the "Company") is primarily engaged in the manufacturing and selling of biscuits, wafers and snacks.

## **2 General information and statement of compliance with IFRSs**

The Company is a public joint stock company, listed on Muscat Stock Exchange, registered under commercial registration number 1148664 obtained on 12 December 1982 in the Sultanate of Oman in accordance with the Commercial Companies Law of the Sultanate of Oman.

The registered office of the Company is at P.O. Box 29, Rusayl Industrial Estate, Al Seeb, Muscat, Sultanate of Oman. The Company is a subsidiary of Amfis Holding Limited (the "Parent Company"), which owns 55.24% of the Company's share capital.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

## **3 New or revised Standards or Interpretations**

### **3.1 New and revised Standards that are effective for annual periods beginning on or after 1 July 2021**

Some accounting pronouncements which have become effective from 1 July 2021 and have therefore been adopted do not have a significant impact on the Company's financial results or position.

### **3.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company**

At the date of authorisation of these financial statements, several new, but not yet effective Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

## **4 Summary of accounting policies**

### **4.1 Overall considerations**

The financial statements have been prepared using the measurement bases specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The significant accounting policies set out below have been applied consistently by the Company to all years presented in these financial statements.



## Notes

*(forming part of the financial statements)*

### 4 Summary of accounting policies (continued)

#### 4.2 Presentation of financial statements

The financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements*.

#### 4.3 Foreign currency translation

##### Functional and presentation currency

The financial statements are presented in Rial Omani (RO) which is also the functional currency of the Company.

##### Foreign currency transaction and balances

Foreign currency transactions are translated into the presentation currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items in the statement of financial position at year-end exchange rates are recognised in the statement of profit or loss and other comprehensive income within the 'other income' or 'other expenses'.

In the Company's financial statements, all items and transactions of the Company with a transaction currency other than Rial Omani (the Company's presentation currency) were translated into the presentation currency. Assets and liabilities have been translated into Rial Omani at the closing rate at the reporting date. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

#### 4.4 Revenue recognition

The Company is engaged in selling biscuits, wafers and snacks to local and overseas customers. To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the Company satisfies a performance obligation at a point in time or over time.

##### *Local sales*

The Company recognises revenue from local customers at a point in time when control of the goods has been transferred to the customer. This is generally when the goods are delivered to customers.



# Notes

*(forming part of the financial statements)*

## 4 Summary of accounting policies (continued)

### 4.4 Revenue recognition (continued)

#### *Export sales*

For export sales, revenue is recognised when the control passes to the customer, i.e. when goods are delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with the customer.

### 4.5 Operating expenses

Operating expenses are recognised in the statement of profit or loss and other comprehensive income upon utilisation of the service or as incurred.

### 4.6 Borrowings 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 or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognised as expenses in the period in which they are incurred.

### 4.7 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost, including any costs directly attributable to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company. Property, plant and equipment are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses except for land and buildings which are measured at revaluation model.

Depreciation is calculated straight-line to write down the cost and valuation less estimated residual value of property, plant and equipment. The periods generally applicable are:

Land	Indefinite
Buildings	10 to 20 years
Plant and machinery	10 to 20 years
Furniture, fixtures and office equipment	4 years
Motor vehicles	4 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associate with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is recognised. All other repair and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Material assets residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'other income' in the statement of profit or loss and other comprehensive income.



## Notes

*(forming part of the financial statements)*

### 4 Summary of accounting policies (continued)

#### 4.7 Property, plant and equipment (continued)

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

#### Capital work in progress

Capital work in progress is recorded at cost and represents costs based on contractual payments for the design, development, procurement, construction and commissioning of the property, plant and equipment and overhead expenses and those incurred during the development stage directly attributable to the construction of the property, plant and equipment. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Company's policies when construction of the asset is completed and commissioned.

#### 4.8 Leases

##### The Company as a lessee

The Company makes the use of leasing arrangements principally for the provision of the lands. The rental contracts for lands are typically negotiated for terms of 25 years. The Company does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions such as purchase options and escalation clauses.

For any new contracts entered into, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use the Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

##### Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises right-of-use assets and lease liabilities on the statement of financial position. The right-of-use assets are measured at cost, which is made up of the initial measurement of the lease liabilities, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The Company also assesses the right-of-use assets for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.



## Notes

*(forming part of the financial statements)*

### 4 Summary of accounting policies (continued)

#### 4.8 Leases (continued)

##### Measurement and recognition of leases as a lessee (continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use assets, or profit or loss if the right-of-use assets are already reduced to zero.

On the statement of financial position, the right-of-use assets and lease liabilities are presented as a separate line item.

#### 4.9 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is computed on the weighted average basis, batch wise, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Cost of work in progress and finished goods comprises direct material and direct labour and overhead costs based on normal capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provision is made where necessary for obsolete, slow moving and defective items. Scrap is valued at estimated realisable value.

#### 4.10 Income tax

Income tax comprises of current tax and deferred tax. Income tax is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases.

In addition, tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income.

#### 4.11 Cash and bank balances

Cash and bank balances comprise of cash in hand and at bank which are subject to an insignificant risk of changes in value.



## Notes

*(forming part of the financial statements)*

### **4 Summary of accounting policies (continued)**

#### **4.12 Equity and reserves**

Share capital is determined using the nominal value of shares that have been issued.

Retained earnings include all current and prior year retained results as disclosed in the statement of changes in equity.

#### **4.13 Impairment testing**

Property, plant and equipment are subject to impairment testing. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. The management of the Company has reviewed the assets of the Company and is of the opinion that no impairment has occurred to any of the Company's property, plant and equipment.

Individual assets or cash-generating units with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

#### **4.14 Dividend distribution**

The Board of Directors recommend to the shareholders the dividend to be paid out of Company's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law of the Sultanate of Oman, 2019, as amended, while recommending the dividend. Dividend distribution to the shareholders is recognised as a liability in the financial statements only in the period in which the dividends are approved by the Shareholders.

#### **4.15 Directors' remuneration**

The Company follows the Commercial Companies Law of the Sultanate of Oman, 2019, as amended, and other latest relevant directives issued by Capital Market Authority (CMA), in regard to determination of the amount to be paid as Directors' remuneration.

#### **4.16 Intangible assets**

Intangible assets include costs towards acquisition or development of computer software and trademarks.

##### ***Acquired intangible assets***

Acquired intangibles that qualify for separate recognition are recognised as intangible assets at their acquisition cost.

##### ***Internally developed intangible assets***

Expenditure on the research phase of projects to develop new customised software systems is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Company intends to and has sufficient resources to complete the project;
- the Company has the ability to use or sell the software; and
- the software will generate probable future economic benefits.



# Notes

*(forming part of the financial statements)*

## **4 Summary of accounting policies (continued)**

### **4.16 Intangible assets (continued)**

#### *Internally developed intangible assets (continued)*

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

All finite-lived intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful life of 10 years. Residual values and useful lives are reviewed at each reporting date.

Subsequent expenditures on the maintenance of computer software are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

### **4.17 Post-employment benefits and short-term employee benefits**

The provision for employees' terminal benefits is based upon the liability accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law, 2003 and the Social Security Law, 1991.

#### *Government of Oman Social Insurance Scheme (the Scheme)*

The Company contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The Company and Omani employees are required to make monthly contributions to the Scheme at applicable rates on gross salaries.

#### *Non-Omani employee terminal benefits*

The provision for end of service benefits for non-Omani employees is made in accordance with the requirements of the Oman Labour Law of 2003. Employees are entitled to end of service benefits calculated at the rate of 15 days basic salary for each of the first three years of continuous service and at a rate of 30 days' basic salary for each year of continuous service following the first three years. This is an unfunded defined benefits retirement plan. Accrued non-Omani staff terminal benefits are payable on termination of employment.

### **4.18 Financial instruments**

#### **Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.



## Notes

*(forming part of the financial statements)*

### 4 Summary of accounting policies (continued)

#### 4.18 Financial instruments (continued)

##### **Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVOCI and FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within general and administration expenses.

##### **Subsequent measurement of financial assets**

##### **Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and bank balances, wakala deposits and trade and other receivables fall into this category of financial instruments.

##### **Classification and subsequent measurement of financial liabilities**

The Company's financial liability comprises of trade and other payables which are measured at amortised cost.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of profit or loss under its line items 'finance costs' or 'finance income'.



## Notes

*(forming part of the financial statements)*

### 4 Summary of accounting policies (continued)

#### 4.18 Financial instruments (continued)

##### **Classification and subsequent measurement of financial liabilities (continued)**

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designed at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designed and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of profit or loss under its line items 'finance costs' or 'finance income'.

##### **4.19 Impairment of financial assets**

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the impairment requirements of IFRS 9 included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses requires the Company to consider a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

##### **Trade receivables**

The Company makes use of a simplified approach in accounting for expected credit loss on accounts receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

##### **Cash at bank and wakala deposits**

Impairment on cash at bank and wakala deposits has been measured on a 12-month expected credit loss basis. The Company considers the cash at bank and wakala deposit have low to fair credit risk based on external credit rating of the counterparty.



## Notes

*(forming part of the financial statements)*

### **4 Summary of accounting policies (continued)**

#### **4.20 Provisions, contingent liabilities and contingent assets**

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Company and they can be estimated reliably. Timing or amount of the outflow may still be uncertain.

A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Long term provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

#### **4.21 Significant judgements, estimates and assumptions**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

#### **Useful lives of depreciable assets and intangible assets**

Management reviews the useful lives of depreciable assets and intangible assets at each reporting date. At 30 June 2022, management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are mentioned in Notes 5, 6 and 7.

#### **Inventories**

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by market-driven changes that may reduce future selling prices.

#### **Measurement of the expected credit loss allowance**

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the accounting policy above.



# Notes

*(forming part of the financial statements)*

## **4 Summary of accounting policies (continued)**

### **4.21 Significant judgements, estimates and assumptions (continued)**

#### **Income tax**

Uncertainties exist with respect to interpretation of the tax regulations and the amount of timing of future taxable income. Given the wide range of business relationship and nature of existing contractual agreements, differences arising between the actual result and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimate, for possible consequences of the finalisation of the tax assessment of the Company. The amount of such provision is based on various factors, such as experience of previous assessment and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

#### **Significant judgement in determining the lease term of contracts with renewal and termination options – Company as lessee**

The Company 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 Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or to terminate (e.g., a change in business strategy, construction of significant leasehold improvements or significant customization to the leased asset).

#### **Leases – Estimating the incremental borrowing rate**

The Company cannot readily determine the interest rate implicit in the lease, therefore it uses the market rate to measure lease liabilities. The market rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the fund necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The market rate therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.



## Notes

(forming part of the financial statements)

### 5 Property, plant and equipment

	Land RO	Buildings RO	Plant and machinery RO	Furniture, fixtures and office equipment RO	Motor vehicles RO	Capital work in progress RO	Total RO
<b>Cost:</b>							
At 1 July 2021	53,028	2,355,340	7,227,789	309,206	321,828	2,350,561	12,617,752
Additions	-	54,788	153,719	15,908	-	1,005,462	1,229,877
Disposals	-	(5,540)	(26,208)	-	(27,849)	-	(59,597)
Transfer	-	26,590	5,960	9,807	-	(42,357)	-
<b>At 30 June 2022</b>	<b>53,028</b>	<b>2,431,178</b>	<b>7,361,260</b>	<b>334,921</b>	<b>293,979</b>	<b>3,313,666</b>	<b>13,788,032</b>
<b>Depreciation:</b>							
At 1 July 2021	-	1,799,103	5,322,149	258,906	269,725	-	7,649,883
For the year	-	72,985	207,113	25,121	23,585	-	328,804
Disposals	-	(5,540)	(26,208)	-	(27,849)	-	(59,597)
<b>At 30 June 2022</b>	<b>-</b>	<b>1,866,548</b>	<b>5,503,054</b>	<b>284,027</b>	<b>265,461</b>	<b>-</b>	<b>7,919,090</b>
<b>Net book value:</b>							
<b>At 30 June 2022</b>	<b>53,028</b>	<b>564,630</b>	<b>1,858,206</b>	<b>50,894</b>	<b>28,518</b>	<b>3,313,666</b>	<b>5,868,942</b>

For the comparative year the carrying amounts can be presented as follows:

	Land RO	Buildings RO	Plant and machinery RO	Furniture, fixtures and office equipment RO	Motor vehicles RO	Capital work in progress RO	Total RO
<b>Cost:</b>							
At 1 July 2020	53,028	2,161,017	6,822,754	361,789	315,153	132,064	9,845,805
Additions	-	193,560	318,146	24,347	32,250	2,368,715	2,937,018
Disposals	-	(77)	(54,099)	(85,320)	(25,575)	-	(165,071)
Transfer	-	840	140,988	8,390	-	(150,218)	-
<b>At 30 June 2021</b>	<b>53,028</b>	<b>2,355,340</b>	<b>7,227,789</b>	<b>309,206</b>	<b>321,828</b>	<b>2,350,561</b>	<b>12,617,752</b>
<b>Depreciation:</b>							
At 1 July 2020	-	1,732,372	5,182,772	319,699	261,671	-	7,496,514
For the year	-	66,808	193,476	24,527	33,629	-	318,440
Disposals	-	(77)	(54,099)	(85,320)	(25,575)	-	(165,071)
<b>At 30 June 2021</b>	<b>-</b>	<b>1,799,103</b>	<b>5,322,149</b>	<b>258,906</b>	<b>269,725</b>	<b>-</b>	<b>7,649,883</b>
<b>Net book value:</b>							
<b>At 30 June 2021</b>	<b>53,028</b>	<b>556,237</b>	<b>1,905,640</b>	<b>50,300</b>	<b>52,103</b>	<b>2,350,561</b>	<b>4,967,869</b>

Buildings are constructed on plots of land leased from the Public Establishment for Industrial Estates under four lease agreements (Note 7).

Capital work in progress pertains to costs incurred towards plant and machinery pending installation and construction of new warehouse.

The depreciation charge for the year is allocated as follows:

	30 June 2022 RO	30 June 2021 RO
Cost of sales (Note 19)	278,770	259,336
General and administration expenses (Note 22)	50,034	59,104
	<b>328,804</b>	<b>318,440</b>



## Notes

(forming part of the financial statements)

### 6 Intangible assets

	30 June 2022 RO	30 June 2021 RO
<b>Cost:</b>		
At 1 July	227,033	220,401
Additions during the year	1,972	6,632
At 30 June	229,005	227,033
<b>Amortisation:</b>		
At 1 July	78,282	57,347
Amortisation for the year (Note 22)	22,152	20,935
At 30 June	100,434	78,282
<b>Net book value:</b>		
At 30 June	128,571	148,751

These include trademarks having a net book value of RO 38,666 (2021: RO 42,245) and software having a net book value of RO 89,905 (2021: RO 106,506).

### 7 Right-of-use assets

	30 June 2022 RO	30 June 2021 RO
At 1 July	324,539	348,469
Leases modification	(17,751)	-
	306,788	348,469
Depreciation for the year (Note 19)	(22,586)	(23,930)
At 30 June	284,202	324,539

The Company has acquired four plots of land on lease, which are for a period of around 25 years and expire in the years 2029, 2033, 2036 and 2037 respectively.

### 8 Inventories

	30 June 2022 RO	30 June 2021 RO
Raw materials	940,503	1,102,038
Packaging materials	982,589	658,439
Finished goods	795,652	343,070
Engineering stocks	113,219	64,944
	2,831,963	2,168,491
Less: Provision for slow moving and obsolete inventories	(149,258)	(137,258)
	2,682,705	2,031,233

The movement in provision for slow moving and obsolete inventories during the year is as follows:

	30 June 2022 RO	30 June 2021 RO
At 1 July	137,258	142,171
Provided during the year (Note 19)	12,000	24,000
Written off during the year	-	(28,913)
At 30 June	149,258	137,258



## Notes

(forming part of the financial statements)

### 9 Trade and other receivables

	30 June 2022 RO	30 June 2021 RO
<b>Financial assets:</b>		
Trade receivables	2,893,902	2,023,520
Provision for expected credit losses (Note 28.2)	(148,615)	(115,206)
	<b>2,745,287</b>	<b>1,908,314</b>
Amounts due from related parties (Note 11.2)	247,205	115,776
<b>Non-financial assets:</b>		
Advance to suppliers	195,372	71,490
Prepayments	164,033	137,667
Other receivables	251,190	114,959
	<b>3,603,087</b>	<b>2,348,206</b>

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Note 28.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. Both the current and comparative impairment provisions apply the IFRS 9 expected loss model.

### 10 Wakala deposits

Deposits are placed with a local commercial bank and carry profit at the rate of 2.25% to 4.50% per annum (2021: 3.60% to 4.65% per annum). The deposits have an original maturity period of 4 year from the date of placement (2021: maturity period of 1 year).

Wakala deposits are presented in statement of financial position as follows:

	30 June 2022 RO	30 June 2021 RO
Wakala deposits	760,000	2,745,000
Provision for expected credit losses (Note 28.2)	(4,740)	(17,121)
	<b>755,260</b>	<b>2,727,879</b>

Note 28.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. Both the current and comparative impairment provisions apply the IFRS 9 expected loss model.

### 11 Related parties transactions and balances

A party is considered to be related to the Company if the party has the ability, directly or indirectly, to exercise significant influence in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or significant influence.

The Company's related parties include its Parent Company, other major shareholders, key management personnel and other business entities held under common control as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Pricing policies and terms of these transactions are approved by the Company's management.

#### 11.1 Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	Year ended 30 June 2022 RO	Year ended 30 June 2021 RO
Short term benefits	261,969	288,681
Directors' sitting fees (Note 22)	20,700	15,800
End of service benefits	10,019	11,093
Social security costs	4,707	4,450
	<b>297,395</b>	<b>320,024</b>



## Notes

(forming part of the financial statements)

### 11 Related parties transactions and balances (continued)

#### 11.2 Transactions with other business entities held under common control

The Company in the normal course of business carries on transactions with other business enterprises that fall within the definition of a related party.

	Year ended 30 June 2022 RO	Year ended 30 June 2021 RO
Sales	948,344	1,120,864
Purchases	672,898	727,927
Reimbursement of trade and marketing expense	354,448	415,840
Reimbursement of other expenses	-	13,017
Commission income	8,777	12,741

	30 June 2022 RO	30 June 2021 RO
<b>Amounts due from related parties:</b>		
Pure Foods Company Limited, KSA	166,687	51,013
IFFCO Distribution Services, U.A.E.	80,358	64,314
Oasis Water Company LLC, Oman	160	84
Sweets of Oman SAOG, Oman	-	365
	<b>247,205</b>	<b>115,776</b>

	30 June 2022 RO	30 June 2021 RO
<b>Amounts due to related parties:</b>		
Unipex Dairy Products Company Limited, U.A.E.	69,553	74,336
Unipex Dairy Products Company Limited (Food Stuff Branch) , U.A.E.	64,687	298,099
Seville Products Limited LLC Branch, U.A.E.	55,260	111,850
Emirates Refining Company Limited, U.A.E.	42,580	41,003
Intergulf Limited, U.A.E.	24,254	33,278
Emirates Industrial & Trading Company Limited, U.A.E.	5,349	3,702
IFFCO Kuwait WLL, Kuwait	2,044	9,863
IFFCO DMCC, U.A.E.	2,035	-
Unipex Dairy Products Company Limited (Dry Grain Branch), U.A.E.	1,364	3,769
International Foodstuffs company LLC, U.A.E.	236	1,402
International Packaging Company LLC, U.A.E.	-	7,281
Shama Food Industries LLC, U.A.E.	-	1,636
IFFCO Distribution LLC, Oman	-	78
	<b>267,362</b>	<b>586,297</b>

The amounts due from and due to related parties have arisen in the normal course of business, bear no interest, are unsecured and are repayable in accordance with the terms of the transactions within twelve months from the financial reporting date.



## Notes

(forming part of the financial statements)

### 12 Cash and bank balances

	30 June 2022	30 June 2021
	RO	RO
Cash at bank	142,695	249,568
Cash in hand	724	1,130
	<b>143,419</b>	<b>250,698</b>
Less: Provision for expected credit losses (Note 28.2)	(890)	(1,563)
	<b>142,529</b>	<b>249,135</b>

There is no restriction on cash at bank at the time of approval of the financial statements.

Note 28.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. Both the current and comparative impairment provisions apply the IFRS 9 expected loss model.

### 13 Share capital

	30 June 2022	30 June 2021
	RO	RO
Authorised, issued and fully paid up 1,000,000 shares of RO 1 each	<b>1,000,000</b>	1,000,000

Shareholders of the Company who own 10% or more of the Company's shares, and the number of shares they held are as follows:

	30 June 2022		30 June 2021	
	Number of shares held	% Holding	Number of shares held	% Holding
Amfis Holding Limited	552,366	55.24%	552,366	55.24%
Al Anwar Investments SAOG	289,197	28.92%	289,197	28.92%

### 14 Legal reserve

In accordance with the Commercial Companies Law of the Sultanate of Oman, 2019, as amended, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one-third of the value of the Company's paid-up share capital. This reserve is not available for distribution to the Shareholders. During the year, no amount has been transferred to the reserve as the reserve has already reached its maximum limit (2021: Nil).

### 15 Staff terminal benefits

	30 June 2022	30 June 2021
	RO	RO
Opening balance	502,819	450,369
Provided during the year	56,276	80,830
Paid during the year	(141,324)	(28,380)
Closing balance	<b>417,771</b>	<b>502,819</b>

### 16 Leases

The Company acquired lands from the Public Establishment for Industrial Estates under four lease agreements for the period of 25 years on finance lease.

Lease liabilities are presented in the statement of financial position as follows:

	30 June 2022	30 June 2021
	RO	RO
Non-current portion of lease liabilities	314,636	334,002
Current portion of lease liabilities	10,670	16,799
	<b>325,306</b>	<b>350,801</b>

## Notes

(forming part of the financial statements)

### 16 Leases (continued)

The Company has leases of lands. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Company is prohibited from selling or pledging the underlying leased assets as security.

The table below describes the nature of the Company's leasing activities by type of right-of-use assets recognised on statement of financial position:

Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	No. of leases with extension options	No. of leases with options to purchase	No. of leases With variable payments linked to an index	No. of leases with termination options
Land	4	7 to 15 years	0	0	0	0

Future minimum lease payments at 30 June 2022 and 30 June 2021 were as follows:

	Minimum lease payments			Total
	Within 1 year	2-5 years	After 5 years	
<b>30 June 2022</b>				
Lease payments	30,938	190,388	258,280	<b>479,606</b>
Finance costs	(20,268)	(82,787)	(51,245)	<b>(154,300)</b>
Net present values	<b>10,670</b>	<b>107,601</b>	<b>207,035</b>	<b>325,306</b>

	Minimum lease payments			Total
	Within 1 year	2-5 years	After 5 years	
<b>30 June 2021</b>				
Lease payments	38,078	190,389	296,358	<b>524,825</b>
Finance costs	(21,279)	(88,585)	(64,160)	<b>(174,024)</b>
Net present values	<b>16,799</b>	<b>101,804</b>	<b>232,198</b>	<b>350,801</b>

The movement of future finance costs on lease payable during the year is as follows:

	30 June 2022	30 June 2021
	RO	RO
At 1 July	<b>174,024</b>	196,326
Leases modification	<b>1,092</b>	-
Recognised during the year (Note 24)	<b>(20,816)</b>	(22,302)
<b>At 30 June</b>	<b>154,300</b>	174,024

### 17 Trade and other payables

	30 June 2022	30 June 2021
	RO	RO
<b>Financial liabilities:</b>		
Trade payables	<b>2,288,789</b>	1,706,546
Accrued expenses	<b>1,869,292</b>	1,457,247
Amounts due to related parties (Note 11.2)	<b>267,362</b>	586,297
Employee payables	<b>167,698</b>	187,057
<b>Non-financial liabilities:</b>		
Others	<b>452,975</b>	306,630
	<b>5,046,116</b>	4,243,777

All amounts are short-term. The carrying values are of trade and other payables are considered to be a reasonable approximation of fair values.



## Notes

(forming part of the financial statements)

### 18 Sales

The Company disaggregated its revenue with reference to region and timing of revenue recognition as follows:

Region	Timing of revenue recognition	Year ended	Year ended
		30 June 2022	30 June 2021
		RO	RO
Local	Point in time	5,029,958	5,154,814
Exports	Point in time	6,802,052	7,517,767
		<b>11,832,010</b>	<b>12,672,581</b>

### 19 Cost of sales

	Year ended	Year ended
	30 June 2022	30 June 2021
		RO
Opening inventories	2,031,233	1,625,877
Purchases of inventories	7,076,118	7,220,937
Closing inventories	(2,682,705)	(2,031,233)
	<b>6,424,646</b>	<b>6,815,581</b>
<b>Direct costs:</b>		
Salaries and related costs (Note 23)	1,826,730	1,825,424
Other expenses	895,064	732,673
Direct sales expenses	870,504	891,372
Depreciation on property, plant and equipment (Note 5)	278,770	259,336
Depreciation on right-of-use assets (Note 7)	22,586	23,930
Provision for slow moving and obsolete inventories (Note 8)	12,000	24,000
	<b>3,905,654</b>	<b>3,756,735</b>
	<b>10,330,300</b>	<b>10,572,316</b>

### 20 Other income

	Year ended	Year ended
	30 June 2022	30 June 2021
		RO
Profit on wakala deposits	68,346	138,121
Foreign exchange gain	30,505	14,085
Scrap sales	17,820	18,639
Reversal of provision for expected credit losses (Note 28.2)	13,054	11,544
Marketing fee	8,777	12,741
Gain on disposal of property, plant and equipment	5,200	9,000
Lease concessions	-	4,758
	<b>143,702</b>	<b>208,888</b>

### 21 Selling and distribution expenses

	Year ended	Year ended
	30 June 2022	30 June 2021
		RO
Salaries and related costs (Note 23)	513,560	516,797
Advertisement and sales promotion expenses	111,106	107,902
Travelling expenses	1,205	641
Miscellaneous expenses	23,749	24,156
	<b>649,620</b>	<b>649,496</b>



## Notes

(forming part of the financial statements)

### 22 General and administration expenses

	Year ended 30 June 2022 RO	Year ended 30 June 2021 RO
Salaries and related costs (Note 23)	438,950	420,569
Depreciation on property, plant and equipment (Note 5)	50,034	59,104
Repairs and maintenance expenses	45,705	54,727
Allowance for expected credit losses (Notes 28.2)	37,054	52,068
Amortisation expenses (Note 6)	22,152	20,935
Directors' sitting fees (Note 11.1)	20,700	15,800
Communication expenses	16,425	19,165
Professional fees	15,639	23,905
Miscellaneous expenses	40,103	33,485
	<b>686,762</b>	<b>699,758</b>

### 23 Salaries and related costs

Salaries and employee related costs are allocated as follows:

	Year ended 30 June 2022 RO	Year ended 30 June 2021 RO
Cost of sales (Note 19)	1,826,730	1,825,424
Selling and distribution expenses (Note 21)	513,560	516,797
General and administration expenses (Note 22)	438,950	420,569
	<b>2,779,240</b>	<b>2,762,790</b>

### 24 Finance costs

	Year ended 30 June 2022 RO	Year ended 30 June 2021 RO
Finance charges on lease liabilities (Note 16)	20,816	22,302
Bank charges	13,753	16,675
	<b>34,569</b>	<b>38,977</b>

### 25 Income tax

#### a) Recognised in the statement of profit or loss and other comprehensive income and the statement of financial position

The Company is subject to income tax at the rate of 15% (2021: 15%) in accordance with the Income Tax Law of the Sultanate of Oman.

	Year ended 30 June 2022 RO	Year ended 30 June 2021 RO
<b>Statement of profit or loss and other comprehensive income:</b>		
Current year tax expense	46,036	143,981
Deferred tax credit	(5,602)	(7,148)
	<b>40,434</b>	<b>136,833</b>
<b>Statement of financial position:</b>		
Provision for tax	55,598	158,135
Deferred tax liability	45,909	51,511
	<b>101,507</b>	<b>209,646</b>



## Notes

(forming part of the financial statements)

### 25 Income tax (continued)

#### b) Reconciliation of current tax expense

The relationship between the expected tax income based on the tax rates and the reported tax expense in the profit or loss is reconciled as follows:

	Year ended 30 June 2022 RO	Year ended 30 June 2021 RO
Profit before tax	274,461	920,922
Tax rate	15%	15%
Tax on accounting profit	41,169	138,138
<b>Add tax effect of:</b>		
Depreciation and amortization	(1,477)	(6,200)
Expenses deductible (net)	45	45
Profit on disposal	(780)	(1,350)
Effect of lease	2,226	1,938
Provision created during the year	4,853	11,410
<b>Current tax expense</b>	<b>46,036</b>	<b>143,981</b>

#### c) Deferred tax (asset)/liability

Deferred tax arising from temporary differences is summarised as follows:

	1 July 2021 RO	Recognised in profit or loss RO	30 June 2022 RO
<b>Deferred tax (asset)/liability:</b>			
Accelerated tax depreciation and amortisation	105,030	1,477	106,507
Right-of-use assets	48,680	(3,388)	45,292
Lease liabilities	(53,334)	1,162	(52,172)
Provisions	(48,865)	(4,853)	(53,718)
	<b>51,511</b>	<b>(5,602)</b>	<b>45,909</b>

Deferred tax arising from temporary differences for comparative figures is summarised as follows:

	1 July 2020 RO	Recognised in profit or loss RO	30 June 2021 RO
<b>Deferred tax (asset)/liability:</b>			
Accelerated tax depreciation and amortisation	98,830	6,200	105,030
Right-of-use assets	52,270	(3,590)	48,680
Lease liabilities	(54,986)	1,652	(53,334)
Provisions	(37,455)	(11,410)	(48,865)
	<b>58,659</b>	<b>(7,148)</b>	<b>51,511</b>

#### d) Current status of tax assessments

The Company's tax assessments have been finalised till the year 2018 by the Secretariat General for Taxation. At the end of the reporting period, management considers that the amount of additional taxes, if any, that may become payable on finalisation of the unassessed tax years would not be material to the Company's financial position.



## Notes

(forming part of the financial statements)

### 26 Net assets per share

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

	30 June 2022 RO	30 June 2021 RO
Net assets	7,574,596	7,490,569
Number of shares outstanding	1,000,000	1,000,000
<b>Net assets per share (RO/share)</b>	<b>7.575</b>	<b>7.491</b>

### 27 Earnings per share

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:

	30 June 2022 RO	30 June 2021 RO
Profit for the year	234,027	784,089
Weighted average number of shares outstanding	1,000,000	1,000,000
<b>Earnings per share (RO/share)</b>	<b>0.234</b>	<b>0.784</b>

### 28 Financial instrument risks

#### Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below.

#### 28.1 Market risk analysis

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating activities.

#### Foreign currency sensitivity

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, trade receivables and payables are denominated and the respective functional currency of the Company. The functional currency of the Company is Rial Omani. The currencies in which these transactions are primarily denominated are Saudi Riyal, UAE Dirhams, US Dollars, Kuwaiti Dinar and Euro.

As Rial Omani and most of the other GCC currencies are pegged against the US Dollar, the management does not believe that the Company is exposed to any material currency risk.

The summary quantitative data about the Company's exposure to currency risk is as follows:

	Trade receivables RO	Trade payables RO
<b>Currency</b>		
US Dollar	1,048,547	158,033
UAE Dirhams	322,818	795,120
Saudi Riyal	174,532	-
Kuwaiti Dinar	7,736	-
Euros	-	57,909
Swiss Franc	-	60,013
	<b>1,553,633</b>	<b>1,071,075</b>



## Notes

(forming part of the financial statements)

### 28 Financial instrument risk (continued)

#### Risk management objectives and policies (continued)

##### 28.1 Market risk analysis (continued)

The figures for the comparative period are as follows:

	Trade receivables RO	Trade payables RO
<i>Currency</i>		
Saudi Riyal	54,022	17,907
UAE Dirhams	171,737	741,631
US Dollar	770,039	52,385
Kuwaiti Dinar	10,330	-
	<b>1,006,128</b>	<b>811,923</b>

##### Interest rate sensitivity

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Company does not have any financial asset or financial liability subject to variable interest rate, it is not exposed to any interest rate risk.

##### 28.2 Credit risk analysis

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables, amounts due from related parties, wakala deposits and cash at bank.

Credit risk is managed through Company's risk management policies and procedures. For banks, only independently rated parties with a rating from reputed credit agency are accepted.

##### Impairment of financial assets

The Company has following types of financial assets that are subject to the expected credit losses model:

- Cash at bank;
- Wakala deposits;
- Trade receivables; and
- Amounts due from related parties.

##### *Expected credit loss on cash at bank and wakala deposits*

The credit risk in respect of cash at bank and wakala deposits held with banks are managed via diversification of balances held with major reputable financial institutions.

The cash at bank and wakala deposits are considered to be a low risk item. The determination of the risk is based on the credit rating of the bank from the reputable credit rating agencies. The following is the amount of provision based on rating provided by Fitch.

	30 June 2022 RO	30 June 2021 RO
Fair risk BB - wakala deposits (Note 10)	<b>4,740</b>	17,121
Fair risk BB - cash at bank (Note 12)	<b>890</b>	1,563
	<b>5,630</b>	<b>18,684</b>

The movement in provision for expected credit losses is as follows:

	30 June 2022 RO	30 June 2021 RO
At 1 July	<b>18,684</b>	30,228
Reversal during the year (Note 20)	<b>(13,054)</b>	(11,544)
At 30 June	<b>5,630</b>	<b>18,684</b>



## Notes

(forming part of the financial statements)

### 28 Financial instrument risk (continued)

#### Risk management objectives and policies (continued)

#### 28.2 Credit risk analysis (continued)

##### Impairment of financial asset (continued)

###### Trade receivables

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 36 months before 30 June 2022 and 30 June 2021 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Company has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period and has not been accounted for in the probability of default calculation.

On the above basis the expected credit loss for trade receivables as at 30 June 2022 was determined as follows:

	Expected credit loss rate	Gross carrying amount	Loss Allowance
	%	RO	RO
<b>30 June 2022</b>			
Current	0.9%	1,392,645	12,043
1-30 days past due	3.3%	826,328	27,663
31-60 days past due	4.7%	368,894	17,159
61-90 days past due	15.1%	156,684	23,701
91-180 days past due	38.1%	21,336	8,130
Above 181 days	46.8%	128,015	59,919
		<b>2,893,902</b>	<b>148,615</b>

The comparative figures are as follows:

	Expected credit loss rate	Gross carrying amount	Loss Allowance
	%	RO	RO
<b>30 June 2021</b>			
Current	0.3%	673,259	2,348
1-30 days past due	3.5%	860,874	29,870
31-60 days past due	4.8%	291,527	14,014
61-90 days past due	7.5%	65,189	4,859
91-180 days past due	26.6%	29,147	7,754
Above 181 days	54.4%	103,524	56,361
		<b>2,023,520</b>	<b>115,206</b>

The closing balance of the provision for credit loss as at 30 June 2022 reconciles with the opening balance as follows:

	30 June 2022	30 June 2021
	RO	RO
At 1 July	115,206	77,303
Expected credit losses recognised during the year (Note 22)	37,054	52,068
Amounts written off during the year	(3,645)	(14,165)
<b>At 30 June</b>	<b>148,615</b>	<b>115,206</b>



## Notes

(forming part of the financial statements)

### 28 Financial instrument risk (continued)

#### Risk management objectives and policies (continued)

#### 28.2 Credit risk analysis (continued)

##### Impairment of financial asset (continued)

##### *Amount due from related parties*

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all amounts due from related parties as these items do not have a significant financing component.

Management uses the same basis for recognising the expected credit losses for amounts due from related parties as it uses for trade receivables above.

The expected credit loss for amount due from related parties as at 30 June 2022 and 30 June 2021 were determined to be insignificant.

The Company's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the reporting date, as summarised below:

	30 June 2022 RO	30 June 2021 RO
Trade receivables	2,893,902	2,023,520
Amounts due from related parties	247,205	115,776
Wakala deposits	760,000	2,745,000
Cash at bank	142,695	249,568
	<b>4,043,802</b>	<b>5,133,864</b>

#### 28.3 Liquidity risk analysis

Liquidity risk also referred to as funding risk, it is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's risk to liquidity is a result of funds available to cover future commitments. The Company manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are contractual discounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 6 months RO	6 to 12 months RO	More than 1 year RO	Total RO
Trade payables	2,288,789	-	-	2,288,789
Accrued expenses	1,869,292	-	-	1,869,292
Amounts due to related parties	267,362	-	-	267,362
Employee payables	167,698	-	-	167,698
	<b>4,593,141</b>	<b>-</b>	<b>-</b>	<b>4,593,141</b>



## Notes

(forming part of the financial statements)

### 28 Financial instrument risk (continued)

#### Risk management objectives and policies (continued)

#### 28.3 Liquidity risk analysis (continued)

This compares to the maturity of the Company's financial liabilities in the previous reporting period as follows:

	Less than 6 months RO	6 to 12 months RO	More than 1 year RO	Total RO
Trade payables	1,706,546	-	-	1,706,546
Accrued expenses	1,457,247	-	-	1,457,247
Amounts due to related parties	586,297	-	-	586,297
Employee payables	187,057	-	-	187,057
	3,937,147	-	-	3,937,147

### 29 Contingencies and commitments

#### 29.1 Contingent liabilities

At the end of the reporting period, the Company had contingent liabilities in respect of bank guarantees and performance bonds entered into in the normal course of business from which it is anticipated that no material liabilities will arise.

	30 June 2022 RO	30 June 2021 RO
Bank guarantees	250,000	250,000
Performance bonds	21,675	12,675
	271,675	262,675

#### 29.2 Commitments

Commitments include purchase and capital commitments. The estimated capital expenditure and purchases contracted for at the financial position date not provided for are as follows:

	30 June 2022 RO	30 June 2021 RO
Purchase commitments	2,002,499	1,817,544
Capital commitments	680,334	955,862
	2,682,833	2,773,406

### 30 Dividends paid and proposed

Dividend is accounted only after it has been approved at the Annual General Meeting (AGM). At the Board of Directors meeting held on 5 September 2022, cash dividend of 25% (2020-21: 15%) RO 0.250 per share (2020-21: RO 0.150 per share), amounting to RO 250,000 (2020-21: RO 150,000) has been recommended for shareholders' approval at the AGM. The financial statements for the year ended 30 June 2022 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation from retained earnings in the year ending 30 June 2023.

During the year 2021-22, a cash dividend of RO 0.150 (2020-21: RO 0.150) per share totaling to RO 150,000 (2020-21: RO 150,000) was paid as approved by the shareholders in their AGM on 27 September 2021.



## Notes

*(forming part of the financial statements)*

### **31 Capital management policies and procedures**

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to the Shareholders of the Company by pricing products and services commensurately with the level of risk.

The Company 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, if any.