

Nature of Operations: -

Salalah Mills Company SAOG (the “Parent Company”) is engaged in the milling of wheat flour, bran and feed and distributing premium quality wheat products to the Oman market as well as export to African and other neighboring countries. The Parent Company is also involved in the production and sale of macaroni, pasta and related food products. Furthermore, it is involved in production and sale of propylene bags. The Parent Company’s commercial operation commenced on 1 January 1998.

General information and statement of compliance with IFRSs

Salalah Mills Company SAOG (the “Parent Company”) is an Omani joint stock company registered in the Sultanate of Oman on 25 September 1995 under the Commercial Registration no.2/10366/4 in accordance with the Commercial Companies Law of the Sultanate of Oman. The address of the Parent Company is PO Box No. 67, Al Awqadain, PC 217, Salalah, Sultanate of Oman.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs)

Summary of accounting policies**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 Parent Company and the group to all periods presented in these statement.

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

Foreign currency translation

Functional and presentation currency

The financial statements of the Company is presented in the Rial Omani (RO).

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Group, 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 at year-end exchange rates are recognized in the separate and consolidated statement of profit or loss and other comprehensive income under ‘other income’ or ‘other expense’. 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.

In the separate and consolidated financial statements, all items and transactions of the Group with a presented currency other than the Rial Omani (the Group presentation currency) were translated into the presentation currency. Assets and liabilities have been translated into the Rial Omani at the closing rate at the reporting date. Income and expenses have been translated into the Group’s presentation currency at the average rates over the reporting period.

Revenue

The Group uses the five-step model of revenue recognition. In particular, the Group has the following policies with respect to identification of performance obligations, allocation of the transaction price and recognition of revenue allocated to each performance obligation.

Step 1 Identify the contract(s) 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.

Step 2 Identify the performance obligations in the contract: A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognize revenue when (or as) the entity satisfies a performance obligation: The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

The customer simultaneously receives and consumes the benefits provided by the Group's performance as and when the Group performs; or

The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognized at the point in time at which the performance obligation is satisfied.

The Group manufactures and sells a range of wheat flour and related products in the wholesale market.

Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler who has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products.

Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Chief Executive Officer (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of property, plant and equipment is their purchase price together with any incidental expenses necessary to bring the asset to its intended condition

and location. When part of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The cost of property, plant and equipment is written down to its residual value in equal instalments over the estimated useful lives of the assets. The periods generally applicable are:

Buildings 10-40 years

Plant and machinery 15-25 years

Motor vehicles 4 years
Office equipment and furniture 5 years
Land is not depreciated since it has an infinite useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is recognized. All other repair and maintenance are charged to the separate and consolidated 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 separate and consolidated statement of profit or loss and other comprehensive income. The Parent Company's capital work in progress mainly represents the on-going construction of the feed mill plant.

Government subsidies

Government subsidies related to income are recognized in the separate and consolidated statement of comprehensive income as 'other income'. The presentation approach applies consistently to all similar grants. Any unused amount of Government subsidy is deferred and netted off against subsidy receivable.

Interest income and expense

Interest income and expense are accounted on the accrual basis using effective interest rate method.

Financial instruments

Recognition and de-recognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are de-recognized 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 de-recognized when it is extinguished, discharged, cancelled or expires.

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:

Amortized cost, or Fair value through profit or loss (FVTPL); or Fair value through other comprehensive income (FVOCI).

In the periods presented, the Group does not have any financial assets categorized as FVOCI.

The classification is determined by both:

The entity's business model for managing the financial asset, and

The contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets**Financial assets at amortized 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.

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

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at FVTPL. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

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 ECL requirements 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 Group 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') and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets 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 Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group 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 fixed deposits

Impairment on cash at bank and fixed deposits has been measured on a 12 months expected credit loss basis and reflects short term maturities of the exposures. The Group considers the cash at bank and fixed deposits have low to fair credit risk based on external credit rating of the counterparty.

Inventories

Inventories that comprise of finished goods, raw materials, work in progress and packing materials are stated at lower of cost or net realisable value. Cost of raw materials is determined on weighted average cost basis. Cost includes the expenditure incurred in acquiring the inventories and bringing them to the existing location and condition less of discounts and rebates. Cost of finished goods comprises of cost of material, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses. Where necessary, provision is made for obsolete, slow moving and defective inventories.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and call deposit which is subject to insignificant risk of changes in value.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts 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, for example, legal disputes or onerous contracts. 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 plans 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. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group 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. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

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 Parent Company and subsidiary 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 Group 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 Group and Omani employees are required to make monthly contributions to the Scheme at 11.5% and 7% respectively up till December 2020 and 12.5% and 8% respectively from January 2021, of 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 Labor Law of 2003. The gratuity for the period under the new law (effective from July 31, 2023) is calculated at one basic salary per year.

This is an unfunded defined benefits retirement plan. Accrued non-Omani staff terminal benefits are payable on termination of employment.

Income tax

Income tax expense recognized in the separate and consolidated statement of profit or loss comprises the sum of deferred tax and current tax not recognised in-separate and consolidated other comprehensive income or directly in equity.

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

Equity

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period results as disclosed in the separate and consolidated statement of changes in equity.

Directors' remuneration

The Group follows the Commercial Companies Law of the Sultanate of Oman, 2019, as amended and other latest relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the separate and consolidated statement of income in the year to which they relate.

Leases

For any new contracts entered into the Group 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 Group 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 Group; the Group 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 Group has the right to direct the use of the identified asset throughout the period of use the Group 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 Group recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, 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 Group 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 asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts 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, for example, legal disputes or onerous contracts. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plans main features to those affected by it. Provisions are not recognized for future operating losses.

Right-of-use assets and lease liabilities

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

As per IFRS 16, interest rate implicit in the lease should be used to discount present value of lease payments. In absence of implicit rate, the Parent Company's incremental borrowing rate is used.

Share Capital

- (a) The authorized share capital of the Parent Company, as registered with the Ministry of Commerce, Industry and Investment Promotion, is RO 30,000,000 (30 June 2024: RO 10,000,000), comprising of 30,000,000 shares of RO 1 per share (30 June 2024: RO 0.100 per share). The issued and fully paid-up share capital comprises (i) 49,963,060 shares of 100 Baisa each (30 June 2024: 49,963,060 shares of 100 Baisa each); and (ii) 12,500,000 shares of RO 1 each (30 June 2024: RO Nil), aggregating to 62,463,064 shares for RO 17,496,306.

	<u>Authorized</u>		<u>Issued and fully paid-up</u>	
	30 June 2025	30 June 2024	30 June 2025	30 June 2024
Share capital	30,000,000	10,000,000	17,496,306	4,996,306

Share premium

This represents premium collected during the rights issue and issue of additional shares to facilitate the merger with Salalah Macaroni Company SAOC this is not distributable.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group operates in international markets and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. As the US Dollar is pegged to the Rial Omani, management does not believe that the Group is exposed to any material foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain almost all of its borrowings in fixed rate instruments.

Earnings per share – basic and diluted

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary Shareholders of the Group by the weighted average number of ordinary shares outstanding.