



Report of Board of Directors
Chairman's Address

On behalf of the Board of Directors and myself, I welcome you to the Thirteenth Annual General Meeting of your Company to present the Directors' Report and the audited accounts of Oman Foods International SAOG for the year 2008.

It gives me great pleasure to inform you that, as a result of the priorities set by your Board of Directors last year, the year 2008 had been very buoyant for the Company in terms of business turnover and profitability, and I am happy to report a remarkable net profit of RO.907,699/- for the financial year ended 31st December 2008, up by 286% as compared to previous year.

Highlights:

- The fundamental and long term objective of your Board has been to bring back the Company on fast track and to protect shareholder value. In order to fulfill this; we placed great emphasis on the function of the Board and its Committees. The Directors closely monitored the way the Company managed its approach to business opportunities both operational and financial which gave a clear picture of the business and the ability to assess changes and developments.
- Various factors which prevailed in the International Markets coupled with export restrictions saw a hike in prices of agriculture produce during the second quarter, however, with the continued supportive co-operation from the Public Authority for Stores & Food Reserve (PASFR) on stock and credit support, the Company could manage to maintain, like in the previous year, its operations profitably in the subsequent quarters which paved the way for the Company to cross yet another milestone most successfully.
- Your Company continued to focus on streamlining its operations and on developments of branches in the interior areas. Here again, the Company had the opportunity of signing an agreement with PASFR for distribution of essential commodities stocked by PASFR at their Rusayl, Nizwa and Sohar Warehouses to the branch outlets opened by PASFR at the interior locations, like Quriyat, Ibra, Ibri, Bu Hassan, Sur, Sinaw, Musnah and Khassab, which are wholly manned and operated by your Company personnel. This agreement enabled us to get the Government brands at fixed prices and at equitable distribution. This also had the leverage to introduce our own brands at these interior places for the benefit of the people living at these locations. And today, the branch network covers eight outlets, with Haima and Bureimi being two other branch locations in the pipeline.

Operational Results:

- The Sales turnover for processed rice being core business, stood at 65% as against 58% over 2007, whereas overall achievement in 2008 including other products and branch sales has been RO.6,545,196/- as against RO.3,044,123 in 2007 (without branch sales). The increase in overall turnover compared to 2007 stood at 115% in value terms.
- As the price of Brown Rice was high and there was no financial advantage as compared to importing White Rice, your Company had to isolate the "Friction Abrasive Polisher" forming an integral part of the Buhler Plant during the year. In view of this, Company has provided an amount of RO.33,598 towards impairment of plant and machinery. However, Company plans to import Brown Rice when the opportunity becomes favourable in the future.
- The Company has made a Net Profit of RO.907,699/- compared to RO.234,889/- in 2007. Detailed financial statements prepared by the Statutory Auditors are annexed.

Future Outlook

In spite of a temporary set back in the demand pattern of rice & other food commodities, the company expect the growth in the food industry would improve and to generate business due to our diversified efforts. Last year, considerable time was spent in understanding and planning the strategy ahead for the Company's diversified operations which in turn would form the success foundation for its further growth.

Restructure

- After conversion of the Bank loans into equity mid-last year and as a next step, your Company approached the Banks for a decision to go in for the proposed capital reduction aiming at eliminating the accumulated losses projecting the positive state of affairs. Efforts are still under way to obtain approval from the Government and Banks, upon receipt of which, we expect to complete the capital restructuring some time during the year 2009.

Repayment of Softloan

- Consequent to obtaining approval from the Ministry of Finance, first installment of RO.25K was paid in 2007 towards repayment of the soft loan followed by a second installment of a similar amount in May 2008.

Personnel

- We have strengthened the manpower at the branch outlets but, at the Head Quarters, we continue to operate with a skeleton staff assigning more responsibilities which contributed to cut expenses and generate remarkable profitability.
- The Company encouraged the Omani employees to occur higher skills in the areas of Production, Quality control, Warehouse and Sales & Marketing by providing in-house training for career development opportunities. The strength of the Company is 61 in number which includes Office & Factory staff wherein the Omanization percentage overall stood at 54% at the year end.

Appointment of Directors

- Four Directors elected during 2005/2006 retired at the last AGM out of whom three Directors were re-elected and one Director was appointed afresh. The details are as provided in the Corporate Governance Report. There was no resignation of Directors during the year 2008.

Adherence to Code of Corporate Governance

- The Company has been complying with all Codes of Corporate Governance as specified by the Capital Market Authority. A detailed report on Corporate Governance is set out with the certificate of the External Auditors.

Appointment of Statutory Auditors for the year 2008

- At the last AGM, M/s. Maqbool H. Moosa Yousuf Auditors was appointed as the Statutory Auditors of the Company for the year 2008.

On behalf of the Board of Directors, I wish to convey our thanks to the Ministry of Commerce, Ministry of Finance, the Capital Market Authority, Muscat Security Market, Central Bank of Oman and the shareholding Banks for their support. I also take this opportunity to thank all the stakeholders, customers, Directors and staff of the Company for their valuable support and dedication.

We express our gratitude to His Majesty Sultan Qaboos Bin Said and pray to the Almighty God to help Oman and its people to attain further peace and prosperity under His Majesty's wise leadership.

For & On Behalf of the Board of Directors
Oman Foods International SAOG

Mardas Bin Abdullah Al-Harthy
Chairman

Balance sheet at 31 December 2008

	Notes	2008 RO	2007 RO
Non current assets			
Property, plant and equipment	4	<u>1,042,175</u>	<u>1,081,874</u>
Current assets			
Inventories	5	605,602	249,406
Trade receivables	6	884,724	724,293
Other receivables	7	36,200	13,106
Cash and bank balance	8	<u>1,281,958</u>	<u>3,269</u>
		<u>2,808,484</u>	<u>990,074</u>
Current liabilities			
Trade and other payables	10	1,597,453	697,725
Current maturities of lease finance	11	14,088	11,784
Current maturities of term loans	12	<u>50,000</u>	<u>25,000</u>
		<u>1,661,541</u>	<u>734,509</u>
Net current assets		1,146,943	255,564
Non current liabilities			
Lease finance, excluding current maturities	11	7,446	17,445
Term loans, excluding current maturities	12	697,112	691,770
Deferred Government grant	12	202,888	258,230
Staff terminal benefits	17	<u>13,990</u>	<u>10,010</u>
		<u>921,436</u>	<u>977,455</u>
Net assets		<u>1,267,682</u>	<u>359,983</u>
Representation of funds			
Share capital	13	6,200,721	6,200,721
Legal reserve	14	123,877	33,107
Accumulated losses		<u>(5,056,916)</u>	<u>(5,873,845)</u>
		<u>1,267,682</u>	<u>359,983</u>
Net assets per share	21	<u>0.204</u>	<u>0.072</u>

These financial statements were approved and authorized for issue by the Board of Directors on 10th February 2009 and signed on their behalf by:

Mardas Abdullah Al-Harthy
Chairman

Humaid Nasser Al- Bortmani
Director

Nabil Hassan Al-Lawati
Director

The notes on pages 8 to 24 form an integral part of these financial statements

Statement of income for the year ended 31 December 2008

	Notes	2008 RO	2007 RO
Turnover		6,545,196	3,044,123
Cost of turnover	15	(5,259,304)	(2,541,971)
Gross profit		<u>1,285,892</u>	<u>502,152</u>
Other income	16	152,514	62,135
		<u>1,438,406</u>	<u>564,287</u>
Expenses			
Administrative and general expenses	17	240,614	184,261
Selling and distribution expenses	18	250,952	138,983
Finance costs	19	5,543	6,154
Impairment of fixed assets	4	33,598	-
		<u>530,707</u>	<u>329,398</u>
Net profit for the year		907,699	234,889
Earnings per share (RO)	22	<u>0.146</u>	<u>0.047</u>