

A'Saffa Foods SAOG

Director's Report for the First Quarter Results – Year 2020

Dear Shareholders,

On behalf of the Board of Directors of A'Saffa Foods SAOG, I have pleasure in presenting the financial results for 1st Quarter ended 31st March 2020.

Performance Review

Sales for the quarter ended 31st March 2020 was RO.8,097,959/- as compared to RO. 7,912,090/- during the same period of 2019. Net Profit (consolidated) of RO.461,312/- has been achieved during 1st quarter of 2020 as compared to Net Profit of RO.604,883/- for the same period of last year.

We would like to express our sincere gratitude to His Majesty Sultan Haitham bin Tariq Al Said for the encouragement and support given by his Government and pray to Almighty ALLAH(swt) to provide Oman and its people peace and prosperity under His Majesty's wise leadership.

We also take this opportunity to thank all customers, shareholders and staff for their continued support and confidence in the Company.

Chairman

A'SAFFA FOODS SAOG

STATEMENT OF FINANCIAL POSITION

At 31st.March 2020

	Notes	Parent Company		Group	
		2020 RO	2019 RO	2020 RO	2019 RO
ASSETS					
Non-current assets					
Property, plant and equipment	12	14,873,717	15,385,756	22,687,062	23,551,475
Right of Use Assets		1,160,291	986,549	1,611,610	1,023,044
Capital Advances/CWIP		38,342,548	17,670,727	38,367,529	17,670,727
Intangible assets	13	4,282	56,164	31,254	93,922
Investments in subsidiaries	14	2,950,000	2,950,000	-	-
Financial assets at fair value throughout profit and loss	16	47,671	47,671	47,671	47,671
Investment accounted for using the equity method	15	6,395,130	4,128,777	6,395,130	4,128,777
Total non-current assets		63,773,639	41,225,644	69,140,256	46,515,616
Current assets					
Inventories	17	4,344,675	3,575,543	5,290,513	4,358,757
Biological assets	18	1,390,260	1,288,681	1,390,260	1,288,681
Trade and other receivables	19	10,540,415	11,362,109	10,152,827	10,716,249
Cash and bank balances	20	240,475	164,630	338,190	298,622
Term deposits	21	2,000,000	2,000,000	2,000,000	2,000,000
Total current assets		18,515,825	18,390,963	19,171,790	18,662,309
TOTAL ASSETS		82,289,464	59,616,607	88,312,046	65,177,925
EQUITY AND LIABILITIES					
Equity					
Share capital		12,000,000	12,000,000	12,000,000	12,000,000
Legal reserves		4,000,000	4,000,000	4,248,133	4,221,676
Retained earnings		23,453,452	24,542,588	25,584,160	26,128,408
Total equity		39,453,452	40,542,588	41,832,293	42,350,084
LIABILITIES					
Non-current liabilities					
Borrowings	25	29,148,417	8,247,629	30,232,063	9,447,629
lease liabilities	26	942,173	924,749	1,370,643	1,300,811
End of service benefits		837,820	677,570	890,518	718,734
Deferred taxation	10	632,438	565,139	826,807	735,888
Total non-current liabilities		31,560,848	10,415,087	33,320,031	12,203,062
Current liabilities					
Borrowings	25	4,782,339	3,274,600	5,935,866	3,754,600
lease liabilities	26	251,606	73,216	266,357	805,041
Trade and other payables	27	6,241,219	5,311,116	6,957,499	6,065,138
Total current liabilities		11,275,164	8,658,932	13,159,722	10,624,779
TOTAL LIABILITIES		42,836,012	19,074,019	46,479,753	22,827,841
TOTAL EQUITY AND LIABILITIES		82,289,464	59,616,607	88,312,046	65,177,925
Net assets per share (RO)	28	0.329	0.338	0.349	0.353

A'SAFFA FOODS SAOG

STATEMENT OF COMPREHENSIVE INCOME

For the Period 01 January To 31 March 2020

	Notes	Parent Company		Group	
		2020 RO	2019 RO	2020 RO	2019 RO
Revenue From Contract With Customers		8,097,959	7,912,090	8,246,816	8,037,213
Cost of sales	4	(5,813,733)	(5,632,181)	(5,626,491)	(5,280,902)
Gross profit		2,284,226	2,279,909	2,620,325	2,756,311
Selling and distribution expenses	5	(1,376,038)	(1,367,357)	(1,376,038)	(1,367,357)
General and administrative expenses	6	(482,756)	(492,571)	(589,342)	(581,523)
Other operating income	7	16,502	-	17,727	-
Profit before interest and tax		441,934	419,981	672,672	807,431
Finance income	9	14,959	24,602	14,959	24,602
Finance Cost	9	(104,634)	(22,486)	(137,560)	(61,208)
Finance income / (cost) – net	9	(89,675)	2,116	(122,601)	(36,606)
Share of loss from associates accounted by using the equity method	15	(7,349)	(59,198)	(7,349)	(59,198)
Profit before tax		344,910	362,899	542,722	711,627
Taxation					
- Current tax	10	(51,737)	(54,427)	(81,410)	(106,744)
		(51,737)	(54,427)	(81,410)	(106,744)
Total comprehensive income for the		293,173	308,472	461,312	604,883
Basic earnings per share (RO)	11	0.002	0.003	0.004	0.005

A'SAFFA FOODS SAOG
STATEMENT OF CASH FLOWS
At 31st.March 2020

		Parent Company		Group	
		2020	2019	2020	2019
	Notes	RO	RO	RO	RO
OPERATING ACTIVITIES					
Cash generated from operations	29	(1,553,559)	4,060,875	(1,423,363)	4,481,412
Net Finance Cost	9	(89,675)	(989)	(122,601)	(40,803)
Net cash generated from operating activities		(1,643,234)	4,059,886	(1,545,964)	4,440,609
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	12	(3,056,568)	(12,730,957)	(2,883,631)	(12,733,019)
Investment in associates	15	7,349	-	7,349	-
Net cash generated (used in) / from		(3,049,219)	(12,730,957)	(2,876,282)	(12,733,019)
FINANCING ACTIVITIES					
Finance lease repaid		-	-	-	(354,792)
Long term loans received & repaid		4,620,346	8,247,629	4,342,039	8,247,629
Dividend paid		-	-	-	-
Net cash used in financing activities		4,620,346	8,247,629	4,342,039	7,892,837
NET DECREASE IN CASH AND CASH EQUIVALENTS		(72,107)	(423,442)	(80,207)	(399,573)
Cash and cash equivalents at beginning of the year		(796,298)	(236,528)	(1,242,680)	(126,405)
CASH AND CASH EQUIVALENTS AT 31 March		(868,405)	(659,970)	(1,322,887)	(525,978)
Cash and cash equivalents comprise of following:					
Bank overdrafts	25	(3,108,880)	(2,824,600)	(3,661,077)	(2,824,600)
Cash and bank balances	20	2,240,475	2,164,630	2,338,190	2,298,622
		(868,405)	(659,970)	(1,322,887)	(525,978)

A'SAFFA FOODS SAOG

STATEMENT OF CHANGES IN EQUITY

At 31st.March 2020

	<i>Share capital RO</i>	<i>Legal reserves RO</i>	<i>Retained earning RO</i>	<i>Total RO</i>
Parent Company				
As at 1 January 2019	12,000,000	4,000,000	24,234,116	40,234,116
Profit and total comprehensive income for the year	-	-	308,472	308,472
Dividend paid	-	-	-	-
At 31 March 2019	<u>12,000,000</u>	<u>4,000,000</u>	<u>24,542,588</u>	<u>40,542,588</u>
Group				
As at 1 January 2019	12,000,000	4,161,188	25,584,013	41,745,201
Profit and total comprehensive income for the year	-	-	604,883	604,883
Dividend paid	-	-	-	-
Transfer to legal reserve	-	60,488	(60,488)	-
At 31 March 2019	<u>12,000,000</u>	<u>4,221,676</u>	<u>26,128,408</u>	<u>42,350,084</u>
Parent Company				
As at 1 January 2020	12,000,000	4,000,000	23,160,279	39,160,279
Profit and total comprehensive income for the year	-	-	293,173	293,173
Dividend paid	-	-	-	-
At 31 March 2020	<u>12,000,000</u>	<u>4,000,000</u>	<u>23,453,452</u>	<u>39,453,452</u>
Group				
As at 1 January 2020	12,000,000	4,231,319	25,139,662	41,370,981
Profit and total comprehensive income for the year	-	-	461,312	461,312
Dividend paid	-	-	-	-
Transfer to legal reserve	-	16,814	(16,814)	-
At 31 March 2020	<u>12,000,000</u>	<u>4,248,133</u>	<u>25,584,160</u>	<u>41,832,293</u>

A'SAFFA FOODS SAOG

NOTES TO THE FINANCIAL STATEMENTS

At 31st.March 2020

4 COST OF SALES

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Cost of materials consumed	3,783,363	3,758,359	3,154,646	2,990,746
Less: Government subsidy	-	-	-	-
	3,783,363	3,758,359	3,154,646	2,990,746
Employee related costs (note 8)	1,109,248	1,034,341	1,311,138	1,238,568
Depreciation (note 12)	263,609	265,295	356,832	354,401
Fuel expenses	220,528	247,417	265,197	294,318
Amortisation (note 13)	3,284	21,412	6,166	24,143
Depreciation on Right of use Assets	8,942	10,947	12,630	16,921
Other direct expenses	424,759	294,410	519,882	361,805
	5,813,733	5,632,181	5,626,491	5,280,902

5 SELLING AND DISTRIBUTION EXPENSES

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Transportation costs	324,771	348,379	324,771	419,865
Employee related costs (note 8)	476,546	425,634	476,546	425,634
Rent and storage expenses	291,792	311,511	291,792	311,511
Advertisement and sales promotion	124,590	132,701	124,590	132,701
Insurance	30,108	23,516	30,108	23,516
Communication	5,550	4,138	5,550	4,138
Depreciation (note 12)	6,202	6,242	6,202	6,242
Depreciation on Right of use Assets	72,057	71,486	72,057	-
Amortisation (note 13)	77	503	77	503
Miscellaneous	44,345	43,247	44,345	43,247
	1,376,038	1,367,357	1,376,038	1,367,357

6 GENERAL AND ADMINISTRATIVE EXPENSES

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Employee related costs (note 8)	254,192	210,832	322,675	269,526
Depreciation (note 12)	40,316	40,576	56,646	56,301
Rent	28,936	37,568	28,936	37,568
Directors' remuneration	35,000	35,000	35,000	35,000
Printing and stationery	1,770	926	1,956	926
Contributions for social causes	12,500	12,500	12,500	12,500
Business travel and meeting expenses	10,110	12,085	10,470	12,085
Professional and consultancy fees	34,159	25,795	39,202	29,570
Amortisation (note 13)	502	3,276	1,011	3,758
	-	-	-	-
Directors' meeting attendance fees	11,510	8,269	13,460	9,369
Provision for expected credit losses (note 19)	(11,610)	-	(11,610)	-
Communication	6,989	4,247	6,989	4,247
Registration and renewals	15,084	14,679	18,133	15,423
Repairs and maintenance	2,586	3,803	2,586	3,803
Vehicle expenses	4,845	3,287	4,845	3,287
Foreign exchange loss	2,658	3,105	3,838	4,197
Miscellaneous	33,209	76,623	42,705	83,963
	482,756	492,571	589,342	581,523

A'SAFFA FOODS SAOG

NOTES TO THE FINANCIAL STATEMENTS

At 31st.March 2020

7 OTHER OPERATING INCOME

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Miscellaneous	16,502	-	17,727	-
	16,502	-	17,727	-

8 EMPLOYEE RELATED COSTS

Salaries wages and related costs included under cost of sales, selling and distribution expenses and general and administrative expenses comprise:

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Salaries, wages and other benefits	1,606,894	1,484,019	1,859,994	1,728,751
Leave salary	130,000	121,800	141,904	133,793
Air passage	33,092	37,988	35,247	40,853
End of service benefits	70,000	27,000	73,213	30,331
	1,839,986	1,670,807	2,110,358	1,933,728

Staff costs are included in the statement of comprehensive income as follows:

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Cost of sales (note 4)	1,109,248	1,034,341	1,311,138	1,238,568
Selling and distribution expenses (note 5)	476,546	425,634	476,546	425,634
General and administrative expenses (note 6)	254,192	210,832	322,674	269,526
	1,839,986	1,670,807	2,110,358	1,933,728

9 FINANCE COSTS / (INCOME) - NET

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
a) Interest expenses:				
- on government soft loan	-	(3,330)	-	(3,330)
- on bank overdraft	23,424	(11,366)	31,065	(11,954)
	23,424	(14,696)	31,065	(15,284)
Financing cost on Islamic overdraft	-	-	-	-
Financing cost on Islamic finance lease	81,210	(7,321)	100,136	(45,338)
Interest on land lease	-	(469)	6,359	(586)
Interest expenses	104,634	(22,486)	137,560	(61,208)
Interest income on deposits	(14,959)	24,602	(14,959)	24,602
Interest income	(14,959)	24,602	(14,959)	24,602
Finance costs	89,675	2,116	122,601	(36,606)

A'SAFFA FOODS SAOG

NOTES TO THE FINANCIAL STATEMENTS

At 31st.March 2020

10 TAXATION

Statement of comprehensive income:

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Current tax	51,737	54,427	81,410	106,744
	51,737	54,427	81,410	106,744

11 BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Profit attributable to shareholders (RO)	299,421	308,472	467,560	604,883
Weighted average number of shares	120,000,000	120,000,000	120,000,000	120,000,000
Basic earnings per share (RO)	0.002	0.003	0.004	0.005

No figure for diluted earnings per share has been presented because the Parent Company and Group has not issued any instruments which would have an impact on earnings per share when exercised.

12 PROPERTY, PLANT AND EQUIPMENT

(a) Depreciation is allocated as follows:

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Cost of sales (note 4)	263,609	265,295	356,832	354,401
General and administrative expenses (note 6)	40,316	40,576	56,646	56,301
Selling and distribution expenses (note 5)	6,202	6,242	6,202	6,242
	310,127	312,113	419,680	416,944

13 INTANGIBLE ASSETS

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Cost				
At 1 January	510,819	510,819	575,977	575,977
Addition for the year	-	-	2,850	-
At 31 March	510,819	510,819	578,827	575,977

A'SAFFA FOODS SAOG

NOTES TO THE FINANCIAL STATEMENTS

At 31st.March 2020

Accumulated amortisation

At 1 January	(502,674)	(429,464)	(530,074)	(453,653)
Charge for the year	(3,863)	(25,191)	(17,499)	(28,402)
At 31 March	(506,537)	(454,655)	(547,573)	(482,055)

Net book amount

At 31 March	4,282	56,164	31,254	93,922
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Intangible assets include computer software system and are being amortised over the estimated useful life of 5 years.

Amortisation is allocated as follows:

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Cost of sales (note 4)	3,284	21,412	6,166	24,143
Sellind and distribution expenses (note 5)	77	503	77	503
General and administrative expenses (note	502	3,276	1,011	3,758
	3,863	25,191	7,254	28,404

14 INVESTMENT IN SUBSIDIARIES

	% holding	Year of incorporation	Parent Company	
			2020	2019
			RO	RO
A'Saffa Food Processing LLC	100%	2011	1,350,000	1,350,000
A'Saffa Logistics LLC	100%	2014	1,600,000	1,600,000
			2,950,000	2,950,000

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Movement in investment in associates are as follows:

	Parent and Group	
	2020	2019
	RO	RO
Al Namaa Poultry Co. SAOC	2,271,434	2,372,668
Osool Poultry Company SAOC	4,131,045	1,815,307
Share of losses from associate	(7,349)	(59,198)
	6,395,130	4,128,777

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Unquoted local investment	47,671	47,671	47,671	47,671

A'SAFFA FOODS SAOG

NOTES TO THE FINANCIAL STATEMENTS

At 31st.March 2020

17 INVENTORIES

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Raw materials and consumables	2,523,525	1,620,953	3,181,056	2,209,089
Finished products	918,900	1,035,538	1,015,320	1,062,439
Stores and spares	902,250	919,052	1,094,137	1,087,229
	4,344,675	3,575,543	5,290,513	4,358,757

18 BIOLOGICAL ASSETS

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Mature biological assets (Broiler birds)	719,970	727,747	719,970	727,747
Immature biological assets (Parent day old chicks)	390,925	399,577	390,925	399,577
Hatchable eggs	279,365	161,357	279,365	161,357
	1,390,260	1,288,681	1,390,260	1,288,681

19 TRADE AND OTHER RECEIVABLES

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Trade receivables	7,677,921	8,525,148	8,398,641	8,708,915
Less: allowance for expected credit losses	(396,770)	(138,736)	(446,047)	(138,736)
	7,281,151	8,386,412	7,952,594	8,570,179
Due from a related party	1,674,000	1,226,811	73,531	150,000
Advance to staff and suppliers (Capital Advance)	1,059,830	1,220,140	1,505,005	1,415,757
Prepayments	525,434	528,746	621,697	580,313
	10,540,415	11,362,109	10,152,827	10,716,249

20 CASH AND BANK BALANCES

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Cash on hand	75,153	-	77,260	-
Cash at bank	165,322	164,630	260,930	298,622
	240,475	164,630	338,190	298,622

21 TERM DEPOSITS

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Non-current:				
Long term deposit	-	-	-	-
Current:				
Short term deposits (see (b) below)	2,000,000	2,000,000	2,000,000	2,000,000

A'SAFFA FOODS SAOG

NOTES TO THE FINANCIAL STATEMENTS

At 31st.March 2020

25 BORROWINGS

Non-current:

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Term loans from commercial banks:				
Term loan	30,821,876	8,247,629	32,506,852	9,447,629
Government soft loan	-	450,000	-	450,000
	30,821,876	8,697,629	32,506,852	9,897,629
Less: current portion of term loans included under current borrowings	(1,673,459)	(450,000)	(2,274,789)	(450,000)
	29,148,417	8,247,629	30,232,063	9,447,629

Current:

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Current portion of long term loans	1,673,459	450,000	2,274,789	930,000
Bank overdrafts (see d below)	3,108,880	2,824,600	3,661,077	2,824,600
	4,782,339	3,274,600	5,935,866	3,754,600

26 LEASE LIABILITIES

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Land	798,859	-	757,104	-
Vehicles	394,920	-	394,920	-
Building	-	-	484,976	1,065,418
Total	1,193,779	-	1,637,000	1,065,418
Current	251,606	-	266,357	358,593
Non Current	942,173	-	1,370,643	706,825
Total	1,193,779	-	1,637,000	1,065,418

27 TRADE AND OTHER PAYABLES

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Trade payables	3,305,536	2,556,430	3,606,556	4,627,706
Accruals	341,886	699,031	395,370	791,375
Tax payable (note 10)	117,360	587,740	176,126	640,057
Other payables	1,260,871	758,691	1,558,764	6,000
Retentions payable	1,215,566	709,224	1,216,872	-
	6,241,219	5,311,116	6,953,688	6,065,138

28 NET ASSETS PER SHARE

Net assets per share are calculated by dividing the net assets attributable to shareholders of the Parent Company and the Group at the year end by the number of shares outstanding at the year end as follows:

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Net assets (RO)	39,453,452	40,542,588	41,832,293	42,350,084
Number of shares at 31 March	120,000,000	120,000,000	120,000,000	120,000,000

A'SAFFA FOODS SAOG

NOTES TO THE FINANCIAL STATEMENTS

At 31st.March 2020

Net assets per share (RO)	<u>0.329</u>	<u>0.338</u>	<u>0.349</u>	<u>0.353</u>
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29 CASH GENERATED FROM OPERATIONS

	<u>Parent Company</u>		<u>Group</u>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
Operating activities				
Profit after taxation	293,173	308,422	461,312	604,884
Adjustment for:				
Depreciation	310,127	312,113	419,680	416,944
Amortisation	3,863	25,191	7,254	28,404
Net Finance Cost	89,675	989	122,601	40,803
Share of loss from associate	-	59,195	-	59,195
	696,838	705,910	1,010,847	1,150,230
Working capital changes:				
Inventories and biological assets	208,077	259,813	233,744	376,853
Trade and other receivables	(456,315)	2,489,422	(464,949)	1,191,961
Trade and other payables	(2,002,159)	605,730	(2,203,005)	1,762,368
Cash generated from operations	(1,553,559)	4,060,875	(1,423,363)	4,481,412