

A'Saffa Foods SAOG

Director's Report for the First Half Results – Year 2014

Dear Shareholders,

On behalf of the Board of Directors of A'Saffa Foods SAOG, I have pleasure in presenting the financial results for six months ended 30th June 2014.

Performance Review

The company further improved its operating performance during 1st half of 2014 by increasing its production and sales activities. Our Consolidated Sales for six months ended 30th June 2014 have increased to RO. 15,439,338/- as compared to RO. 14,053,078/- during the same period of 2013 showing an increase of 9.86%. Net Profit(consolidated) of RO. 3,681,039/- has been achieved during 1st half of 2014 as compared to net profit of RO 2,930,408 /- for the same period of 2013, registering an increase of 25.61 %.

Feed subsidy

We have accounted for feed subsidy of RO. 931,318/- during 1st Half on actual receipt basis.

We would like to express our sincere gratitude to His Majesty Sultan Qaboos Bin 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.

Eng Saleh Mohammed Al Shanfari
Chairman

A'Saffa Foods S.A.O.G.

Balance Sheet

As at 30th. June, 2014

| Assets | Parents Company | | Consolidated | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2014 RO | 2013 RO | 2014 RO | 2013 RO |
| Non Current Assets: | | | | |
| Property,Plant & Equipment | 18,361,976 | 19,259,885 | 23,367,692 | 19,276,549 |
| Capital Advances/WIP | 282,844 | - | 282,844 | 4,158,176 |
| Investment In Subsidiary | 1,350,000 | 1,350,000 | - | - |
| Total Non Current Assets | 19,994,820 | 20,609,885 | 23,650,536 | 23,434,725 |
| Current Assets: | | | | |
| Biological Assets | 1,157,076 | 1,196,402 | 1,157,076 | 1,196,402 |
| Inventories | 3,567,231 | 3,930,101 | 4,369,610 | 4,047,195 |
| Recievables & Prepayments | 7,822,737 | 7,248,362 | 7,799,189 | 7,298,746 |
| Cash & Bank Balances | 6,721,033 | 4,151,339 | 6,722,333 | 4,230,368 |
| Investment | 100,000 | 50,000 | 100,000 | 50,000 |
| Total Current Assets | 19,368,077 | 16,576,203 | 20,148,209 | 16,822,710 |
| Total Assets | 39,362,898 | 37,186,088 | 43,798,745 | 40,257,435 |
| Share Holders Equity & Liabilities | | | | |
| Shareholder's Equity: | | | | |
| Share Capital | 12,000,000 | 11,576,250 | 12,000,000 | 11,576,250 |
| Legal Reserve | 3,076,473 | 2,279,285 | 3,076,473 | 2,279,285 |
| Accumulated Profit | 15,420,289 | 10,560,847 | 15,350,154 | 10,535,003 |
| Total Shareholder's Equity | 30,496,762 | 24,416,382 | 30,426,627 | 24,390,538 |
| Liabilities | | | | |
| Non-Current Liabilities | | | | |
| Term Loans | 3,022,706 | 4,760,123 | 6,183,566 | 7,622,012 |
| Employees Terminal Benefits | 374,402 | 240,499 | 379,027 | 240,499 |
| Total Non-Current Liabilities | 3,397,108 | 5,000,622 | 6,562,593 | 7,862,511 |
| Current Liabilities | | | | |
| Term Loans - Current Maturity | 1,492,264 | 2,438,800 | 2,099,764 | 2,438,800 |
| Bank Borrowing | 1,093,417 | 2,156,274 | 1,303,252 | 2,195,876 |
| Tax Payable | 249,716 | - | 249,716 | - |
| Payables & Accruals | 2,633,631 | 3,174,010 | 3,156,793 | 3,369,710 |
| Total Current Liabilities | 5,469,028 | 7,769,084 | 6,809,525 | 8,004,386 |
| Total Liabilities | 8,866,136 | 12,769,706 | 13,372,118 | 15,866,897 |
| Total Share Holder Equity & Liabilities | 39,362,898 | 37,186,088 | 43,798,745 | 40,257,435 |

A'Saffa Foods S.A.O.G.**Income Statement**

For the period January to June 2014

| | Parents Company | | Consolidated | |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RO | RO | RO | RO |
| Sales (Net) | 15,390,061 | 14,053,078 | 15,439,338 | 14,053,078 |
| Cost Of Sales | <u>(8,884,830)</u> | <u>(8,802,598)</u> | <u>(8,791,517)</u> | <u>(8,802,598)</u> |
| Gross Profit | 6,505,231 | 5,250,480 | 6,647,821 | 5,250,480 |
| Expenses: | | | | |
| Administrative Expenses | (753,811) | (660,115) | (815,201) | (666,821) |
| Marketing Expenses | (1,743,458) | (1,528,215) | (1,743,458) | (1,528,215) |
| Finance Charges (net) | (68,940) | (125,046) | (158,407) | (125,036) |
| Total Expenses | <u>(2,566,209)</u> | <u>(2,313,376)</u> | <u>(2,717,066)</u> | <u>(2,320,072)</u> |
| Profit Before Taxation | 3,939,021 | 2,937,104 | 3,930,755 | 2,930,408 |
| Taxation | (249,716) | | (249,716) | |
| Net Profit After Taxation | <u>3,689,305</u> | <u>2,937,104</u> | <u>3,681,039</u> | <u>2,930,408</u> |
| Audited p & L | | | | |

A'Saffa Foods S.A.O.G.
Statement Of Cash Flows
For the period January to June 2014

| Operating activities | Parents Company | | Consolidated | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2014 RO | 2013 RO | 2014 RO | 2013 RO |
| Net Profit For The Period | 3,689,305 | 2,937,104 | 3,681,039 | 2,930,408 |
| Adjustment For: | | | | |
| Depreciation | 602,739 | 579,276 | 740,557 | 579,276 |
| Finance Cost (Net) | 68,940 | 125,046 | 158,407 | 125,036 |
| Operating Profit Before Working Capital Changes | <u>4,360,984</u> | <u>3,641,426</u> | <u>4,580,002</u> | <u>3,634,720</u> |
| Increase / Decrease in Working Capital | | | | |
| Receivables & Prepayments | (2,040,548) | 1,338,725 | (2,022,125) | 1,950,041 |
| Inventories | (509,953) | 584,559 | (822,650) | 467,465 |
| Payables & Accruals | 549,012 | 313,133 | 581,536 | 230,889 |
| | <u>(2,001,489)</u> | <u>2,236,417</u> | <u>(2,263,239)</u> | <u>2,648,395</u> |
| Cash Generated From / (Absorbed By) Operations | <u>2,359,495</u> | <u>5,877,843</u> | <u>2,316,763</u> | <u>6,283,115</u> |
| Interest Paid | (68,940) | (125,046) | (158,407) | (125,036) |
| Net Cash Generated From / (Absorbed By) Operations | <u>2,290,555</u> | <u>5,752,797</u> | <u>2,158,357</u> | <u>6,158,079</u> |
| Investing activities | | | | |
| Purchase Of Property, Plant & Equipment | (220,052) | (555,095) | (260,406) | (2,817,884) |
| Investment | (50,000) | (350,000) | (50,000) | - |
| Net Cash (Used In) Investing Activities | <u>(270,052)</u> | <u>(905,095)</u> | <u>(310,406)</u> | <u>(2,817,884)</u> |
| Financing activities | | | | |
| Dividend Paid | (1,891,500) | (1,653,750) | (1,891,500) | (1,653,750) |
| Term Loans | (1,169,631) | (1,455,052) | (866,558) | 271,117 |
| Net Cash (Used By) Financing Activities | <u>(3,061,131)</u> | <u>(3,108,802)</u> | <u>(2,758,058)</u> | <u>(1,382,633)</u> |
| Net Increase / (Decrease) In Cash & Cash Equivalent | (1,040,628) | 1,738,900 | (910,107) | 1,957,562 |
| Cash & Cash Equivalent At The Beginning Of The Year | 6,668,244 | 256,164 | 6,329,189 | 76,929 |
| Cash & Cash Equivalent At The End Of The Year | <u>5,627,616</u> | <u>1,995,064</u> | <u>5,419,082</u> | <u>2,034,491</u> |

A'Saffa Foods S.A.O.G.
Statement Of Changes In Equity
For the period January to June 2014

| Parent Company 2013 | Share Capital | Special Reserve | Legal Reserve | Accumulated Profits | Total |
|------------------------------------|----------------------|------------------------|----------------------|----------------------------|-------------------|
| Balance As At 1st January 2013 | 11,025,000 | | 1,985,575 | 10,122,453 | 23,133,028 |
| Dividend Paid (10%) | | | | (1,653,750) | (1,653,750) |
| Movement During The Period | 551,250 | | | (551,250) | - |
| Profit For The Period | | | | 7,219,679 | 7,219,679 |
| Transferred To Legal Reserve | | | 721,968 | (721,968) | - |
| Balance As On 31st Dec 2013 | 11,576,250 | - | 2,707,543 | 14,415,164 | 28,698,957 |

Group 2013

| | | | | | |
|------------------------------------|-------------------|----------|------------------|-------------------|-------------------|
| Balance As At 1st January 2013 | 11,025,000 | | 1,985,575 | 10,103,305 | 23,113,880 |
| Dividend Paid (10%) | | | | (1,653,750) | (1,653,750) |
| Movement During The Period | 551,250 | | | (551,250) | - |
| Profit For The Period | | | | 7,176,959 | 7,176,959 |
| Transferred To Legal Reserve | | | 721,968 | (721,968) | - |
| Balance As On 31st Dec 2013 | 11,576,250 | - | 2,707,543 | 14,353,296 | 28,637,089 |

Parent Company 2014

| | Share Capital | Special Reserve | Legal Reserve | Accumulated Profits | Total |
|--|----------------------|------------------------|----------------------|----------------------------|-------------------|
| Balance As At 1st January 2014 | 11,576,250 | - | 2,707,543 | 14,415,164 | 28,698,957 |
| Movement During The Period 3.66052% Dividend | 423,750 | | | (423,750) | - |
| Dividend Paid (16.3394%) | | | | (1,891,500) | (1,891,500) |
| Profit For The Period | | | | 3,689,305 | 3,689,305 |
| Transferred To Legal Reserve | | | 368,931 | (368,931) | - |
| Balance As On 30th. June 2014 | 12,000,000 | - | 3,076,473 | 15,420,289 | 30,496,762 |

Group 2014

| | | | | | |
|--|-------------------|----------|------------------|-------------------|-------------------|
| Balance As At 1st January 2014 | 11,576,250 | - | 2,707,543 | 14,353,296 | 28,637,088 |
| Movement During The Period 3.66052% Dividend | 423,750 | | | (423,750) | - |
| Dividend Paid (16.3394%) | | | | (1,891,500) | (1,891,500) |
| Profit For The Period | | | | 3,681,039 | 3,681,039 |
| Transferred To Legal Reserve | | | 368,931 | (368,931) | - |
| Balance As On 30th. June 2014 | 12,000,000 | - | 3,076,473 | 15,350,154 | 30,426,627 |

A'Saffa Foods S.A.O.G.
Notes To The Balance Sheet
As at 30th. June, 2014

| | Parents Company | | Consolidated | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2014 RO | 2013 RO | 2014 RO | 2013 RO |
| Property , Plant & Equipment | | | | |
| Property , Plant & Equipment | 26,561,347 | 26,308,123 | 31,749,964 | 26,324,787 |
| Work In Progress | 282,844 | - | 282,844 | 4,158,176 |
| Investment In Subsidiary | 1,350,000 | 1,350,000 | - | - |
| Accumulated Depreciation | (8,199,371) | (7,048,238) | (8,382,272) | (7,048,238) |
| Total | 19,994,820 | 20,609,885 | 23,650,536 | 23,434,725 |
| Biological Assets | | | | |
| Immature Biological Assets (Parent DOC) | 395,377 | 468,964 | 395,377 | 468,964 |
| Mature Biological Assets (Broiler Birds) | 761,699 | 727,438 | 761,699 | 727,438 |
| Total | 1,157,076 | 1,196,402 | 1,157,076 | 1,196,402 |
| Inventories | | | | |
| Finished Products | 1,237,035 | 828,683 | 1,274,425 | 828,683 |
| Raw Material and Other Consumables | 1,867,863 | 2,834,269 | 2,599,696 | 2,951,363 |
| Hatchable Eggs | 146,316 | 140,230 | 146,316 | 140,230 |
| Stores & Spares | 316,017 | 126,918 | 349,173 | 126,918 |
| Total | 3,567,231 | 3,930,101 | 4,369,610 | 4,047,195 |
| Accounts & Other Recievables | | | | |
| Trade Accounts Recievables | 6,662,359 | 5,717,963 | 6,555,243 | 5,717,964 |
| Debtors - Export | 1,379,699 | 1,173,859 | 1,379,699 | 1,173,859 |
| Debtors - Feed | 53,977 | 22,426 | 53,977 | 22,427 |
| Debtors - Local | 5,228,683 | 4,521,678 | 5,121,567 | 4,521,678 |
| Provision For Bad Debts | (86,432) | (87,669) | (86,432) | (87,669) |
| Advance In Subsidiary | 162,098 | 31,140 | - | - |
| Advances , Prepayments and Other Recievables | 388,990 | 295,122 | 477,324 | 376,646 |
| Feed Subsidy Receivable | 518,222 | 1,182,149 | 518,222 | 1,182,149 |
| Advances To Creditors | 177,500 | 109,656 | 334,832 | 109,656 |
| Accounts & Other Recievables | 7,822,737 | 7,248,362 | 7,799,189 | 7,298,746 |
| Cash & Bank Balances | | | | |
| Cash & Bank Balances | 105,739 | 644,200 | 107,039 | 723,230 |
| Term Deposits | 6,615,294 | 3,507,138 | 6,615,294 | 3,507,138 |
| Total | 6,721,033 | 4,151,339 | 6,722,333 | 4,230,368 |
| Govt Soft Loans & Other Loans | | | | |
| Govt Soft Loans | 2,450,000 | 2,950,000 | 2,450,000 | 2,950,000 |
| Term Loans | 1,050,263 | 2,834,871 | 1,050,263 | 2,834,871 |
| NBO Loans | 629,738 | 944,902 | 4,398,098 | 3,806,791 |
| Loan From Related Parties | 384,960 | 462,060 | 384,960 | 462,060 |
| Lease Finance | 9 | 7,090 | 9 | 7,090 |
| Total | 4,514,970 | 7,198,923 | 8,283,330 | 10,060,812 |
| Less : Current Liabilities | | | | |
| Govt Soft Loans | (500,000) | (500,000) | (500,000) | (500,000) |
| Term Loans | (600,000) | (1,544,400) | (600,000) | (1,544,400) |
| NBO Loans | (315,164) | (315,000) | (922,664) | (315,000) |
| Loan From Related Parties | (77,100) | (77,100) | (77,100) | (77,100) |
| Lease Finance | - | (2,300) | - | (2,300) |
| Total | (1,492,264) | (2,438,800) | (2,099,764) | (2,438,800) |
| Non Current Liabilities | | | | |
| Bank Borrowing | 1,093,417 | 2,156,274 | 1,303,252 | 2,195,876 |
| Accounts & Other Payables | | | | |
| Creditors & Other Payables | 1,413,179 | 1,852,239 | 1,901,469 | 2,047,939 |
| Advances From Debtors | 33,277 | 33,008 | 33,277 | 33,008 |
| Dividend Payable | 17,475 | 37,387 | 17,475 | 37,387 |
| Accruals | 1,169,700 | 1,251,375 | 1,204,572 | 1,251,375 |
| Total Accounts & Other Payables | 2,633,631 | 3,174,010 | 3,156,793 | 3,369,710 |