

# **A'Saffa Foods SAOG**

## **Director's Report for the First Half Results – Year 2018**

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**Dear Shareholders,**

On behalf of the Board of Directors of A'Saffa Foods SAOG, I have pleasure in presenting the financial results for 1<sup>st</sup> Half ended 30<sup>th</sup> June 2018.

### **Performance Review**

Sales for the 1<sup>st</sup> half ended 30<sup>th</sup> June 2018 have increased to RO. 16,649,060/- as compared to RO. 14,555,789/- during the same period of 2017 showing an increase of 14.38%. Net Profit (consolidated) of RO. 2,433,807/- has been achieved during 1<sup>st</sup> Half of 2018 as compared to net profit of RO. 1,877,101/- for the same period of 2017.

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.

Chairman

**A'SAFFA FOODS SAOG**  
**STATEMENT OF FINANCIAL POSITION**  
At 30 June 2018

		Parent Company		Group	
		2018	2017	2018	2017
	Notes	RO	RO	RO	RO
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment		16,219,476	17,381,686	24,470,468	26,022,344
Capital Advances/WIP		2,650,793	-	2,689,429	-
Intangible assets	13	132,856	264,126	179,871	324,073
Investments in subsidiaries	14	2,950,000	2,950,000	-	-
Available for sale financial assets	15	47,671	56,076	47,671	56,076
Investment in associates	16	3,950,200	916,694	3,950,200	916,694
Term deposits	21	-	5,000,000	-	5,000,000
<b>Total non-current assets</b>		<b>25,950,996</b>	<b>26,568,582</b>	<b>31,337,639</b>	<b>32,319,187</b>
<b>Current assets</b>					
Inventories	17	4,548,235	4,025,808	5,499,152	4,636,713
Biological assets	18	1,426,078	1,424,673	1,426,078	1,424,673
Trade and other receivables	19	10,254,426	9,223,621	10,542,262	8,957,231
Cash and bank balances	20	191,606	287,889	266,908	439,959
Term deposits	21	3,950,000	4,000,000	3,950,000	4,000,000
<b>Total current assets</b>		<b>20,370,345</b>	<b>18,961,991</b>	<b>21,684,400</b>	<b>19,458,576</b>
<b>TOTAL ASSETS</b>		<b>46,321,341</b>	<b>45,530,573</b>	<b>53,022,039</b>	<b>51,777,763</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital		12,000,000	12,000,000	12,000,000	12,000,000
Legal reserves		4,000,000	4,000,000	4,131,386	4,000,000
Retained earnings		24,169,871	22,352,737	25,251,554	22,899,166
<b>Total equity</b>		<b>40,169,871</b>	<b>38,352,737</b>	<b>41,382,940</b>	<b>38,899,166</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	25	-	450,000	1,560,000	2,370,000
Finance lease liabilities	26	-	-	692,440	1,572,091
End of service benefits		634,211	535,429	665,403	559,888
Deferred taxation		565,139	563,432	715,595	601,341
<b>Total non-current liabilities</b>		<b>1,199,350</b>	<b>1,548,861</b>	<b>3,633,438</b>	<b>5,103,320</b>
<b>Current liabilities</b>					
Borrowings	25	1,329,964	1,944,768	1,809,964	2,424,768
Finance lease liabilities	26	-	-	879,232	840,000
Trade and other payables	27	3,622,156	3,684,207	5,316,465	4,510,509
<b>Total current liabilities</b>		<b>4,952,120</b>	<b>5,628,975</b>	<b>8,005,661</b>	<b>7,775,277</b>
<b>TOTAL LIABILITIES</b>		<b>6,151,470</b>	<b>7,177,836</b>	<b>11,639,099</b>	<b>12,878,597</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>46,321,341</b>	<b>45,530,573</b>	<b>53,022,039</b>	<b>51,777,763</b>
<b>Net assets per share (RO)</b>	28	<b>0.335</b>	0.320	<b>0.300</b>	0.324

# A'SAFFA FOODS SAOG

## STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2018

		Parent Company		Group	
		2018	2017	2018	2017
	Notes	RO	RO	RO	RO
Revenue		<b>16,391,757</b>	14,367,683	<b>16,649,060</b>	14,555,789
Cost of sales	4	<b>(10,223,695)</b>	(9,340,836)	<b>(9,771,244)</b>	(8,953,605)
Gross profit		<b>6,168,062</b>	5,026,847	<b>6,877,816</b>	5,602,184
Selling and distribution expenses	5	<b>(2,644,178)</b>	(2,200,181)	<b>(2,644,178)</b>	(2,200,181)
General and administrative expenses	6	<b>(1,146,162)</b>	(1,018,815)	<b>(1,317,167)</b>	(1,190,018)
Other operating income	7	-	5,084	-	5,757
<b>Operating profit</b>		<b>2,377,722</b>	1,812,935	<b>2,916,471</b>	2,217,742
Finance income / (cost) – net	9	<b>72,764</b>	42,205	<b>(38,278)</b>	(62,370)
Share of loss from associates	16	<b>(36,512)</b>	-	<b>(36,512)</b>	-
<b>Profit before tax</b>		<b>2,413,974</b>	1,855,140	<b>2,841,681</b>	2,155,372
Taxation					
- Current tax	10	<b>(362,096)</b>	(278,271)	<b>(407,874)</b>	(278,271)
		<b>(362,096)</b>	(278,271)	<b>(407,874)</b>	(278,271)
<b>Profit and total comprehensive income for the year</b>		<b>2,051,878</b>	1,576,869	<b>2,433,807</b>	1,877,101
<b>Basic earnings per share (RO)</b>	11	<b>0.017</b>	0.013	0.020	0.016

# A'SAFFA FOODS SAOG

## STATEMENT OF CASH FLOWS

Period ended 30 June 2018

		Parent Company		Group	
		2018	2017	2018	2017
	Notes	RO	RO	RO	RO
<b>OPERATING ACTIVITIES</b>					
<b>Cash generated from operations</b>		<b>2,288,679</b>	(172,825)	<b>2,671,586</b>	484,138
Interest paid	9	30,474	(47,602)	141,516	(153,702)
Interest received	9	(103,238)	76,820	(103,238)	76,820
<b>Net cash generated from operating activities</b>		<b>2,215,915</b>	(143,607)	<b>2,709,864</b>	407,256
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(1,351,751)	(144,088)	(1,372,745)	(195,974)
Investment in associates		(1,387,200)	-	(1,387,200)	-
Term deposits	21	4,500,000	-	4,500,000	-
<b>Net cash generated from / (used in) investing activities</b>		<b>1,761,049</b>	(144,088)	<b>1,740,055</b>	(195,974)
<b>FINANCING ACTIVITIES</b>					
Finance lease repaid		-	-	(669,895)	(403,752)
Long term loans repaid		(500,000)	(500,000)	(500,000)	(500,000)
Dividend paid		(2,400,000)	(2,400,000)	(2,400,000)	(2,400,000)
<b>Net cash used in financing activities</b>		<b>(2,900,000)</b>	(2,900,000)	<b>(3,569,895)</b>	(3,303,752)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,076,964</b>	(3,187,695)	<b>880,024</b>	(3,092,470)
Cash and cash equivalents at beginning of the year		2,184,678	6,030,815	2,456,920	6,087,661
<b>CASH AND CASH EQUIVALENTS As At 30 June 2018</b>		<b>3,261,642</b>	2,843,120	<b>3,336,944</b>	2,995,191

# A'SAFFA FOODS SAOG

## STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2018

	<i>Share capital RO</i>	<i>Legal reserves RO</i>	<i>Retained earning RO</i>	<i>Total RO</i>
<b>Parent Company</b>				
As at 1 January 2017	12,000,000	4,000,000	23,175,868	39,175,868
Profit and total comprehensive income for the year	-	-	1,576,869	1,576,869
Dividend paid	-	-	(2,400,000)	(2,400,000)
Transfer to legal reserve	-	-	-	-
<b>At 30 June 2017</b>	<u>12,000,000</u>	<u>4,000,000</u>	<u>22,352,737</u>	<u>38,352,737</u>
<b>Group (Note 1)</b>				
As at 1 January 2017	12,000,000	4,000,000	23,422,065	39,422,065
Profit and total comprehensive income for the year	-	-	1,877,101	1,877,101
Dividend paid	-	-	(2,400,000)	(2,400,000)
Transfer to legal reserve	-	-	-	-
<b>At 30 June 2017</b>	<u>12,000,000</u>	<u>4,000,000</u>	<u>22,899,166</u>	<u>38,899,166</u>
<b>Parent Company</b>				
<b>As at 1 January 2018</b>	<b>12,000,000</b>	<b>4,000,000</b>	<b>24,517,993</b>	<b>40,517,993</b>
Profit and total comprehensive income for the year	-	-	2,051,878	2,051,878
Dividend paid	-	-	(2,400,000)	(2,400,000)
<b>At 30 June 2018</b>	<u>12,000,000</u>	<u>4,000,000</u>	<u>24,169,871</u>	<u>40,169,871</u>
<b>Group (Note 1)</b>				
<b>As at 1 January 2018</b>	<b>12,000,000</b>	<b>4,093,193</b>	<b>25,255,940</b>	<b>41,349,133</b>
Profit and total comprehensive income for the year	-	-	2,433,807	2,433,807
Dividend paid	-	-	(2,400,000)	(2,400,000)
Transfer to legal reserve	-	38,193	(38,193)	-
<b>At 30 June 2018</b>	<u>12,000,000</u>	<u>4,131,386</u>	<u>25,251,554</u>	<u>41,382,940</u>

# A'SAFFA FOODS SAOG

## NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

A'Saffa Foods SAOG ("the Company" or "Parent Company") is an Omani joint stock company registered in the Sultanate of Oman on 30 December 2001 under the commercial registration no. 2/16733/6. The Company commenced commercial operations on 1 July 2004. The Company is engaged in manufacturing and distribution of poultry meat.

On 25 May 2011, the Parent Company incorporated a company in Sultanate of Oman, A'Saffa Food Processing LLC ('A'Saffa Processing') with a registered share capital of RO 1,350,000. A'Saffa Processing registered in Sultanate of Oman as a limited liability company, is a wholly owned subsidiary of the Company. A'Saffa Processing is engaged in manufacturing and distribution of meat, vegetables and fish products and it started its operations in 2013.

On 17 September 2014, the Parent Company incorporated a company in Sultanate of Oman, A'Saffa Logistics LLC ('A'Saffa Logistics') with an initial registered share capital of RO 1,600,000. A'Saffa Logistics registered in Sultanate of Oman as a limited liability company, is a wholly owned subsidiary of the Company. A'Saffa Logistics is engaged in storage and transportation.

These consolidated financial statements comprise the Parent company and its subsidiaries (together referred to as the Group), the details of which are set out above. The separate financial statements represent the financial statements of the Parent company on a standalone basis. The consolidated and separate financial statements are collectively referred to as 'the financial statements'.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

##### a) Statement of compliance

The financial statements ("the financial statements"/ "the financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the relevant requirements of the Commercial Companies Law of 1974, as amended and the Capital Market Authority.

##### b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment in associates and available for sale financial asset has been measured at fair value.

##### c) Functional currency

## A'SAFFA FOODS SAOG

### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

These financial statements are presented in Rial Omani, which is the Company's functional currency.

#### **d) Standards, amendments and interpretation effective in 2018**

For the period ended 31 December 2017, the Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2018. The adoption of these standards and interpretations has not resulted in any major changes to the Group's accounting policies and has not affected the amounts reported for the current and prior periods except for the adoption of new and amended standards as set out in note 2.1.1 below.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.1 Basis of preparation (continued)**

#### **e) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:**

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the Group and separate financial statements of the Company but are not yet mandatory for the period ended 30 June 2018:

#### **IFRS 16 Leases**

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. The Group is currently in the process of assessing the impact of this standard on the financial statements of the Group.

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### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

#### 2.1.1 Change in accounting policies

This note explains the impact of the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018 along with the accounting policies that were applicable for the comparative period.

##### (a) Impact on the financial statements

The group adopted IFRS 9 without restating the comparative financial statements. As the adoption of IFRS 9 is not material to the financial statements, the group has not made any adjustments to the statement of financial position as at 1 January 2018.

##### (b) IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2.1.1 (c) below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

##### (i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification is the classification of 'trade and other receivables', 'term deposits' and 'cash and cash equivalents' as financial assets measured at amortised cost. In addition, available-for-sale equity instruments have now been reclassified to fair value through other comprehensive income.



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### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

#### Term loans

Following the adoption of IFRS 9, the group could no longer defer the recognition of a gain from the refinancing of a borrowing during the interim period. Under the group's previous accounting policies, this gain would have been recognised over the remaining life of the borrowing by adjusting the effective interest rate, on the basis that the terms and conditions of the facility remained largely unchanged.

No retrospective adjustments were required in relation to this change in accounting policy as there is no impact of refinanced borrowings outstanding on 1 January 2018 to the financial statements in current or prior periods.

#### (ii) *Impairment of financial assets*

The Group's financial assets that are subject to IFRS 9's new expected credit loss model include trade and other receivables, term deposits and cash and cash equivalents.

The Group was required to revise its impairment methodology under IFRS 9. The impact of the change in impairment methodology on the Group's retained earnings and equity as at 1 January 2018 is immaterial to the financial statements of the Group.

While cash and cash equivalents (including term deposits) are also subject to the impairment requirements of IFRS 9, the identified impairment loss was also immaterial.

#### Trade and other receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 1 January 2018 was determined as follows for trade and other receivables:

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### NOTES TO THE FINANCIAL STATEMENTS

At 30, June 2018

1 January 2018	Current	1 - 60 days past due	61-120 days past due	121-180 days past due	181-240 days past due	241-365 days past due	more than 365 days past due	Total
Expected loss rate	0%	1%	4%	6%	10%	13%	13%	1%
Gross carrying amount	5,920,288	1,929,625	209,864	245,081	113,611	126,178	225,217	8,769,864
Loss allowance	-	(19,290)	(9,035)	(14,414)	(11,228)	(16,106)	(28,748)	(98,821)

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### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group and a failure to make contractual payments for a longer period.

#### **(c) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018**

##### *Investments and other financial assets*

##### Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

##### *Debt instruments*

## A'SAFFA FOODS SAOG

### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

#### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

#### Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### **(d) IFRS 9 Financial Instruments – Accounting policies applied until 31 December 2017**

##### Financial assets

The Group classifies its financial assets in the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### **(a) Available-for-sale financial assets**

##### (i) Classification

Available-for-sale financial assets are non-derivatives and are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Management determines the appropriate classification of its investments at the time of the purchase.

##### (ii) Valuation

Investments are initially recognised at fair value (which includes transaction costs). Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in the fair value reserve in the year in which they arise. When the available-for-sale financial assets are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investments.

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### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investment.

#### **(b) Loans and advances**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

#### **(e) IFRS 15 Revenue from Contracts with Customers – Impact of adoption**

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 15, the Group has adopted the simplified approach as allowed by IFRS 15 and has not restated comparatives for the 2017 financial year. As there is no impact of adoption of IFRS 15, the Group has not made any adjustments to the statement of financial position as at 1 January 2018.

#### **(f) IFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018**

The Group is primarily engaged in manufacturing and distribution of poultry meat. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer'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 customer, and either the customer 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.

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### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

The products are often sold with volume discount feature. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### **(g) IFRS 15 Revenue from Contracts with Customers – Accounting policies applied until 31 December 2017**

##### **Revenue recognition**

Revenue from the sale of goods is stated at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

#### **2.2 Consolidation**

##### **(a) Basis of consolidation**

The financial statements comprise the financial statements of the Group and its subsidiary as at 31 March 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.2 Consolidation (continued)**

#### **(a) Basis of consolidation (continued)**

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the Parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

#### **(b) Investment in associates**



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### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of results of associates' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

#### **2.2 Consolidation (continued)**

##### **(c) Investment in subsidiaries**

Investment in subsidiaries in the Parent Company financial statements are carried at cost.

#### **2.3 Interest income and expense**

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

#### **2.4 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Minimum lease payment made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The property, plant and equipment acquired under finance leases are depreciated in accordance with the policy on property, plant and equipment as relevant to the applicable asset.

#### **2.5 Foreign currency**

Items included in the financial statements of the Group are measured using Rial Omani which is the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Rial Omani which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

#### **2.6 Income tax**

Income tax on the results for the year comprises current tax.

Current tax recognised in the statement of comprehensive income is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which tax losses or temporary differences can be utilised. Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset these in Oman.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and is subsequently reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **2.7 Earning per share**

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

#### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **2.8 Directors' remuneration**

The Directors' remuneration is governed as set out by the Commercial Companies Law and the rules prescribed by the Capital Market Authority.

The Annual General Meeting shall approve the remuneration and the sitting fees for the Board of Directors provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders. Such fees shall not exceed RO 200,000 in one year. The sitting fees for each Director shall not exceed RO 10,000 in one year.

##### **2.9 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. The cost of property, plant and equipment is their purchase price together with any incidental expenses. 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 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 derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful lives are as follows:

Buildings	20 - 30 years
Motor vehicles	5 years
Bore wells	20 years
Plant and machinery	20 years
Furniture and fittings	3 years
Office equipment	6.5 years
Porta cabins	20 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts are recognised within 'other operating income' and are taken into account in determining operating profit.

Land is not depreciated as it is deemed to have an indefinite life.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the Group's policy.

Interest costs on borrowings to finance the construction of the qualifying assets are capitalised, during the period that is required to complete and prepare the asset for its intended use.

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### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

#### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **2.10 Intangible assets**

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Costs are amortised over their estimated useful life of five years.

##### **2.11 Impairment**

At each reporting date, the Group reviews the carrying amounts of its assets (or cash-generating units) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognised immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

##### **2.12 Biological assets**

Parent chicken is stated at cost less accumulated depreciation less any accumulated impairment losses. The estimated life of the parent chicken is approximately nine months from the month it starts laying eggs. The cost of the parent chickens, determined on the basis of monthly average expenditure, comprises purchase price of the day old chickens ("DOC") and all expenses incurred in bringing the DOCs to the farm from overseas, together with costs such as feed costs, incurred in rearing and maintaining the flock until the egg production commences. Purchased eggs which are for hatching, are stated at cost which comprises the purchase price and all expenses incurred in bringing the eggs to the farm from overseas. Hatching eggs produced by the parent chicken are stated at cost. The costs comprise the proportion of the costs incurred for rearing and maintaining the parent flock until the date of laying of the egg. Broiler chicken is stated at cost less any accumulated impairment losses. The cost of broiler chicken comprises a proportion of the cost of the egg produced by the parent chicken or purchased, and feed, vaccine and medicines consumed by the flock during the time of its breeding. Net realisable value is the price at which biological assets can be sold in the normal course of business after allowing for the costs of realisation.

##### **2.13 Inventories**

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### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis and consists of the direct cost of goods and related direct expenses. The cost of finished goods includes an appropriate portion of direct labour and related production overheads. Net realisable value is the price at which stock can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for slow moving items.

#### **2.14 Trade and other receivables**

Trade receivables are recognised initially at fair value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the receivable, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. An estimate is made for doubtful debts based on a review of all outstanding amounts at the year end. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income within 'general and administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'general and administrative expenses' in the statement of comprehensive income.

#### **2.15 Cash and cash equivalents**

For the purposes of the statement of cash flows, all bank balances, including short-term deposits with a maturity of three months or less from the date of placement, and bank overdrafts are considered to be cash equivalents.

#### **2.16 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### **2.17 End of service benefits and leave entitlements**

End of service benefits are accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 and its amendment and IAS-19 'Employee benefits' as amended. Employee entitlements to annual leave and Air passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

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### NOTES TO THE FINANCIAL STATEMENTS

At 30, June 2018

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the statement of comprehensive income as incurred.

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### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

#### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **2.18 Deferred Government grant**

Interest subsidy is recognised in the statement of financial position initially as a deferred Government grant when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. This deferred Government grant is amortised over the life of the loans to which it relates on a systematic basis in the same periods in which the interest expense is incurred. Amortisation of the deferred Government grant is recognised in the statement of comprehensive income.

##### **2.19 Trade and other payables**

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Group.

##### **2.20 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

##### **2.21 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors ('Board') that makes strategic decisions.

##### **2.22 Dividend distribution**

The Board adopts a prudent dividend policy, which complies with regulatory requirements applicable in the Sultanate of Oman. Dividend shall be distributed in accordance with Group's Memorandum of Association and shall be subject to the approval of shareholders.

#### **3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Group makes estimates and assumptions concerning the future. Estimates are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Fair value of unquoted available-for-sale financial assets



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### NOTES TO THE FINANCIAL STATEMENTS

At 30, June 2018

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. Management uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. Where the market is not active or the securities are not listed, fair valuation is estimated based on valuation techniques.

(b) Valuation of biological assets

The valuation of biological assets requires the use of estimates by the management. Management uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

(c) Impairment of trade receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates (note 19).

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### NOTES TO THE FINANCIAL STATEMENTS

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At 30, June 2018

#### **3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

##### (d) Inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

##### (e) Taxes

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

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

##### (f) Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

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## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2018

### 4 COST OF SALES

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
Cost of materials consumed	6,766,056	6,134,518	5,430,768	4,987,253
Less: Government subsidy	(20,693)	-	(20,693)	-
	<u>6,745,363</u>	<u>6,134,518</u>	<u>5,410,075</u>	<u>4,987,253</u>
Employee related costs (note 8)	1,903,389	1,658,515	2,327,026	1,998,671
Depreciation (note 12)	537,370	542,135	712,638	718,327
Fuel expenses	476,374	410,306	582,211	517,047
Amortisation	16,888	43,060	22,411	47,489
Other direct expenses	544,311	552,302	716,883	684,818
	<u>10,223,695</u>	<u>9,340,836</u>	<u>9,771,244</u>	<u>8,953,605</u>

### 5 SELLING AND DISTRIBUTION EXPENSES

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
Employee related costs (note 8)	800,933	688,949	800,933	688,949
Rent and storage expenses	534,178	540,796	534,178	540,796
Transportation costs	851,967	511,202	851,967	511,202
Advertisement and sales promotion	304,147	292,332	304,147	292,332
Insurance	39,059	69,731	39,059	69,731
Communication	11,591	11,151	11,591	11,151
Depreciation (note 12)	12,642	12,759	12,642	12,759
Amortisation	16,887	1,016	16,887	1,016
Miscellaneous	72,774	72,245	72,774	72,245
	<u>2,644,178</u>	<u>2,200,181</u>	<u>2,644,178</u>	<u>2,200,181</u>

### 6 GENERAL AND ADMINISTRATIVE EXPENSES

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
Employee related costs (note 8)	617,252	541,955	732,999	657,229
Depreciation (note 12)	82,187	82,915	113,117	114,008
Directors' remuneration	70,000	70,000	70,000	70,000
Rent	69,603	68,910	69,603	68,910
Contributions for social causes	50,000	50,000	50,000	50,000
Printing and stationery	408	263	408	263
Directors' meeting attendance fees	20,300	26,100	23,350	29,850
Amortisation	16,887	6,586	17,862	7,368
Business travel and meeting expenses	21,271	25,306	21,271	25,306
Communication	14,072	10,892	14,444	11,032
Repairs and maintenance	7,146	11,268	7,146	11,268
Professional and consultancy fees	38,570	18,714	42,469	23,369
Registration and renewals	22,032	15,691	23,446	18,039
Foreign exchange loss - Net	(17,315)	12,987	(13,603)	14,512
Vehicle expenses	16,936	7,045	16,936	7,045
Miscellaneous	59,396	70,183	70,302	81,819
Provision for doubtful debts (note 19)	57,417	-	57,417	-
	<u>1,146,162</u>	<u>1,018,815</u>	<u>1,317,167</u>	<u>1,190,018</u>

### 7 OTHER OPERATING INCOME

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
Profit on disposal of property, plant and equipment	-	3,829	-	3,829
Miscellaneous	-	1,255	-	1,928

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## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2018

-	5,084	-	5,757
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### 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	
	2018 RO	2017 RO	2018 RO	2017 RO
Salaries, wages and other benefits	3,035,044	2,704,306	-	3,124,223
Leave salary	165,191	91,000	-	113,030
Air passage	53,339	47,313	-	54,081
End of service benefits	68,000	46,800	-	53,515
	<b>3,321,574</b>	<b>2,889,419</b>	<b>-</b>	<b>3,344,849</b>

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

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
Cost of sales (note 4)	1,903,389	1,658,515	2,327,026	1,998,671
Selling and distribution expenses (note 5)	800,933	688,949	800,933	688,949
General and administrative expenses (note 6)	617,252	541,955	732,999	657,229
	<b>3,321,574</b>	<b>2,889,419</b>	<b>3,860,958</b>	<b>3,344,849</b>

### 9 FINANCE COSTS / (INCOME) - NET

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
a) Interest expenses:				
- on government soft loan	13,065	22,130	13,065	22,130
- on bank overdraft	11,330	8,456	21,462	9,118
	<b>24,395</b>	<b>30,586</b>	<b>34,527</b>	<b>31,248</b>
Financing cost on Islamic overdraft	-	-	-	-
Financing cost on Islamic finance lease / Islamic O/D	6,079	4,029	106,989	107,942
Government soft loan - release of grant (note 25)	-	-	-	-
Interest expenses	<b>30,474</b>	<b>34,615</b>	<b>141,516</b>	<b>139,190</b>
b) Interest Income:				
Profit on deposits	-	-	-	-
Interest income/Profits on deposits	(103,238)	(76,820)	(103,238)	(76,820)
Interest income	<b>(103,238)</b>	<b>(76,820)</b>	<b>(103,238)</b>	<b>(76,820)</b>
Finance costs – net	<b>(72,764)</b>	<b>(42,205)</b>	<b>38,278</b>	<b>62,370</b>

### 10 TAXATION

(a) The tax authorities in Oman follow the legal entity concept. There is no concept of group taxation in Oman. Accordingly each legal entity is taxable separately. The tax rate applicable to all taxable entities of the Group is 15% (2017 - 15%). For the purpose of determining the tax expense for the year, the accounting results of each individual legal entity has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense.

(b) Tax expenses for the year is as follows:

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
Current tax	362,096	278,271	407,874	278,271

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## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2018

<b>362,096</b>	278,271	<b>407,874</b>	278,271
<b>362,096</b>	<b>278,271</b>	<b>407,874</b>	<b>278,271</b>

### 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	
	2018 RO	2017 RO	2018 RO	2017 RO
Profit attributable to shareholders (RO)	<b>2,051,878</b>	1,576,869	<b>2,433,807</b>	1,877,101
Weighted average number of shares	<b>120,000,000</b>	120,000,000	<b>120,000,000</b>	120,000,000
Basic earnings per share (RO)	<b>0.017</b>	0.013	<b>0.020</b>	0.016

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) The movement on property, plant and equipment during the year is set out on pages 42 to 45.

(b) Depreciation is allocated as follows:

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
Cost of sales (note 4)	<b>537,370</b>	542,135	<b>712,638</b>	718,327
General and administrative expenses (note 6)	<b>82,187</b>	82,915	<b>113,117</b>	114,008
Selling and distribution expenses (note 5)	<b>12,642</b>	12,759	<b>12,642</b>	12,759
	<b>632,199</b>	637,809	<b>838,397</b>	845,094

### 13 INTANGIBLE ASSETS

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
<b>Cost</b>				
<b>At 1 January</b>	<b>510,820</b>	510,820	<b>575,978</b>	510,820
Addition for the year	-	29,105	-	94,263
<b>At 30 June</b>	<b>510,820</b>	539,925	<b>575,978</b>	605,083
<b>Accumulated amortisation</b>				
<b>At 1 January</b>	<b>(327,302)</b>	(225,137)	<b>(338,947)</b>	(225,137)
Charge for the year	<b>(50,662)</b>	(50,662)	<b>(57,160)</b>	(55,873)
<b>At 30 June</b>	<b>(377,964)</b>	(275,799)	<b>(396,107)</b>	(281,010)
<b>Net book amount</b>				
<b>At 30 June</b>	<b>132,856</b>	264,126	<b>179,871</b>	324,073

Intangible assets include computer software system and are being amortised over the estimated useful life of 5 years.

### 14 INVESTMENT IN SUBSIDIARIES

	%	Year of	Parent Company	
			2018	2017

# A'SAFFA FOODS SAOG

## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2018

	holding	incorporation	RO	RO
A'Saffa Food Processing LLC ('A'Saffa Processing')	100%	2011	1,350,000	1,350,000
A'Saffa Logistics LLC ('A'Saffa Logistics')	100%	2014	<u>1,600,000</u>	<u>1,600,000</u>
			<u><b>2,950,000</b></u>	<u><b>2,950,000</b></u>

(a) Investments in subsidiaries have been set off against the share capital and reserves of the subsidiaries in consolidated financial statements.

(b) The Board of Directors of the Parent Company considers that no impairment has arisen during the years 2018 and 2017 as the subsidiaries have orders on hand at the reporting date that will generate future cash flows and no specific indicators for impairment were identified.

### 15 AVAILABLE FOR SALE FINANCIAL ASSETS

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
Unquoted local investment	<u>47,671</u>	<u>56,076</u>	<u>47,671</u>	<u>56,076</u>

### 16 INVESTMENT IN ASSOCIATES

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
Al Namaa Poultry Co. SAOC	2,407,200	1,020,000	2,407,200	1,020,000
Osool Poultry Company SAOC	1,831,844	100,004	1,831,844	100,004
Share of losses from associate	(288,844)	(203,310)	(288,844)	(203,310)
	<u>3,950,200</u>	<u>916,694</u>	<u>3,950,200</u>	<u>916,694</u>

### 17 INVENTORIES

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
Raw materials and consumables	2,794,947	2,054,476	3,573,395	2,491,202
Finished products	901,510	1,210,393	922,331	1,226,845
Stores and spares	851,778	760,939	1,003,426	918,666
	<u>4,548,235</u>	<u>4,025,808</u>	<u>5,499,152</u>	<u>4,636,713</u>

The Company has made no write downs or provisions in the current year (2017 - RO Nil).

### 18 BIOLOGICAL ASSETS

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
Mature biological assets (Broiler birds)	814,106	792,669	814,106	792,669
Immature biological assets (Parent day old chicks)	450,334	468,534	450,334	468,534
Hatchable eggs	161,638	163,470	161,638	163,470
	<u>1,426,078</u>	<u>1,424,673</u>	<u>1,426,078</u>	<u>1,424,673</u>

### 19 TRADE AND OTHER RECEIVABLES

# A'SAFFA FOODS SAOG

## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2018

	Parent Company		Group	
	2018	2017	2018	2017
	RO	RO	RO	RO
Trade receivables	8,558,028	7,922,119	8,769,864	7,988,464
Less: provision for doubtful debts	(156,088)	(98,793)	(156,088)	(98,793)
	<u>8,401,940</u>	<u>7,823,326</u>	<u>8,613,776</u>	<u>7,889,671</u>
Due from a related party	978,040	599,943	978,040	164,451
Advance to staff and suppliers	662,587	489,339	662,587	563,194
Prepayments	211,859	311,013	287,859	339,915
Other receivables	-	0	-	0
	<u>10,254,426</u>	<u>9,223,621</u>	<u>10,542,262</u>	<u>8,957,231</u>

### 20 CASH AND BANK BALANCES

	Parent Company		Group	
	2018	2017	2018	2017
	RO	RO	RO	RO
Cash on hand	35,137	43,094	36,437	45,994
Cash at bank:				
- Call deposit	-	0	-	0
- Current accounts	156,469	244,795	230,471	393,965
	<u>191,606</u>	<u>287,889</u>	<u>266,908</u>	<u>439,959</u>

### 21 TERM DEPOSITS

	Parent Company		Group	
	2018	2017	2018	2017
	RO	RO	RO	RO
<b>Non-current:</b>				
Long term deposit (see (a) below)	-	5,000,000	-	5,000,000
<b>Current:</b>				
Short term deposits (see (b) below)	<u>3,950,000</u>	<u>4,000,000</u>	<u>3,950,000</u>	<u>4,000,000</u>

### 25 BORROWINGS

#### Non-current:

	Parent Company		Group	
	2018	2017	2018	2017
	RO	RO	RO	RO
Term loans from commercial banks:				
Term loan 1 (a)	-	-	2,040,000	2,400,000
Government soft loan (b)	450,000	950,000	450,000	950,000
	<u>450,000</u>	<u>950,000</u>	<u>2,490,000</u>	<u>3,350,000</u>
Less: current portion of term loans included under current borrowings	(450,000)	(500,000)	(930,000)	(980,000)
	<u>-</u>	<u>450,000</u>	<u>1,560,000</u>	<u>2,370,000</u>

#### Current:

	Parent Company		Group	
	2018	2017	2018	2017
	RO	RO	RO	RO
Current portion of long term loans	450,000	500,000	930,000	980,000
Bank overdrafts (see d below)	879,964	1,444,768	879,964	1,444,768
	<u>1,329,964</u>	<u>1,944,768</u>	<u>1,809,964</u>	<u>2,424,768</u>

# A'SAFFA FOODS SAOG

## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2018

### 26 FINANCE LEASE LIABILITIES

Assets acquired under finance lease are reflected in the statement of financial position at their original cost less accumulated depreciation. The present value of finance lease liabilities at 31 March 2018 and 2017 in respect of future years is as follows:

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
Finance lease liabilities	-	-	<b>1,571,672</b>	2,412,091
	-	-	<b>1,571,672</b>	2,412,091
Amount falling due:				
Within one year	-	-	<b>879,232</b>	840,000
After one year but within four years	-	-	<b>692,440</b>	1,572,091
	-	-	<b>1,571,672</b>	2,412,091

### 27 TRADE AND OTHER PAYABLES

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
Trade payables	<b>2,702,594</b>	2,816,911	<b>4,242,812</b>	3,568,384
Accruals	<b>551,466</b>	525,995	<b>659,779</b>	600,824
Tax payable (note 10)	<b>362,096</b>	278,271	<b>407,874</b>	278,271
Due to related parties	-	-	-	-
Other payables	<b>6,000</b>	63,030	<b>6,000</b>	63,030
Advances from customers	-	-	-	-
Accrued interest	-	-	-	-
Retentions payable	-	-	-	-
	<b>3,622,156</b>	3,684,207	<b>5,316,465</b>	4,510,509

### 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	
	2018 RO	2017 RO	2018 RO	2017 RO
Net assets (RO)	<b>40,169,871</b>	38,352,737	<b>41,382,940</b>	38,899,166
Number of shares at 31 December	<b>120,000,000</b>	120,000,000	<b>120,000,000</b>	120,000,000
Net assets per share (RO)	<b>0.335</b>	0.320	<b>0.300</b>	0.324

### 29 CASH GENERATED FROM OPERATIONS

	Parent Company		Group	
	2018 RO	2017 RO	2018 RO	2017 RO
<b>Operating activities</b>				
<b>Profit before taxation</b>	<b>2,051,878</b>	1,576,869	<b>2,433,807</b>	1,877,101
<b>Adjustment for:</b>				
Depreciation	<b>632,199</b>	637,809	<b>838,397</b>	845,094
Amortisation	<b>50,662</b>	50,662	<b>57,160</b>	55,873
Interest income	<b>103,238</b>	(76,820)	<b>103,238</b>	(76,820)
Interest expense	<b>(30,474)</b>	47,602	<b>(141,516)</b>	153,702
Share of loss from associate	<b>36,512</b>	-	<b>36,512</b>	-
End of service benefits	-	65,064	-	74,163
	<b>2,844,015</b>	2,301,186	<b>3,327,598</b>	2,929,113
<b>Working capital changes:</b>				



## A'SAFFA FOODS SAOG

### NOTES TO THE FINANCIAL STATEMENTS

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At 30 June 2018

Inventories and biological assets	<b>(818,026)</b>	(144,047)	<b>(974,600)</b>	(138,470)
Trade and other receivables	<b>1,347,150</b>	(873,118)	<b>372,271</b>	(1,138,271)
Trade and other payables	<b>(1,084,460)</b>	(1,456,846)	<b>(53,683)</b>	(1,168,234)
<b>Cash generated from operations</b>	<b><u>2,288,679</u></b>	<b><u>(172,825)</u></b>	<b><u>2,671,586</u></b>	<b><u>484,138</u></b>