# A'Saffa Foods SAOG
## Chairman's Report

---

**Dear Shareholders,**

On behalf of the Board of Directors of A'Saffa Foods SAOG, I have pleasure in presenting the financial results for nine months ended 30th September 2018.

**<u>Performance Review</u>**

Sales for the nine months ended 30th September 2018 were RO. 25,475,518/- as compared to RO. 22,955,995/- during the same period of 2017 showing an increase of 10.97%. Net profit (consolidated) of RO. 3,332,001/- has been achieved during nine months of 2018 as compared to net profit of RO. 3,139,695/- 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 September 2018

| | | Parent Company | | Group | |
|---|---|---|---|---|---|
| | | ***2018*** | *2017* | ***2018*** | *2017* |
| | *Notes* | ***RO*** | *RO* | ***RO*** | *RO* |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | | **15,945,683** | 17,117,514 | **24,097,360** | 25,643,317 |
| Capital Advances/WIP | | **4,963,144** | - | **5,001,784** | |
| Intangible assets | 13 | **107,105** | 238,375 | **150,872** | 293,765 |
| 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 | **4,122,248** | 2,648,534 | **4,122,248** | 2,648,534 |
| Term deposits | 21 | **2,000,000** | 4,000,000 | **2,000,000** | 4,000,000 |
| **Total non-current assets** | | **30,135,851** | 27,010,499 | **35,419,935** | 32,641,692 |
| **Current assets** | | | | | |
| Inventories | 17 | **4,469,808** | 4,326,528 | **5,501,224** | 4,952,191 |
| Biological assets | 18 | **1,295,520** | 1,367,062 | **1,295,520** | 1,367,062 |
| Trade and other receivables | 19 | **10,637,453** | 9,605,750 | **9,239,724** | 9,397,021 |
| Cash and bank balances | 20 | **234,999** | 373,427 | **557,538** | 574,040 |
| Term deposits | 21 | **1,950,000** | 3,500,000 | **1,950,000** | 3,500,000 |
| **Total current assets** | | **18,587,780** | 19,172,767 | **18,544,006** | 19,790,314 |
| **TOTAL ASSETS** | | **48,723,631** | 46,183,266 | **53,963,941** | 52,432,006 |
| **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 | **4,142,347** | 4,000,000 |
| Retained earnings | | **24,958,451** | 23,454,174 | **26,138,787** | 24,161,760 |
| **Total equity** | | **40,958,451** | 39,454,174 | **42,281,134** | 40,161,760 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 25 | **-** | 450,000 | **1,440,000** | 2,370,000 |
| Finance lease liabilities | 26 | **-** | - | **529,440** | 1,360,268 |
| End of service benefits | | **644,049** | 561,429 | **680,421** | 588,524 |
| Deferred taxation | | **565,139** | 563,432 | **715,595** | 601,341 |
| **Total non-current liabilities** | | **1,209,188** | 1,574,861 | **3,365,456** | 4,920,133 |
| **Current liabilities** | | | | | |
| Borrowings | 25 | **2,147,937** | 1,279,959 | **2,627,937** | 1,759,959 |
| Finance lease liabilities | 26 | **-** | - | **840,000** | 848,615 |
| Trade and other payables | 27 | **4,408,055** | 3,874,272 | **4,849,414** | 4,741,539 |
| **Total current liabilities** | | **6,555,992** | 5,154,231 | **8,317,351** | 7,350,113 |
| **TOTAL LIABILITIES** | | **7,765,180** | 6,729,092 | **11,682,807** | 12,270,246 |
| **TOTAL EQUITY AND LIABILITIES** | | **48,723,631** | 46,183,266 | **53,963,941** | 52,432,006 |
| **Net assets per share (RO)** | 28 | **0.341** | 0.329 | **0.352** | 0.335 |

# A'SAFFA FOODS SAOG

## STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 September 2018

| | | Parent Company | | Group | |
|---|---|---|---|---|---|
| | | ***2018*** | *2017* | ***2018*** | *2017* |
| | *Notes* | ***RO*** | *RO* | ***RO*** | *RO* |
| Revenue | | **24,660,835** | 22,652,848 | **25,475,518** | 22,955,995 |
| Cost of sales | 4 | **(15,832,715)** | (14,607,805) | **(15,711,821)** | (14,049,983) |
| Gross profit | | **8,828,120** | 8,045,043 | **9,763,697** | 8,906,012 |
| Selling and distribution expenses | 5 | **(3,730,214)** | (3,345,658) | **(3,730,214)** | (3,345,658) |
| General and administrative expenses | 6 | **(1,726,007)** | (1,624,414) | **(1,957,880)** | (1,856,737) |
| Other operating income | 7 | **-** | - | **-** | - |
| **Operating profit** | | **3,371,899** | 3,074,971 | **4,075,603** | 3,703,617 |
| Finance income / (cost) – net | 9 | **78,280** | 75,978 | **(80,024)** | (91,280) |
| Share of loss from associates | 16 | **(108,464)** | - | **(108,464)** | - |
| **Profit before tax** | | **3,341,715** | 3,150,949 | **3,887,115** | 3,612,337 |
| Taxation | | | | | |
| - Current tax | 10 | **(501,257)** | (472,642) | **(555,114)** | (472,642) |
| | | **(501,257)** | (472,642) | **(555,114)** | (472,642) |
| **Profit and total comprehensive income for the year** | | **2,840,458** | 2,678,307 | **3,332,001** | 3,139,695 |
| **Basic earnings per share (RO)** | 11 | **0.024** | 0.022 | **0.028** | 0.026 |

# A'SAFFA FOODS SAOG

## STATEMENT OF CASH FLOWS

Period ended 30 September 2018

| | | Parent Company | | Group | |
|---|---|---|---|---|---|
| | | ***2018*** | *2017* | ***2018*** | *2017* |
| | *Notes* | ***RO*** | *RO* | ***RO*** | *RO* |
| **OPERATING ACTIVITIES** | | | | | |
| **Cash generated from operations** | | **4,004,738** | 957,521 | **4,915,590** | 1,578,063 |
| Interest paid | 9 | **41,785** | 77,007 | **200,089** | 246,396 |
| Interest received | 9 | **(120,065)** | (128,639) | **(120,065)** | (128,639) |
| **Net cash generated from operating activities** | | **3,926,458** | 905,889 | **4,995,614** | 1,695,820 |
| **INVESTING ACTIVITIES** | | | | | |
| Purchase of property, plant and equipment | | **(3,701,338)** | (211,395) | **(3,728,070)** | (250,600) |
| Investment in associates | | **(1,522,736)** | (1,731,840) | **(1,522,736)** | (1,731,840) |
| Term deposits | 21 | **2,500,000** | 1,000,000 | **2,500,000** | 1,000,000 |
| **Net cash generated from / (used in) investing activities** | | **(2,724,074)** | (943,235) | **(2,750,806)** | (982,440) |
| **FINANCING ACTIVITIES** | | | | | |
| Finance lease repaid | | **-** | - | **-** | (606,960) |
| Long term loans repaid | | **(500,000)** | (500,000) | **(1,492,127)** | (500,000) |
| Dividend paid | | **(2,400,000)** | (2,400,000) | **(2,400,000)** | (2,400,000) |
| **Net cash used in financing activities** | | **(2,900,000)** | (2,900,000) | **(3,892,127)** | (3,506,960) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(1,697,616)** | (2,937,346) | **(1,647,319)** | (2,793,580) |
| Cash and cash equivalents at beginning of the year | | **2,184,678** | 6,030,815 | **2,456,920** | 6,087,661 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | | **487,062** | 3,093,469 | **809,601** | 3,294,081 |

# A'SAFFA FOODS SAOG

## STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2018

| | *Share capital RO* | *Legal reserves RO* | *Retained earning RO* | *Total RO* |
|---|---|---|---|---|
| Parent Company | | | | |
| 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 | - | - | 2,678,307 | 2,678,307 |
| Dividend paid | - | - | (2,400,000) | (2,400,000) |
| Transfer to legal reserve | - | - | - | - |
| At 30 September 2017 | 12,000,000 | 4,000,000 | 23,454,175 | 39,454,175 |
| Group (Note 1) | | | | |
| 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 | - | - | 3,139,695 | 3,139,695 |
| Dividend paid | - | - | (2,400,000) | (2,400,000) |
| Transfer to legal reserve | - | - | - | - |
| At 30 September 2017 | 12,000,000 | 4,000,000 | 24,161,760 | 40,161,760 |
| **Parent Company** | | | | |
| **As at 1 January 2018** | **12,000,000** | **4,000,000** | **24,517,993** | **40,517,993** |
| Profit and total comprehensive income for the year | **-** | **-** | **2,840,458** | **2,840,458** |
| Dividend paid | **-** | **-** | **(2,400,000)** | **(2,400,000)** |
| **At 30 September 2018** | **12,000,000** | **4,000,000** | **24,958,451** | **40,958,451** |
| **Group (Note 1)** | | | | |
| **As at 1 January 2018** | **12,000,000** | **4,093,193** | **25,255,940** | **41,349,133** |
| Profit and total comprehensive income for the year | **-** | **-** | **3,332,001** | **3,332,001** |
| Dividend paid | **-** | **-** | **(2,400,000)** | **(2,400,000)** |
| Transfer to legal reserve | **-** | **49,154** | **(49,154)** | **-** |
| **At 30 September 2018** | **12,000,000** | **4,142,347** | **26,138,787** | **42,281,134** |

## 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

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 September 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.

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.

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:

| **1 January 2018** | **Current** | **1 - 60 days past due** | **61-120 days past due** | **121-180 days past due** | **181-240 days past due** |
|---|---|---|---|---|---|
| Expected loss rate | **0%** | **1%** | **7%** | **11%** | **26%** |
| Gross carrying amount | **5,286,996** | **1,892,310** | **298,754** | **124,239** | **43,807** |
| Loss allowance | **-** | **(25,669)** | **(20,224)** | **(13,304)** | **(11,258)** |

| | **241-365 days past due** | **more than 365 days past due** | **Total** |
|---|---|---|---|
| Expected loss rate | **34%** | **9%** | **2%** |
| Gross carrying amount | **148,566** | **191,535** | **7,986,207** |
| Loss allowance | **(51,015)** | **(17,265)** | **(138,735)** |

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*

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.

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.

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.

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

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**

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)

### 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.

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.

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.

**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**

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.

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.

**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

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).

**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.

## 4 COST OF SALES

| | Parent Company | | Group | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **RO** | RO | **RO** | RO |
| Cost of materials consumed | **10,549,843** | 9,822,855 | **9,096,458** | 8,104,952 |
| | **10,549,843** | 9,822,855 | **9,096,458** | 8,104,952 |
| Employee related costs (note 8) | **2,845,979** | 2,357,032 | **3,472,863** | 2,881,887 |
| Depreciation (note 12) | **810,087** | 823,890 | **1,095,621** | 1,088,070 |
| Fuel expenses | **636,336** | 715,548 | **816,435** | 892,552 |
| Amortisation | **25,471** | 64,950 | **35,219** | 72,113 |
| Other direct expenses | **964,999** | 823,530 | **1,195,225** | 1,010,409 |
| | **15,832,715** | 14,607,805 | **15,711,821** | 14,049,983 |

## 5 SELLING AND DISTRIBUTION EXPENSES

| | Parent Company | | Group | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **RO** | RO | **RO** | RO |
| Employee related costs (note 8) | **1,183,727** | 1,142,322 | **1,183,727** | 1,142,322 |
| Rent and storage expenses | **733,644** | 788,219 | **733,644** | 788,219 |
| Transportation costs | **1,215,089** | 689,770 | **1,215,089** | 689,770 |
| Advertisement and sales promotion | **371,250** | 378,751 | **371,250** | 378,751 |
| Insurance | **55,461** | 105,060 | **55,461** | 105,060 |
| Communication | **14,601** | 17,846 | **14,601** | 17,846 |
| Depreciation (note 12) | **19,061** | 19,397 | **19,061** | 19,397 |
| Amortisation | **25,471** | 1,529 | **25,471** | 1,529 |
| Miscellaneous | **111,910** | 102,764 | **111,910** | 102,764 |
| | **3,730,214** | 3,245,658 | **3,730,214** | 3,245,658 |

## 6 GENERAL AND ADMINSTRATIVE EXPENSES

| | Parent Company | | Group | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **RO** | RO | **RO** | RO |
| Employee related costs (note 8) | **924,243** | 852,570 | **1,093,160** | 1,000,665 |
| Depreciation (note 12) | **123,896** | 126,000 | **149,608** | 172,620 |
| Directors' remuneration | **105,000** | 105,000 | **105,000** | 105,000 |
| Rent | **121,794** | 101,565 | **121,794** | 101,565 |
| Contributions for social causes | **75,000** | 75,000 | **75,000** | 75,000 |
| Printing and stationery | **1,048** | 340 | **2,584** | 340 |
| Directors' meeting attendance fees | **28,700** | 38,000 | **31,750** | 43,500 |
| Amortisation | **25,471** | 9,934 | **25,471** | 11,198 |
| Business travel and meeting expenses | **36,928** | 33,452 | **37,901** | 34,550 |
| Communication | **17,665** | 15,279 | **20,550** | 15,279 |
| Repairs and maintenance | **11,688** | 17,555 | **11,688** | 17,555 |
| Professional and consultancy fees | **25,216** | 20,654 | **32,114** | 26,709 |
| Registration and renewals | **22,071** | 21,649 | **24,154** | 24,342 |
| Foreign exchange loss - Net | **(16,938)** | 24,346 | **(15,081)** | 26,477 |
| Vehicle expenses | **21,206** | 8,917 | **21,206** | 8,917 |
| Miscellaneous | **162,955** | 174,153 | **180,917** | 193,020 |
| Provision for doubtful debts (note 19) | **40,064** | - | **40,064** | - |
| | **1,726,007** | 1,624,414 | **1,957,880** | 1,856,737 |

## 7 OTHER OPERATING INCOME

| | Parent Company | | Group | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **RO** | RO | **RO** | RO |
| Profit on disposal of property, plant and equipment | **-** | - | **-** | - |
| Consultancy charges | **-** | - | **-** | - |
| Miscellaneous | **-** | - | **-** | - |
| | **-** | - | **-** | - |

## 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** | *2017* | **2018** | *2017* |
| | **RO** | *RO* | **RO** | *RO* |
| Salaries, wages and other benefits | **4,533,863** | 3,954,503 | **5,253,128** | 4,573,761 |
| Leave salary | **258,329** | 211,000 | **294,819** | 245,029 |
| Air passage | **78,757** | 113,621 | **110,576** | 123,640 |
| End of service benefits | **83,000** | 72,800 | **91,227** | 82,444 |
| | **4,953,949** | 4,351,924 | **5,749,750** | 5,024,874 |

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

| | Parent Company | | Group | |
|---|---|---|---|---|
| | **2018** | *2017* | **2018** | *2017* |
| | **RO** | *RO* | **RO** | *RO* |
| Cost of sales (note 4) | **2,845,979** | 2,357,032 | **3,472,863** | 2,881,887 |
| Selling and distribution expenses (note 5) | **1,183,727** | 1,142,322 | **1,183,727** | 1,142,322 |
| General and administrative expenses (note 6) | **924,243** | 852,570 | **1,093,160** | 1,000,665 |
| | **4,953,949** | 4,351,924 | **5,749,750** | 5,024,874 |

## 9 FINANCE COSTS / (INCOME) - NET

| | Parent Company | | Group | |
|---|---|---|---|---|
| | **2018** | *2017* | **2018** | *2017* |
| | **RO** | *RO* | **RO** | *RO* |
| a) Interest expenses: | | | | |
| - on government soft loan | **15,322** | 28,157 | **15,322** | 28,157 |
| - on bank overdraft | **16,452** | 13,098 | **20,795** | 14,074 |
| | **31,774** | 41,255 | **36,117** | 42,231 |
| Financing cost on Islamic overdraft | **-** | - | **-** | |
| Financing cost on Islamic finance lease / Islamic O/D | **10,011** | 11,406 | **163,972** | 177,688 |
| Government soft loan - release of grant (note 25) | **-** | - | **-** | |
| Interest expenses | **41,785** | 52,661 | **200,089** | 219,919 |
| b) Interest Income: | | | | |
| Profit on deposits | **-** | - | **-** | - |
| Interest income/Profits on deposits | **(120,065)** | (128,639) | **(120,065)** | (128,639) |
| Interest income | **(120,065)** | (128,639) | **(120,065)** | (128,639) |
| Finance costs – net | **(78,280)** | (75,978) | **80,024** | 91,280 |

## 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** | *2017* | **2018** | *2017* |
| | **RO** | *RO* | **RO** | *RO* |
| Current tax | **501,257** | 472,642 | **555,114** | 472,642 |
| | **501,257** | **472,642** | **555,114** | **472,642** |

## 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*** | *2017* | ***2018*** | *2017* |
| | ***RO*** | *RO* | ***RO*** | *RO* |
| Profit attributable to shareholders (RO) | **2,840,458** | 2,678,307 | **3,332,001** | 3,139,695 |
| Weighted average number of shares | **120,000,000** | 120,000,000 | **120,000,000** | 120,000,000 |
| Basic earnings per share (RO) | **0.024** | 0.022 | **0.028** | 0.026 |

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*** | *2017* | ***2018*** | *2017* |
| | ***RO*** | *RO* | ***RO*** | *RO* |
| Cost of sales (note 4) | **810,087** | 823,890 | **1,095,621** | 1,088,070 |
| General and administrative expenses (note 6) | **123,896** | 126,000 | **149,608** | 172,620 |
| Selling and distribution expenses (note 5) | **19,061** | 19,397 | **19,061** | 19,397 |
| | **953,044** | 969,287 | **1,264,290** | 1,280,087 |

**13 INTANGIBLE ASSETS**

| | Parent Company | | Group | |
|---|---|---|---|---|
| | ***2018*** | *2017* | ***2018*** | *2017* |
| | ***RO*** | *RO* | ***RO*** | *RO* |
| **Cost** | | | | |
| **At 1 January** | **510,819** | 510,819 | **575,977** | 574,636 |
| Addition for the year | **-** | 29,105 | **-** | 29,105 |
| **At 30 September** | **510,819** | 539,924 | **575,977** | 603,741 |
| **Accumulated amortisation** | | | | |
| **At 1 January** | **(327,301)** | (225,137) | **(338,945)** | (225,137) |
| Charge for the year | **(76,413)** | (76,412) | **(86,160)** | (84,839) |
| **At 30 September** | **(403,714)** | (301,549) | **(425,105)** | (309,976) |
| **Net book amount** | | | | |
| **At 30 September** | **107,105** | 238,375 | **150,872** | 293,765 |

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

**14 INVESTMENT IN SUBSIDIARIES**

| | | | Parent Company | |
|---|---|---|---|---|
| | **% holding** | **Year of incorporation** | **2018** | 2017 |
| | | | **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 | **1,600,000** | 1,600,000 |
| | | | **2,950,000** | 2,950,000 |

(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*** | *2017* | ***2018*** | *2017* |
| | ***RO*** | *RO* | ***RO*** | *RO* |
| **Unquoted local investment** | **47,671** | 56,076 | **47,671** | 56,076 |

## 16 INVESTMENT IN ASSOCIATES

| | Parent Company | | Group | |
|---|---|---|---|---|
| | ***2018*** | *2017* | ***2018*** | *2017* |
| | ***RO*** | *RO* | ***RO*** | *RO* |
| Al Namaa Poultry Co. SAOC | **2,651,200** | 1,020,000 | **2,651,200** | 1,020,000 |
| Osool Poultry Company SAOC | **1,831,844** | 1,831,844 | **1,831,844** | 1,831,844 |
| Share of losses from associate | **(360,796)** | (203,310) | **(360,796)** | (203,310) |
| | **4,122,248** | 2,648,534 | **4,122,248** | 2,648,534 |

## 17 INVENTORIES

| | Parent Company | | Group | |
|---|---|---|---|---|
| | ***2018*** | *2017* | ***2018*** | *2017* |
| | ***RO*** | *RO* | ***RO*** | *RO* |
| Raw materials and consumables | **2,622,322** | 2,550,745 | **3,481,827** | 3,022,306 |
| Finished products | **942,627** | 1,036,695 | **956,062** | 1,037,519 |
| Stores and spares | **904,859** | 739,088 | **1,063,335** | 892,366 |
| | **4,469,808** | 4,326,528 | **5,501,224** | 4,952,191 |

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

## 18 BIOLOGICAL ASSETS

| | Parent Company | | Group | |
|---|---|---|---|---|
| | ***2018*** | *2017* | ***2018*** | *2017* |
| | ***RO*** | *RO* | ***RO*** | *RO* |
| Mature biological assets (Broiler birds) | **732,286** | 756,588 | **732,286** | 756,588 |
| Immature biological assets (Parent day old chicks) | **394,818** | 439,598 | **394,818** | 439,598 |
| Hatchable eggs | **168,416** | 170,876 | **168,416** | 170,876 |
| | **1,295,520** | 1,367,062 | **1,295,520** | 1,367,062 |

## 19 TRADE AND OTHER RECEIVABLES

| | Parent Company | | Group | |
|---|---|---|---|---|
| | ***2018*** | *2017* | ***2018*** | *2017* |
| | ***RO*** | *RO* | ***RO*** | *RO* |
| Trade receivables | **7,986,207** | 8,355,461 | **8,116,971** | 8,505,017 |
| Less: provision for doubtful debts | **(138,735)** | (85,931) | **(188,012)** | (135,208) |
| | **7,847,472** | 8,269,530 | **7,928,959** | 8,369,809 |
| Due from a related party | **1,699,385** | 657,378 | **66,698** | 150,886 |
| Advance to staff and suppliers | **784,954** | 470,685 | **884,858** | 580,575 |
| Prepayments | **305,642** | 208,157 | **359,209** | 295,751 |
| | **10,637,453** | 9,605,750 | **9,239,724** | 9,397,021 |

## 20 CASH AND BANK BALANCES

| | Parent Company | | Group | |
|---|---|---|---|---|
| | ***2018*** | *2017* | ***2018*** | *2017* |
| | ***RO*** | *RO* | ***RO*** | *RO* |
| Cash on hand | **66,264** | 17,302 | **69,164** | 19,102 |
| Cash at bank: | | | | |
| - Call deposit | **-** | - | **-** | - |
| - Current accounts | **168,735** | 356,125 | **488,374** | 554,938 |
| | **234,999** | 373,427 | **557,538** | 574,040 |

## 21 TERM DEPOSITS

| | Parent Company | | Group | |
|---|---|---|---|---|
| | ***2018*** | *2017* | ***2018*** | *2017* |
| | ***RO*** | *RO* | ***RO*** | *RO* |
| **Non-current:** | | | | |
| Long term deposit (see (a) below) | **2,000,000** | 4,000,000 | **2,000,000** | 4,000,000 |
| **Current:** | | | | |
| Short term deposits (see (b) below) | **1,950,000** | 3,500,000 | **1,950,000** | 3,500,000 |

## 25 BORROWINGS

**Non-current:**

| | Parent Company | | Group | |
|---|---|---|---|---|
| | ***2018*** | *2017* | ***2018*** | *2017* |
| Term loans from commercial banks: | ***RO*** | *RO* | ***RO*** | *RO* |
| Term loan 1 (a) | **-** | - | **1,920,000** | 2,400,000 |
| Government soft loan (b) | **450,000** | 950,000 | **450,000** | 950,000 |
| | **450,000** | 950,000 | **2,370,000** | 3,350,000 |
| Less: current portion of term loans included under current borrowings | **(450,000)** | (500,000) | **(930,000)** | (980,000) |
| | **-** | 450,000 | **1,440,000** | 2,370,000 |

**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) | **1,697,937** | 779,959 | **1,697,937** | 779,959 |
| | **2,147,937** | 1,279,959 | **2,627,937** | 1,759,959 |

## 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 30 September 2018 and 2017 in respect of future years is as follows:

| | Parent Company | | Group | |
|---|---|---|---|---|
| | ***2018*** | *2017* | ***2018*** | *2017* |
| | ***RO*** | *RO* | ***RO*** | *RO* |
| Finance lease liabilities | **-** | - | **1,369,440** | 2,208,883 |
| | **-** | - | **1,369,440** | 2,208,883 |
| Amount falling due: | | | | |
| Within one year | **-** | - | **840,000** | 848,615 |
| After one year but within four years | **-** | - | **529,440** | 1,360,268 |
| | **-** | - | **1,369,440** | 2,208,883 |

## 27 TRADE AND OTHER PAYABLES

| | Parent Company | | Group | |
|---|---|---|---|---|
| | ***2018*** | *2017* | ***2018*** | *2017* |
| | ***RO*** | *RO* | ***RO*** | *RO* |
| Trade payables | **3,270,447** | 2,807,870 | **3,467,072** | 3,625,317 |
| Accruals | **630,351** | 582,324 | **821,228** | 632,144 |
| Tax payable (note 10) | **501,257** | 472,642 | **555,114** | 472,642 |
| Other payables | **6,000** | 11,436 | **6,000** | 11,436 |
| | **4,408,055** | 3,874,272 | **4,849,414** | 4,741,539 |

## 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*** | *2017* | ***2018*** | *2017* |
| | ***RO*** | *RO* | ***RO*** | *RO* |
| Net assets (RO) | **40,958,451** | 39,454,174 | **42,281,134** | 40,161,760 |
| Number of shares at 31 December | **120,000,000** | 120,000,000 | **120,000,000** | 120,000,000 |
| Net assets per share (RO) | **0.341** | 0.329 | **0.352** | 0.335 |

## 29 CASH GENERATED FROM OPERATIONS

| | Parent Company | | Group | |
|---|---|---|---|---|
| | ***2018*** | *2017* | ***2018*** | *2017* |
| | ***RO*** | *RO* | ***RO*** | *RO* |
| **Operating activities** | | | | |
| **Profit before taxation** | **2,840,458** | 2,678,307 | **3,332,001** | 3,139,695 |
| **Adjustment for:** | | | | |
| Depreciation | **953,044** | 969,287 | **1,264,290** | 1,280,087 |
| Amortisation | **76,413** | 76,413 | **86,160** | 84,840 |
| Interest income | **120,065** | 128,639 | **120,065** | 128,639 |
| Interest expense | **(41,785)** | (52,661) | **(200,089)** | (219,919) |
| Gain & Loss on disposal of property & other | **(9,817)** | (24,346) | **(9,817)** | (26,477) |
| End of service benefits | **60,260** | 54,865 | **68,310** | 61,974 |
| | **3,998,638** | 3,830,504 | **4,660,920** | 4,448,839 |
| **Working capital changes:** | | | | |
| Inventories and biological assets | **(609,041)** | (387,156) | **(846,204)** | (396,337) |
| Trade and other receivables | **964,123** | (1,255,247) | **1,674,900** | (1,578,061) |
| Trade and other payables | **(348,982)** | (1,230,580) | **(574,026)** | (896,378) |
| **Cash generated from operations** | **4,004,738** | 957,521 | **4,915,590** | 1,578,063 |