

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 2019.

Performance Review

Sales for nine months ended 30th September 2019 was RO. 22,945,655/- as compared to RO. 24,660,835/- during the same period of 2018. Net Profit (consolidated) of RO. 1,114,634/- has been achieved during nine months of 2019 as compared to net profit of RO. 2,840,458/- for the same period of 2018.

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 30th.September 2019

	Notes	Parent Company		Group	
		2019 RO	2018 RO	2019 RO	2018 RO
ASSETS					
Non-current assets					
Property, plant and equipment		14,789,864	15,945,683	22,783,278	24,097,360
Lease assets (ROU)		964,969	-	1,000,475	-
Capital Advances/CWIP		27,690,868	4,963,144	27,690,868	5,001,784
Intangible assets	13	12,061	107,105	43,285	150,872
Investments in subsidiaries	14	2,950,000	2,950,000	-	-
Investment in fair value through profit and loss account	16	47,671	47,671	47,671	47,671
Investment in associates	15	6,305,156	4,122,248	6,305,156	4,122,248
Term deposits	21	-	2,000,000	-	2,000,000
Total non-current assets		52,760,589	30,135,851	57,870,733	35,419,935
Current assets					
Inventories	17	4,326,571	4,469,808	5,357,818	5,501,224
Biological assets	18	1,274,829	1,295,520	1,274,829	1,295,520
Trade and other receivables	19	9,863,242	10,637,453	9,233,741	9,239,724
Cash and bank balances	20	1,725,062	234,999	1,778,616	557,538
Term deposits	21	2,000,000	1,950,000	2,000,000	1,950,000
Total current assets		19,189,704	18,587,780	19,645,004	18,544,006
TOTAL ASSETS		71,950,293	48,723,631	77,515,737	53,963,941
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	4,214,386	4,142,347
Retained earnings		22,948,750	24,958,451	24,777,437	26,138,787
Total equity		38,948,750	40,958,451	40,991,823	42,281,134
LIABILITIES					
Non-current liabilities					
Borrowings	25	16,546,647	-	17,506,647	1,440,000
Finance lease liabilities	26	-	-	32,770	529,440
Lease liability (ROU)		874,855	-	884,866	-
End of service benefits		625,784	644,049	796,532	680,421
Deferred taxation	10	736,121	565,139	782,357	715,595
Total non-current liabilities		18,783,407	1,209,188	20,003,172	3,365,456
Current liabilities					
Borrowings	25	6,214,052	2,147,937	7,043,460	2,627,937
Finance lease liabilities	26	-	-	606,144	840,000
Lease liability (ROU)		69,162	-	94,269	-
Trade and other payables	27	7,934,922	4,408,055	8,776,869	4,849,414
Total current liabilities		14,218,136	6,555,992	16,520,742	8,317,351
TOTAL LIABILITIES		33,001,543	7,765,180	36,523,914	11,682,807
TOTAL EQUITY AND LIABILITIES		71,950,293	48,723,631	77,515,737	53,963,941
Net assets per share (RO)	28	0.325	0.341	0.342	0.352

A'SAFFA FOODS SAOG

STATEMENT OF COMPREHENSIVE INCOME

For the period Jan to 30 September 2019

	Notes	Parent Company		Group	
		2019 RO	2018 RO	2019 RO	2018 RO
Revenue		22,945,655	24,660,835	23,386,062	25,475,518
Cost of sales	4	(15,635,512)	(15,832,715)	(15,066,831)	(15,711,821)
Gross profit		7,310,143	8,828,120	8,319,231	9,763,697
Selling and distribution expenses	5	(4,026,492)	(3,730,214)	(4,026,492)	(3,730,214)
General and administrative expenses	6	(1,699,658)	(1,726,007)	(1,981,360)	(1,957,880)
Other operating income	7	-	-	-	-
Operating profit		1,583,993	3,371,899	2,311,379	4,075,603
Finance income / (cost) – net	9	(80,640)	78,280	(182,158)	(80,024)
Share of loss from associates	15	(192,019)	(108,464)	(192,019)	(108,464)
Profit before tax		1,311,334	3,341,715	1,937,202	3,887,115
Taxation					
- Current tax	10	(196,700)	(501,257)	(290,580)	(555,114)
		(196,700)	(501,257)	(290,580)	(555,114)
Profit and total comprehensive income for the year		1,114,634	2,840,458	1,646,622	3,332,001
Basic earnings per share (RO)	11	0.009	0.024	0.014	0.028

A'SAFFA FOODS SAOG
STATEMENT OF CASH FLOWS
At 30th.September 2019

	Notes	Parent Company		Group	
		2019 RO	2018 RO	2019 RO	2018 RO
OPERATING ACTIVITIES					
Cash generated from operations	33	4,997,655	4,004,738	5,761,755	4,915,590
Interest paid	9		41,785		200,089
Net Finance Cost	9	(99,201)	(120,065)	(203,676)	(120,065)
Net cash generated from operating activities		4,898,454	3,926,458	5,558,079	4,995,614
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	12	(18,538,361)	(3,701,338)	(18,597,281)	(3,728,070)
Investment in associates	15	(2,309,201)	(1,522,736)	(2,309,201)	(1,522,736)
Term deposits	21	-	2,500,000	-	2,500,000
Net cash generated (used in) / from		(20,847,562)	(2,724,074)	(20,906,482)	(2,750,806)
FINANCING ACTIVITIES					
Long term loans received & repaid		20,054,204	(500,000)	19,032,907	(1,492,127)
Dividend paid		(2,400,000)	(2,400,000)	(2,400,000)	(2,400,000)
Net cash used in financing activities		17,654,204	(2,900,000)	16,632,907	(3,892,127)
NET DECREASE IN CASH AND CASH EQUIVALENTS		1,705,096	(1,697,616)	1,284,504	(1,647,319)
Cash and cash equivalents at beginning of the year		(236,528)	2,184,678	(126,405)	2,456,920
CASH AND CASH EQUIVALENTS AT 30 Sep		1,468,568	487,062	1,158,099	809,601

A'SAFFA FOODS SAOG

STATEMENT OF CHANGES IN EQUITY

At 30th.September 2019

	<i>Share capital RO</i>	<i>Legal reserves RO</i>	<i>Retained earning RO</i>	<i>Total RO</i>
Parent Company				
As at 1 January 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	<u><u>12,000,000</u></u>	<u><u>4,000,000</u></u>	<u><u>24,958,451</u></u>	<u><u>40,958,451</u></u>
Group				
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	<u><u>12,000,000</u></u>	<u><u>4,142,347</u></u>	<u><u>26,138,787</u></u>	<u><u>42,281,134</u></u>
Parent Company				
As at 1 January 2019	12,000,000	4,000,000	24,234,116	40,234,116
Profit and total comprehensive income for the year	-	-	1,114,634	1,114,634
Dividend paid	-	-	(2,400,000)	(2,400,000)
At 30 September 2019	<u><u>12,000,000</u></u>	<u><u>4,000,000</u></u>	<u><u>22,948,750</u></u>	<u><u>38,948,750</u></u>
Group				
As at 1 January 2019	12,000,000	4,161,188	25,584,013	41,745,201
Profit and total comprehensive income for the year	-	-	1,646,622	1,646,622
Dividend paid	-	-	(2,400,000)	(2,400,000)
Transfer to legal reserve	-	53,198	(53,198)	-
At 30 September 2019	<u><u>12,000,000</u></u>	<u><u>4,214,386</u></u>	<u><u>24,777,437</u></u>	<u><u>40,991,823</u></u>

A'SAFFA FOODS SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the period Jan to 30 September 2019

4 COST OF SALES

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Cost of materials consumed	10,091,301	10,570,536	8,186,665	9,117,151
Less: Government subsidy	-	(20,693)	-	(20,693)
	10,091,301	10,549,843	8,186,665	9,096,458
Employee related costs (note 8)	3,130,889	2,845,979	3,740,262	3,472,863
Depreciation (note 12)	799,045	810,087	1,070,585	1,095,621
Fuel expenses	687,820	636,336	858,419	816,435
Amortisation (note 13)	23,098	25,471	31,383	35,219
Lease Depreciation	32,527	-	54,105	-
Other direct expenses	870,832	964,999	1,125,412	1,195,225
	15,635,512	15,832,715	15,066,831	15,711,821

5 SELLING AND DISTRIBUTION EXPENSES

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Transportation costs	1,292,281	1,215,089	1,292,281	1,215,089
Employee related costs (note 8)	1,208,498	1,183,727	1,208,498	1,183,727
Rent and storage expenses	843,561	733,644	843,561	733,644
Advertisement and sales promotion	360,159	371,250	360,159	371,250
Insurance	77,452	55,461	77,452	55,461
Communication	14,898	14,601	14,898	14,601
Depreciation (note 12)	18,804	19,061	18,804	19,061
Amortisation (note 13)	23,098	25,471	23,098	25,471
Miscellaneous	187,741	111,910	187,741	111,910
	4,026,492	3,730,214	4,026,492	3,730,214

6 GENERAL AND ADMINSTRATIVE EXPENSES

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Employee related costs (note 8)	893,170	924,243	1,080,002	1,093,160
Depreciation (note 12)	122,205	123,896	170,124	149,608
Rent	106,554	121,794	106,554	121,794
Directors' remuneration	105,269	105,000	105,269	105,000
Printing and stationery	6,353	1,048	6,353	2,584
Contributions for social causes	38,000	75,000	38,000	75,000
Business travel and meeting expenses	43,445	36,928	43,445	37,901
Professional and consultancy fees	67,569	25,216	88,068	32,114
Amortisation (note 13)	23,098	25,471	24,560	25,471
Directors' meeting attendance fees	19,600	28,700	23,750	31,750
Provision for expected credit losses (note 19)	48,228	40,064	48,228	40,064
Communication	16,159	17,665	16,159	20,550
Registration and renewals	23,697	22,071	25,335	24,154
Repairs and maintenance	13,048	11,688	13,048	11,688
Vehicle expenses	11,822	21,206	11,822	21,206
Foreign exchange loss	18,561	(16,938)	21,517	(15,081)
Miscellaneous	142,880	162,955	159,126	180,917
	1,699,658	1,726,007	1,981,360	1,957,880

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NOTES TO THE FINANCIAL STATEMENTS

For the period Jan to 30 September 2019

7 OTHER OPERATING INCOME

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 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	
	2019 RO	2018 RO	2019 RO	2018 RO
Salaries, wages and other benefits	4,661,157	4,533,863	5,401,711	5,253,128
Leave salary	375,600	258,329	413,816	294,819
Air passage	102,300	78,757	110,052	110,576
End of service benefits	93,500	83,000	103,183	91,227
	5,232,557	4,953,949	6,028,762	5,749,750

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

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Cost of sales (note 4)	3,130,889	2,845,979	3,740,262	3,472,863
Selling and distribution expenses (note 5)	1,208,498	1,183,727	1,208,498	1,183,727
General and administrative expenses (note 6)	893,170	924,243	1,080,002	1,093,160
	5,232,557	4,953,949	6,028,762	5,749,750

9 FINANCE COSTS / (INCOME) - NET

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
a) Interest expenses:				
- on government soft loan	5,624	15,322	5,624	15,322
- on bank overdraft	113,938	16,452	116,573	20,795
	119,562	31,774	122,197	36,117
Financing cost on Islamic overdraft	23,195	10,011	23,195	10,011
Financing cost on Islamic finance lease	-	-	98,348	153,961
Interest on land lease	1,081	-	1,616	-
Interest expenses	143,838	41,785	245,356	200,089
Interest income on deposits	(63,198)	(120,065)	(63,198)	(120,065)
Interest income	(63,198)	(120,065)	(63,198)	(120,065)
Finance costs	80,640	(78,280)	182,158	80,024

A'SAFFA FOODS SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the period Jan to 30 September 2019

10 TAXATION

Statement of comprehensive income:

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Current tax	196,700	501,257	290,580	555,114
	196,700	501,257	290,580	555,114

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	
	2019 RO	2018 RO	2019 RO	2018 RO
Profit attributable to shareholders (RO)	1,114,634	2,840,458	1,646,621	3,332,001
Weighted average number of shares	120,000,000	120,000,000	120,000,000	120,000,000
Basic earnings per share (RO)	0.009	0.024	0.014	0.028

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

12 PROPERTY, PLANT AND EQUIPMENT

(a) Depreciation is allocated as follows:

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Cost of sales (note 4)	799,045	810,087	1,070,585	1,095,621
General and administrative expenses (note 6)	122,205	123,896	170,124	149,608
Selling and distribution expenses (note 5)	18,804	19,061	18,804	19,061
	940,054	953,044	1,259,513	1,264,290

13 INTANGIBLE ASSETS

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Cost				
At 1 January	510,819	510,819	575,977	575,977
Addition for the year	-	-	-	-
At 30 Sep	510,819	510,819	575,977	575,977
Accumulated amortisation				
At 1 January	(429,465)	(327,301)	(453,652)	(338,945)
Charge for the year	(69,293)	(76,413)	(79,040)	(86,160)
At 30 Sep	(498,758)	(403,714)	(532,692)	(425,105)
Net book amount				
At 30 Sep	12,061	107,105	43,285	150,872

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NOTES TO THE FINANCIAL STATEMENTS

For the period Jan to 30 September 2019

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

Amortisation is allocated as follows:

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Cost of sales (note 4)	23,098	25,471	31,383	35,218
Selling and distribution expenses (note 5)	23,098	25,471	23,098	25,471
General and administrative expenses (note 6)	23,098	25,471	24,560	25,471
	69,294	76,413	79,041	86,160

14 INVESTMENT IN SUBSIDIARIES

	% holding	Year of incorporation	Parent Company	
			2019 RO	2018 RO
A'Saffa Food Processing LLC	100%	2011	1,350,000	1,350,000
A'Saffa Logistics LLC	100%	2014	1,600,000	1,600,000
			2,950,000	2,950,000

15 INVESTMENT IN ASSOCIATES

Movement in investment in associates are as follows:

	Parent and Group	
	2019 RO	2018 RO
Al Namaa Poultry Co. SAOC	2,651,200	2,651,200
Osool Poultry Company SAOC	4,141,045	1,831,844
Share of losses from associate	(487,089)	(360,796)
	6,305,156	4,122,248

16 INVESTMENT FAIR VALUE THROUGH PROFIT AND LOSS

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Unquoted local investment	47,671	47,671	47,671	47,671

17 INVENTORIES

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Raw materials and consumables	2,184,693	2,622,322	3,006,341	3,481,827
Finished products	1,227,999	942,627	1,265,721	956,062
Stores and spares	913,879	904,859	1,085,756	1,063,335
	4,326,571	4,469,808	5,357,818	5,501,224

A'SAFFA FOODS SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the period Jan to 30 September 2019

18 BIOLOGICAL ASSETS

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Mature biological assets (Broiler birds)	697,737	732,286	697,737	732,286
Immature biological assets (Parent day old chicks)	394,013	394,818	394,013	394,818
Hatchable eggs	183,079	168,416	183,079	168,416
	1,274,829	1,295,520	1,274,829	1,295,520

19 TRADE AND OTHER RECEIVABLES

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Trade receivables	6,997,735	7,986,207	7,338,300	8,116,971
Less: allowance for expected credit losses	(186,964)	(138,735)	(236,241)	(188,012)
	6,810,771	7,847,472	7,102,059	7,928,959
Due from a related party	1,235,312	1,699,385	150,564	66,698
Advance to staff and suppliers (Capital Advance)	1,047,573	784,954	1,162,509	884,858
Prepayments	769,586	305,642	818,609	359,209
	9,863,242	10,637,453	9,233,741	9,239,724

20 CASH AND BANK BALANCES

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Cash on hand	75,381	66,264	128,935	69,164
Cash at bank	1,649,681	168,735	1,649,681	488,374
	1,725,062	234,999	1,778,616	557,538

21 TERM DEPOSITS

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Non-current:				
Long term deposit	-	2,000,000	-	2,000,000
Current:				
Short term deposits (see (b) below)	2,000,000	1,950,000	2,000,000	1,950,000

25 BORROWINGS

Non-current:

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Term loans from commercial banks:				
Term loan	16,546,647	-	18,592,791	1,920,000
Government soft loan	-	450,000	-	450,000
	16,546,647	450,000	18,592,791	2,370,000
Less: current portion of term loans included under current borrowings	-	(450,000)	(1,086,144)	(930,000)
	16,546,647	0	17,506,647	1,440,000

A'SAFFA FOODS SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the period Jan to 30 September 2019

Current:

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Current portion of long term loans	3,957,557	450,000	4,437,557	930,000
Bank overdrafts (see d below)	2,256,495	1,697,937	2,620,517	1,697,937
	6,214,052	2,147,937	7,058,074	2,627,937

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 30th. June 2019 and 2018 in respect of future years is as follows:

	Group	
	2019 RO	2018 RO
Finance lease liabilities	638,914	1,369,440
Amount falling due:		
Within one year	606,144	840,000
After one year but within four years	32,770	529,440
	638,914	1,369,440

27 TRADE AND OTHER PAYABLES

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Trade payables	5,500,808	3,270,447	6,163,481	3,467,072
Accruals	664,236	630,351	748,924	821,228
Tax payable (note 10)	669,369	501,257	763,955	555,114
Other payables	6,000	6,000	6,000	6,000
Retentions payable	1,094,509	-	1,094,509	-
	7,934,922	4,408,055	8,776,869	4,849,414

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	
	2019 RO	2018 RO	2019 RO	2018 RO
Net assets (RO)	38,948,750	40,958,451	40,991,823	42,281,134
Number of shares at 30 June	120,000,000	120,000,000	120,000,000	120,000,000
Net assets per share (RO)	0.325	0.341	0.342	0.352

A'SAFFA FOODS SAOG

NOTES TO THE FINANCIAL STATEMENTS

For the period Jan to 30 September 2019

29 CASH GENERATED FROM OPERATIONS

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Operating activities				
Profit after taxation	1,114,634	2,840,458	1,646,622	3,332,001
Adjustment for:				
Depreciation	940,054	953,044	1,259,513	1,264,290
Amortisation	69,293	76,413	79,040	86,160
Interest income	(63,198)	120,065	(63,198)	120,065
Interest expense	162,399	(51,602)	266,874	(209,906)
Share of loss from associate	192,019	60,260	192,019	68,310
	2,415,201	3,998,638	3,380,870	4,660,920
Working capital changes:				
Inventories and biological assets	(477,363)	(609,041)	(608,355)	(846,204)
Trade and other receivables	(267,964)	964,123	(510,947)	1,674,900
Trade and other payables	3,327,781	(348,982)	3,500,187	(574,026)
Cash generated from operations	4,997,655	4,004,738	5,761,755	4,915,590