

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 2020.

Performance Review

Sales for nine months ended 30th September 2020 was RO. 23,233,485/- as compared to RO. 22,945,655/- during the same period of 2019. Net Profit (consolidated) of RO. 1,641,898/- has been achieved during nine months of 2020 as compared to net profit of RO. 1,646,622/- for the same period of 2019.

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

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

Chairman

A'SAFFA FOODS SAOG

STATEMENT OF FINANCIAL POSITION

At 30Th. September 2020

	Notes	Parent Company		Group	
		2020 RO	2019 RO	2020 RO	2019 RO
ASSETS					
Non-current assets					
Property, plant and equipment		44,197,762	14,789,864	51,852,485	22,783,278
Right of Use Assets		1,007,533	964,969	1,445,824	1,000,475
Capital Advances/CWIP		12,542,441	27,690,868	13,149,081	27,690,868
Intangible assets	10	938	12,061	21,374	43,285
Investments in subsidiaries	11	2,950,000	2,950,000	-	
Financial assets at fair value throughout profit and loss	13	47,671	47,671	47,671	47,671
Investment accounted for using the equity method	12	6,663,781	6,305,156	6,663,781	6,305,156
Total non-current assets		67,410,126	52,760,589	73,180,216	57,870,733
Current assets					
Inventories	14	5,556,680	4,326,571	6,274,466	5,357,818
Biological assets	15	1,377,450	1,274,829	1,377,450	1,274,829
Trade and other receivables	16	7,888,850	9,863,242	7,629,216	9,233,741
Cash and bank balances	17	235,180	1,725,062	327,311	1,778,616
Term deposits	18	2,000,000	2,000,000	2,000,000	2,000,000
Total current assets		17,058,160	19,189,704	17,608,443	19,645,004
TOTAL ASSETS		84,468,286	71,950,293	90,788,659	77,515,737
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	4,164,260	4,214,386
Retained earnings		24,112,027	22,948,750	26,738,138	24,777,437
Total equity		40,112,027	38,948,750	42,902,398	40,991,823
LIABILITIES					
Non-current liabilities					
Borrowings	19	32,005,099	16,546,647	33,120,618	17,506,647
Finance Lease Liabilities		-		292,459	32,770
ROU Lease liabilities		757,038	874,855	751,905	884,866
End of service benefits		927,773	625,784	986,648	796,532
Deferred tax liability		632,438	736,121	826,807	782,357
Total non-current liabilities		34,322,348	18,783,407	35,978,437	20,003,172
Current liabilities					
Borrowings	19	3,657,400	6,214,052	4,609,512	7,043,460
Finance Lease Liabilities				20,248	606,144
ROU Lease liabilities		298,029	69,162	536,864	94,269
Trade and other payables	20	6,078,482	7,934,922	6,741,200	8,776,869
Total current liabilities		10,033,911	14,218,136	11,907,824	16,520,742
TOTAL LIABILITIES		44,356,259	33,001,543	47,886,261	36,523,914
TOTAL EQUITY AND LIABILITIES		84,468,286	71,950,293	90,788,659	77,515,737
Net assets per share (RO)	21	0.334	0.325	0.358	0.342

A'SAFFA FOODS SAOG

STATEMENT OF COMPREHENSIVE INCOME

For the Period 1st. January To 30th. September 2020

	Notes	Parent Company		Group	
		2020 RO	2019 RO	2020 RO	2019 RO
Revenue From Contract With Customers		23,233,485	22,945,655	23,689,982	23,386,062
Cost of sales	1	(16,009,085)	(15,451,512)	(15,227,665)	(15,066,831)
Gross profit		7,224,400	7,494,143	8,462,317	8,319,231
Selling and distribution expenses	2	(4,037,912)	(4,026,492)	(4,037,912)	(4,026,492)
General and administrative expenses	3	(1,759,763)	(1,883,658)	(2,089,153)	(1,981,360)
Profit before interest and tax		1,426,725	1,583,993	2,335,252	2,311,379
Finance income	6	47,278	63,200	47,278	63,200
Finance Cost	6	(330,364)	(143,840)	(425,903)	(245,358)
Finance income / (cost) – net	6	(283,086)	(80,640)	(378,625)	(182,158)
Share of loss from associates accounted	10	(23,936)	(192,019)	(23,936)	(192,019)
Profit before tax		1,119,703	1,311,334	1,932,691	1,937,202
Taxation					
- Current tax	7	(167,955)	(196,700)	(290,793)	(290,580)
		(167,955)	(196,700)	(290,793)	(290,580)
Total comprehensive income for the		951,748	1,114,634	1,641,898	1,646,622
Basic earnings per share (RO)	8	0.008	0.009	0.014	0.014

A'SAFFA FOODS SAOG
STATEMENT OF CASH FLOWS
At 30Th. September 2020

		Parent Company		Group	
		2020	2019	2020	2019
	Notes	RO	RO	RO	RO
OPERATING ACTIVITIES					
Cash generated from operations	22	1,407,814	4,997,655	2,033,814	5,761,755
Net Finance Cost	6	(283,086)	(99,201)	(378,625)	(203,676)
Net cash generated from operating activities		1,124,728	4,898,454	1,655,189	5,558,079
INVESTING ACTIVITIES					
Purchase of property, plant and equipment/CWIP		(7,268,981)	(18,538,361)	(7,733,444)	(18,597,281)
Investment in associates	12	(285,238)	(2,309,201)	(285,238)	(2,309,201)
Term deposits	18	-	-	-	-
Net cash generated (used in) /		(7,554,219)	(20,847,562)	(8,018,682)	(20,906,482)
FINANCING ACTIVITIES					
Long term loans received & repaid		4,502,830	20,054,204	4,471,069	19,032,907
Dividend paid		-	(2,400,000)	-	(2,400,000)
Net cash used in financing activities		4,502,830	17,654,204	4,471,069	16,632,907
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,926,661)	1,705,096	(1,892,424)	1,284,504
Cash and cash equivalents at beginning of the year		249,440	(236,528)	307,334	(126,405)
CASH AND CASH EQUIVALENTS AT 30 September 2020		(1,677,221)	1,468,568	(1,585,090)	1,158,099
Cash and cash equivalents comprise of following:					
Bank overdrafts	19	(1,912,401)	(2,256,495)	(1,912,401)	(2,620,517)
Cash and bank balances	17	235,180	3,725,062	327,311	3,778,616
		(1,677,221)	1,468,567	(1,585,090)	1,158,099

A'SAFFA FOODS SAOG
STATEMENT OF CHANGES IN EQUITY
 At 30th. September 2020

	<i>Share capital RO</i>	<i>Legal reserves RO</i>	<i>Retained earning RO</i>	<i>Total RO</i>
Parent Company				
As at 1 January 2019	12,000,000	4,000,000	24,234,116	40,234,116
Profit and total comprehensive income for the year	-	-	1,114,634	1,114,634
Dividend paid	-	-	(2,400,000)	(2,400,000)
At 30th. September 2019	<u>12,000,000</u>	<u>4,000,000</u>	<u>22,948,750</u>	<u>38,948,750</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 30th. September 2019	<u>12,000,000</u>	<u>4,214,386</u>	<u>24,777,437</u>	<u>40,991,823</u>
Parent Company				
As at 1 January 2020	12,000,000	4,000,000	23,160,279	39,160,279
Profit and total comprehensive income for the year	-	-	951,748	951,748
Dividend paid	-	-	-	-
At 30th September 2020	<u>12,000,000</u>	<u>4,000,000</u>	<u>24,112,027</u>	<u>40,112,027</u>
Group				
As at 1 January 2020	12,000,000	4,231,319	25,048,745	41,280,064
Profit and total comprehensive income for the year	-	-	1,622,334	1,622,334
Dividend paid	-	-	-	-
Transfer to legal reserve	-	(67,059)	67,059	-
At 30th September 2020	<u>12,000,000</u>	<u>4,164,260</u>	<u>26,738,138</u>	<u>42,902,398</u>

A'SAFFA FOODS SAOG
NOTES TO THE FINANCIAL STATEMENTS
At 30Th. September 2020

1 COST OF SALES

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Cost of materials consumed	10,369,794	10,091,301	8,183,081	8,160,660
Less: Government subsidy	-	-	-	-
	10,369,794	10,091,301	8,183,081	8,160,660
Employee related costs (note 5)	3,035,216	2,946,888	3,679,540	3,740,262
Depreciation (note 9)	791,904	799,045	1,065,465	1,070,585
Fuel expenses	639,574	687,820	843,353	858,876
Amortisation (note 10)	2,402	23,098	19,318	31,383
Depreciation on Right of use Assets	28,313	32,527	39,376	54,105
Other direct expenses	1,141,882	870,833	1,397,532	1,150,960
	16,009,085	15,451,512	15,227,665	15,066,831

2 SELLING AND DISTRIBUTION EXPENSES

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Transportation costs	886,669	1,292,281	886,669	1,292,281
Employee related costs (note 5)	1,263,857	1,208,498	1,263,857	1,208,498
Rent and storage expenses	1,077,131	908,667	1,077,131	908,667
Advertisement and sales promotion	396,236	360,159	396,236	360,159
Insurance	61,245	77,452	61,245	77,452
Communication	16,306	14,898	16,306	14,898
Depreciation (note 9)	18,633	18,804	18,633	18,804
Depreciation on Right of use Assets	205,445	-	205,445	-
Amortisation (note 10)	2,402	23,098	2,402	23,098
Miscellaneous	109,988	122,636	109,988	122,636
	4,037,912	4,026,493	4,037,912	4,026,493

3 GENERAL AND ADMINSTRATIVE EXPENSES

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Employee related costs (note 5)	1,187,068	1,077,170	1,396,634	1,080,002
Depreciation (note 9)	121,115	122,205	170,887	170,124
Rent	83,194	106,554	83,194	106,554
Directors' remuneration	37,500	105,269	37,500	105,269
Printing and stationery	9,348	6,353	9,886	6,353
Contributions for social causes	37,500	38,000	37,500	38,000
Business travel and meeting expenses	15,366	43,445	15,726	43,445
Professional and consultancy fees	53,314	67,570	64,734	83,386
Amortisation (note 10)	2,402	23,098	3,891	24,560
Directors' meeting attendance fees	30,410	19,600	33,210	20,450
Provision for expected credit losses	(26,977)	48,228	(26,977)	48,228
Communication	21,377	16,159	21,377	16,159
Registration and renewals	15,469	23,697	19,801	25,335
Repairs and maintenance	12,164	13,043	12,164	13,043
Vehicle expenses	19,082	11,822	19,082	11,822
Foreign exchange loss	35,879	18,561	41,247	21,571
Miscellaneous	105,552	142,884	149,297	167,112
	1,759,763	1,883,658	2,089,153	1,981,413

4 OTHER OPERATING INCOME

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Profit on disposal of property, plant and equipment	-	-	-	-

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 NOTES TO THE FINANCIAL STATEMENTS
 At 30Th. September 2020

5 EMPLOYEE RELATED COSTS

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

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Salaries, wages and other benefits	4,902,548	4,661,157	5,703,276	5,401,711
Leave salary	355,220	375,600	392,052	413,816
Air passage	90,373	102,300	96,859	110,052
End of service benefits	138,000	93,500	147,844	103,183
Total Leave Salary, Air Passage, End of Service benefi	583,593	571,400	636,755	627,051
Total Employee Related Costs	5,486,141	5,232,557	6,340,031	6,028,762

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

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Cost of sales (note 1)	3,035,216	2,946,888	3,679,540	3,740,262
Selling and distribution expenses (note 2)	1,263,857	1,208,498	1,263,857	1,208,498
General and administrative expenses (note 3)	1,187,068	1,077,170	1,396,634	1,080,002
	5,486,141	5,232,556	6,340,031	6,028,762

6 FINANCE COSTS / (INCOME) - NET

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
a) Interest expenses:				
- on government soft loan	-	5,624	-	5,624
- on bank overdraft	60,254	115,021	60,254	117,806
	60,254	120,645	60,254	123,430
Financing cost on Islamic overdraft	-	-	19,329	-
Interest on OAB Expansion Loan		-		-
Financing cost on Islamic finance lease	205,838	23,195	264,680	121,543
Finance Cost on ROU Assets	64,272	-	81,640	386
Interest expenses	330,364	143,840	425,903	245,359
b) Interest Income:				
Interest income on deposits	(47,278)	(63,198)	(47,278)	(63,198)
Interest income	(47,278)	(63,198)	(47,278)	(63,198)
Finance costs	283,086	80,642	378,625	182,161

7 TAXATION

Statement of comprehensive income:

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Current tax	167,955	196,700	290,793	290,580
	167,955	196,700	290,793	290,580

A'SAFFA FOODS SAOG
 NOTES TO THE FINANCIAL STATEMENTS
 At 30th. September 2020

8 BASIC EARNINGS PER SHARE

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

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Profit attributable to shareholders (RO)	951,748	1,114,634	1,647,829	1,646,622
Weighted average number of shares outstanding	120,000,000	120,000,000	120,000,000	120,000,000
Basic earnings per share (RO)	0.008	0.009	0.014	0.014

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.

9 PROPERTY, PLANT AND EQUIPMENT

(a) Depreciation is allocated as follows:

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Cost of sales (note 1)	791,904	799,045	1,065,465	1,070,585
General and administrative expenses (note 2)	121,115	122,205	170,887	170,124
Selling and distribution expenses (note 3)	18,633	18,804	18,633	18,804
	931,652	940,054	1,254,985	1,259,513

10 INTANGIBLE ASSETS

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Cost				
At 1 January	510,819	510,819	578,827	575,977
Addition for the year	-	-	-	-
At 30 th. September	510,819	510,819	578,827	575,977
Accumulated amortisation				
At 1 January	(502,675)	(429,465)	(540,320)	(453,652)
Charge for the year	(7,206)	(69,293)	(17,133)	(79,040)
At 30 th. September	(509,881)	(498,758)	(557,453)	(532,692)
Net book amount				
At 30 th. September	938	12,061	21,374	43,285

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

A'SAFFA FOODS SAOG
NOTES TO THE FINANCIAL STATEMENTS
 At 30Th. September 2020

Amortisation is allocated as follows:

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Cost of sales (note 1)	2,402	23,098	19,318	31,383
Sellind and distribution expenses (note 2)	2,402	23,098	2,402	23,098
General and admininstrative expenses (note 3)	2,402	23,098	3,891	24,560
	7,206	69,294	25,611	79,041

11 INVESTMENT IN SUBSIDIARIES

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

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Movement in investment in associates are as follows:

	Parent and Group	
	2020	2019
	RO	RO
Al Namaa Poultry Co. SAOC	2,651,200	2,651,200
Osool Poultry Company SAOC	4,426,282	4,141,045
Share of losses from associate (Al Namaa)	(379,767)	(477,231)
Share of losses from associate (Osool)	(33,934)	(9,858)
	6,663,781	6,305,156

A'SAFFA FOODS SAOG
 NOTES TO THE FINANCIAL STATEMENTS
 At 30Th. September 2020

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

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

14 INVENTORIES

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Raw materials and consumables	3,042,850	2,184,693	3,521,984	3,006,341
Finished products	1,628,110	1,227,999	1,679,225	1,265,721
Stores and spares	885,720	913,879	1,073,257	1,085,756
	5,556,680	4,326,571	6,274,466	5,357,818

15 BIOLOGICAL ASSETS

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Mature biological assets (Broiler birds)	729,940	697,737	729,940	697,737
Immature biological assets (Parent day old chicks)	402,215	394,013	402,215	394,013
Hatchable eggs	245,295	183,079	245,295	183,079
	1,377,450	1,274,829	1,377,450	1,274,829

16 TRADE AND OTHER RECEIVABLES

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Trade receivables	6,774,304	6,997,735	7,157,987	7,338,300
Less: allowance for expected credit losses	(369,794)	(186,964)	(419,071)	(236,241)
	6,404,510	6,810,771	6,738,916	7,102,059
Due from a related party	691,765	1,235,312	-	150,564
Advance to staff and suppliers	474,404	1,047,573	478,310	1,162,509
Prepayments	318,171	769,586	411,991	818,609
	7,888,850	9,863,242	7,629,216	9,233,741

17 CASH AND BANK BALANCES

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Cash on hand	61,499	75,381	61,779	128,935
Cash at bank	173,681	1,649,681	265,533	1,649,681
	235,180	1,725,062	327,312	1,778,616

A'SAFFA FOODS SAOG
 NOTES TO THE FINANCIAL STATEMENTS
 At 30Th. September 2020

18 TERM DEPOSITS

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Non-current:				
Long term deposit	-	-	-	-
Current:				
Short term deposits	2,000,000	2,000,000	2,000,000	2,000,000

19 BORROWINGS

Non-current:

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Term loans from commercial banks:				
Term loan	35,662,499	22,760,699	37,730,130	24,564,721
	35,662,499	22,760,699	37,730,130	24,564,721
Less: current portion of term loans included under current borrowings	(3,657,400)	(6,214,052)	(4,609,512)	(7,058,074)
	32,005,099	16,546,647	33,120,618	17,506,647

Current:

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Current portion of long term loans	1,744,999	3,957,557	2,697,111	4,437,557
Bank overdrafts	1,912,401	2,256,495	1,912,401	2,620,517
	3,657,400	6,214,052	4,609,512	7,058,074

20 TRADE AND OTHER PAYABLES

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Trade payables	4,526,269	5,500,808	4,739,484	6,163,481
Accruals	181,999	664,238	231,910	748,924
Tax payable (note 10)	182,198	669,369	307,547	763,955
Other payables	-	6,000	274,243	6,000
Retentions payable	1,188,014	1,094,509	1,188,014	1,094,509
	6,078,480	7,934,924	6,741,198	8,776,869

A'SAFFA FOODS SAOG
 NOTES TO THE FINANCIAL STATEMENTS
 At 30Th. September 2020

21 NET ASSETS PER SHARE

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

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Net assets (RO)	40,112,027	38,948,750	42,902,398	40,991,823
Number of shares at 30 September	120,000,000	120,000,000	120,000,000	120,000,000
Net assets per share (RO)	0.334	0.325	0.358	0.342

22 CASH GENERATED FROM OPERATIONS

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Operating activities				
Profit after taxation	951,748	1,114,634	1,641,898	1,646,622
Adjustment for:				
Depreciation	931,652	940,054	1,254,985	1,259,513
Amortisation	7,206	69,293	25,611	79,040
Net Finance Cost	283,086	99,201	378,625	203,676
Share of loss from associate	23,936	192,019	23,936	192,019
End of service benefits	-	-	-	-
	2,197,628	2,415,201	3,325,055	3,380,870
Working capital changes:				
Inventories and biological assets	(991,118)	(477,363)	(847,880)	(608,355)
Trade and other receivables	2,195,250	(267,964)	1,366,897	(510,947)
Trade and other payables	(1,993,946)	3,327,781	(1,810,258)	3,500,187
Cash generated from operations	1,407,814	4,997,655	2,033,814	5,761,755