

A'Saffa Foods SAOG

Director's Report for the third Quarter ended 30 September 2021

Dear Shareholders,

On behalf of the Board of Directors of A'Saffa Foods SAOG, I am pleased to present you the unaudited financial results for the Nine Months ended 30 September 2021.

Performance Review

The consolidated Sales for the Nine Months ended 30th September 2021 was RO. 28,531,972/- as compared to RO 23,689,982/- during the same period of 2020 and reported a net loss of RO 1,183,107/- as compared to net profit of RO 1,641,898/- for the same period of 2020.

The main reason for the loss was the challenging market conditions due to Covid-19 related restrictions, lockdown and closure of restaurants, the exorbitant increase of Feed raw material prices and the increase of the cost of diesel & electricity.

The imported Chicken is being dumped into the local market because of the restrictions imposed by the other markets. This situation is challenging the increase in sales and maintaining the sales prices.

The Feed raw material prices had increased by 50% for the major ingredient of the feed.

Moreover, the Electricity from the supplier grid is not stable, therefore we have to run the project through the diesel run generators which has increased the cost.

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.Sep 2021

| | Parent Company | | Group | |
|-------------------------------------|-------------------|-------------------|--------------------|-------------------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 58,693,686 | 44,197,762 | 66,186,577 | 51,852,485 |
| ROU Assets | 1,274,784 | 1,007,533 | 1,872,583 | 1,445,824 |
| Capital Advances / CWIP | - | 12,542,441 | 616,741 | 13,149,081 |
| Intangible assets | - | 938 | 6,551 | 21,374 |
| Investments in subsidiaries | 2,950,000 | 2,950,000 | - | - |
| Investment in associates | 9,098,664 | 6,663,781 | 9,098,664 | 6,663,781 |
| Investment | 47,671 | 47,671 | 47,671 | 47,671 |
| | 72,064,805 | 67,410,126 | 77,828,787 | 73,180,216 |
| Current assets | | | | |
| Inventories | 11,117,820 | 5,556,680 | 11,933,811 | 6,274,466 |
| Biological assets | 3,033,415 | 1,377,450 | 3,033,415 | 1,377,450 |
| Trade and other receivables | 9,593,723 | 7,888,850 | 11,328,541 | 7,629,216 |
| Term deposits | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Cash and bank balances | 270,424 | 235,180 | 504,272 | 327,311 |
| | 26,015,382 | 17,058,160 | 28,800,039 | 17,608,443 |
| TOTAL ASSETS | 98,080,187 | 84,468,286 | 106,628,826 | 90,788,659 |
| 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 | 4,398,146 | 4,164,260 |
| Retained earnings | 20,350,818 | 24,112,027 | 23,737,919 | 26,738,138 |
| TOTAL EQUITY | 36,350,818 | 40,112,027 | 40,136,065 | 42,902,398 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Term Loan | 33,748,137 | 32,005,099 | 34,449,539 | 33,413,077 |
| Lease Liability (IFRS 16) | 1,109,510 | 844,545 | 1,789,426 | 1,049,934 |
| End of service benefits | 1,018,066 | 927,773 | 1,094,255 | 986,648 |
| Deferred tax liabilities | 633,677 | 632,438 | 828,047 | 826,807 |
| | 36,509,390 | 34,409,855 | 38,161,267 | 36,276,466 |
| Current liabilities | | | | |
| Borrowings | 16,234,544 | 3,657,400 | 17,323,931 | 4,629,760 |
| Lease Liability (IFRS 16) | 246,676 | 210,522 | 250,676 | 238,835 |
| Trade and other payables | 8,738,759 | 6,078,482 | 10,756,887 | 6,741,200 |
| | 25,219,979 | 9,946,404 | 28,331,494 | 11,609,795 |
| TOTAL LIABILITIES | 61,729,369 | 44,356,259 | 66,492,761 | 47,886,261 |
| TOTAL EQUITY AND LIABILITIES | 98,080,187 | 84,468,286 | 106,628,826 | 90,788,659 |
| Net assets per share (RO) | 0.332 | 0.334 | 0.334 | 0.358 |

A'SAFFA FOODS SAOG

STATEMENT OF COMPREHENSIVE INCOME

For the Period 01 January To 30 Sep 2021

| | Parent Company | | Group | |
|---|--------------------|--------------|--------------------|------------------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| Revenue From Contracts with Customers | 27,671,291 | 23,233,485 | 28,531,972 | 23,689,982 |
| Cost of sales | (21,464,810) | (16,009,085) | (21,027,800) | (15,227,665) |
| Gross profit | 6,206,481 | 7,224,400 | 7,504,172 | 8,462,317 |
| Selling and distribution expenses | (4,847,326) | (4,037,912) | (4,847,326) | (4,037,912) |
| General and administrative expenses | (1,567,768) | (1,759,763) | (1,840,054) | (2,089,153) |
| Other income | - | - | 5,609 | - |
| Profit / (Loss) before interest & tax | (208,613) | 1,426,725 | 822,401 | 2,335,252 |
| Finance income | 25,162 | 47,278 | 25,162 | 47,278 |
| Finance cost | (1,709,492) | (330,364) | (1,775,275) | (425,903) |
| Finance cost (net) | (1,684,330) | (283,086) | (1,750,113) | (378,625) |
| Share of loss from associates | (110,610) | (23,936) | (110,610) | (23,936) |
| Profit / (Loss) before tax | (2,003,553) | 1,119,703 | (1,038,322) | 1,932,691 |
| Taxation | | | | |
| Current Tax | - | (167,955) | (144,785) | (290,793) |
| Profit / (Loss) and total comprehensive income . | (2,003,553) | 951,748 | (1,183,107) | 1,641,898 |
| Basic earnings/ (Loss) per share (RO) | (0.017) | 0.008 | (0.010) | 0.014 |

A'SAFFA FOODS SAOG
STATEMENT OF CASH FLOWS
As on 30 Sep 2021

| | Parent Company | | Group | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| OPERATING ACTIVITIES | | | | |
| Net cash generated from operating activities | (4,494,135) | 1,407,814 | (3,690,508) | 2,033,814 |
| Net Finance Cost | (1,684,330) | (283,086) | (1,750,113) | (378,625) |
| Net cash generated from operating activities | (6,178,465) | 1,124,728 | (5,440,621) | 1,655,189 |
| Cash flow from investing activities | | | | |
| Purchase of property, plant and equipment | (2,870,903) | (7,268,981) | (3,238,597) | (7,733,444) |
| Investment in associates | - | (285,238) | - | (285,238) |
| Net cash used in investing activities | (2,870,903) | (7,554,219) | (3,238,597) | (8,018,682) |
| Cash flow from financing activities | | | | |
| Finance lease repaid | | - | - | - |
| Net movement in term loan | 9,900,302 | 4,502,830 | 9,516,071 | 4,471,069 |
| Dividend paid | (2,400,000) | - | (2,400,000) | - |
| Net cash used in financing activities | 7,500,302 | 4,502,830 | 7,116,071 | 4,471,069 |
| Net change in cash & cash equivalents | (1,549,066) | (1,926,661) | (1,563,147) | (1,892,424) |
| Cash and cash equivalents at beginning of the year | (820,096) | 249,440 | (1,043,446) | 307,334 |
| CASH AND CASH EQUIVALENTS AT 30 September 2021 | (2,369,162) | (1,677,221) | (2,606,593) | (1,585,090) |
| Cash and cash equivalents comprise of following: | | | | |
| Bank overdrafts | (2,639,586) | (1,912,401) | (3,110,865) | (1,912,401) |
| Cash and bank balances | 270,424 | 235,180 | 504,272 | 327,311 |
| | (2,369,162) | (1,677,221) | (2,606,594) | (1,585,090) |

A'SAFFA FOODS SAOG

STATEMENT OF CHANGES IN EQUITY

As on 30 Sep 2021

| | Share capital RO | Legal reserves RO | Retained earning RO | Total RO |
|--|------------------------|-------------------------|---------------------------|-------------------|
| 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 30 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 30 September 2020 | <u>12,000,000</u> | <u>4,164,260</u> | <u>26,738,138</u> | <u>42,902,398</u> |
| Parent company: | | | | |
| As at 1 January 2021 | 12,000,000 | 4,000,000 | 24,754,371 | 40,754,371 |
| Profit /(loss) and total comprehensive income for the year | - | - | (2,003,553) | (2,003,553) |
| Dividend paid | - | - | (2,400,000) | (2,400,000) |
| At 30 September 2021 | <u>12,000,000</u> | <u>4,000,000</u> | <u>20,350,818</u> | <u>36,350,818</u> |
| Group: | | | | |
| As at 1 January 2021 | 12,000,000 | 4,316,101 | 27,403,071 | 43,719,172 |
| Profit /(loss) and total comprehensive income for the year | - | - | (1,183,107) | (1,183,107) |
| Dividend paid | - | - | (2,400,000) | (2,400,000) |
| Transfer to legal reserve | - | 82,044 | (82,044) | - |
| At 30 September 2021 | <u>12,000,000</u> | <u>4,398,145</u> | <u>23,737,920</u> | <u>40,136,065</u> |

A'SAFFA FOODS SAOG
NOTES TO THE FINANCIAL STATEMENTS
From January To Sep 2021

4 COST OF SALES

| | Parent Company | | Group | |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| Cost of materials consumed | 13,944,897 | 10,369,794 | 12,161,387 | 8,183,081 |
| Employee related costs (note 8) | 3,328,042 | 3,035,216 | 3,940,051 | 3,679,540 |
| Depreciation (note 12) | 1,790,967 | 791,904 | 2,086,618 | 1,065,465 |
| Fuel expenses | 1,411,242 | 639,574 | 1,619,207 | 843,353 |
| Amortisation (note 13) | 155 | 2,402 | 10,328 | 19,318 |
| Depreciation on ROU | 28,603 | 28,313 | 28,603 | 39,376 |
| Other direct expenses | 960,904 | 1,141,882 | 1,181,606 | 1,397,532 |
| | 21,464,810 | 16,009,085 | 21,027,800 | 15,227,665 |

5 SELLING AND DISTRIBUTION EXPENSES

| | Parent Company | | Group | |
|--|------------------|------------------|------------------|------------------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| Transportation costs | 1,112,015,000 | 886,669 | 1,112,015 | 886,669 |
| Employee related costs (note 8) | 1,481,760,000 | 1,263,857 | 1,481,760 | 1,263,857 |
| Rent and storage expenses | 1,376,764,000 | 1,077,131 | 1,376,764 | 1,077,131 |
| Advertisement and sales promotion | 433,272,000 | 396,236 | 433,272 | 396,236 |
| Insurance | 71,649,000 | 61,245 | 71,649 | 61,245 |
| Communication | 19,279,530 | 16,306 | 19,280 | 16,306 |
| Depreciation on property plant & equipment (note 12) | 39,799,260 | 18,633 | 39,799 | 18,633 |
| Depreciation on ROU | 225,933,000 | 205,445 | 225,933 | 205,445 |
| Amortisation (note 13) | 155,000 | 2,402 | 155 | 2,402 |
| Miscellaneous | 86,699 | 109,988 | 86,699 | 109,988 |
| | 4,847,326 | 4,037,912 | 4,847,326 | 4,037,912 |

6 GENERAL AND ADMINSTRATIVE EXPENSES

| | Parent Company | | Group | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| Employee related costs (note 8) | 819,803 | 1,187,068 | 1,015,084 | 1,396,634 |
| Depreciation (note 12) | 159,197 | 121,115 | 186,141 | 170,887 |
| Rent | 100,482 | 83,194 | 100,482 | 83,194 |
| Directors' remuneration | 32,936 | 37,500 | 32,936 | 37,500 |
| Printing and stationery | 23,778 | 9,348 | 24,229 | 9,886 |
| Contributions for social causes | 37,502 | 37,500 | 37,502 | 37,500 |
| Business travel and meeting expenses | 11,949 | 15,366 | 11,949 | 15,726 |
| Professional and consultancy fees | 80,081 | 53,314 | 98,140 | 64,734 |
| Amortisation (note 13) | 155 | 2,402 | 155 | 3,891 |
| Directors' meeting attendance fees | 25,900 | 30,410 | 27,600 | 33,210 |
| Provision for expected credit losses | - | (26,977) | - | (26,977) |
| Communication | 21,902 | 21,377 | 21,902 | 21,377 |
| Registration and renewals | 21,857 | 15,469 | 22,877 | 19,801 |
| Repairs and maintenance | 13,196 | 12,164 | 13,196 | 12,164 |
| Vehicle expenses | 27,356 | 19,082 | 27,356 | 19,082 |
| Foreign exchange loss | 54,557 | 35,879 | 60,005 | 41,247 |
| Miscellaneous | 137,117 | 105,552 | 160,500 | 149,297 |
| | 1,567,768 | 1,759,763 | 1,840,054 | 2,089,153 |

A'SAFFA FOODS SAOG
NOTES TO THE FINANCIAL STATEMENTS
From January To Sep 2021

7 OTHER OPERATING INCOME

| | Parent Company | | Group | |
|---------------|----------------|------------|--------------|------------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| Miscellaneous | - | - | 5,609 | - |
| | <u>-</u> | <u>-</u> | <u>5,609</u> | <u>-</u> |

8 EMPLOYEE RELATED COSTS

| | Parent Company | | Group | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| Salaries, wages and other benefits | 5,000,602 | 4,902,548 | 5,768,426 | 5,703,276 |
| Leave salary | 283,029 | 355,220 | 309,354 | 392,052 |
| Air passage | 62,945 | 90,373 | 68,129 | 96,859 |
| End of service benefits | 283,029 | 138,000 | 290,986 | 147,844 |
| | <u>5,629,605</u> | <u>5,486,141</u> | <u>6,436,895</u> | <u>6,340,031</u> |

| | Parent Company | | Group | |
|--|------------------|------------------|------------------|------------------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| Cost of sales (note 4) | 3,328,042 | 3,035,216 | 3,940,051 | 3,679,540 |
| Selling and distribution expenses (note 5) | 1,481,760 | 1,263,857 | 1,481,760 | 1,263,857 |
| General and administrative expenses (note 6) | 819,803 | 1,187,068 | 1,015,084 | 1,396,634 |
| | <u>5,629,605</u> | <u>5,486,141</u> | <u>6,436,895</u> | <u>6,340,031</u> |

9 FINANCE INCOME / (COSTS) - NET

| | Parent Company | | Group | |
|---|------------------|-----------------|------------------|-----------------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| (a) Interest expenses: | | | | |
| - on bank overdraft | 65,579 | 60,254 | 87,088 | 79,583 |
| | <u>65,579</u> | <u>60,254</u> | <u>87,088</u> | <u>79,583</u> |
| Financing cost on Islamic | - | - | - | - |
| Financing cost on Islamic finance lease | 1,565,933 | 205,838 | 1,600,047 | 264,680 |
| Foreign exchange loss | - | - | - | - |
| On lease liabilities (note 23) IFRS 16 | 77,980 | 64,272 | 88,141 | 81,640 |
| Interest expenses - net | <u>1,709,492</u> | <u>330,364</u> | <u>1,775,275</u> | <u>425,903</u> |
| (b) Interest Income: | | | | |
| Interest income on deposits | (25,162) | (47,278) | (25,162) | (47,278) |
| Interest income | <u>(25,162)</u> | <u>(47,278)</u> | <u>(25,162)</u> | <u>(47,278)</u> |
| Finance income /(costs) - net | <u>1,684,330</u> | <u>283,086</u> | <u>1,750,113</u> | <u>378,625</u> |

10 TAXATION

| | Parent Company | | Group | |
|-------------|----------------|----------------|----------------|----------------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| Current tax | - | 167,955 | 144,785 | 290,793 |
| | <u>-</u> | <u>167,955</u> | <u>144,785</u> | <u>290,793</u> |

A'SAFFA FOODS SAOG
NOTES TO THE FINANCIAL STATEMENTS
From January To Sep 2021

11 BASIC EARNINGS PER SHARE

| | Parent Company | | Group | |
|---|--------------------|-------------|--------------------|-------------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| Profit attributable to shareholders (RO) | (2,003,553) | 951,748 | (1,183,107) | 1,641,898 |
| Weighted average number of shares outstanding | 120,000,000 | 120,000,000 | 120,000,000 | 120,000,000 |
| Basic earnings /Loss/per share (RO) | (0.017) | 0.008 | (0.010) | 0.014 |

12 PROPERTY, PLANT AND EQUIPMENT

(a) Depreciation is allocated as follows:

| | Parent Company | | Group | |
|---|------------------|------------|------------------|------------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| Cost of Sales (note 4) | 1,790,967 | 791,904 | 2,086,618 | 1,065,465 |
| General & Administrative expenses (note 6) | 159,197 | 121,115 | 186,141 | 170,887 |
| Selling and distribution expenses (note 5) | 39,799 | 18,633 | 39,799 | 18,633 |
| | 1,989,963 | 931,652 | 2,312,558 | 1,254,985 |

13 INTANGIBLE ASSETS

| | Parent Company | | Group | |
|--------------------------|------------------|------------|------------------|------------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| Cost | | | | |
| At 1 January | 510,819 | 510,819 | 578,827 | 578,827 |
| Addition for the year | - | - | - | - |
| At 30 Sep | 510,819 | 510,819 | 578,827 | 578,827 |
| Accumulated amortisation | | | | |
| At 1 January | (510,353) | (502,675) | (561,637) | (540,320) |
| Charge for the year | (466) | (7,206) | (10,639) | (17,133) |
| At 30 Sep | (510,819) | (509,881) | (572,276) | (557,453) |
| Net book amount | | | | |
| At 30 Sep | - | 938 | 6,551 | 21,374 |

| | Parent Company | | Group | |
|--|----------------|------------|---------------|------------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| Cost of sales (note 4) | 155 | 2,402 | 10,328 | 10,840 |
| Selling and distribution expenses (note 5) | 155 | 2,402 | 155 | 2,402 |
| General and administrative expenses (note 6) | 155 | 2,402 | 155 | 3,891 |
| | 466 | 7,206 | 10,639 | 17,133 |

A'SAFFA FOODS SAOG
NOTES TO THE FINANCIAL STATEMENTS
From January To Sep 2021

14 INVESTMENT IN SUBSIDIARIES

| | % holding | Year of incorporation | Parent Company | |
|-----------------------------|-----------|-----------------------|-------------------------|------------------|
| | | | 2021 RO | 2020 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 |
| | | | <u>2,950,000</u> | <u>2,950,000</u> |

15 INVESTMENT IN ASSOCIATES

| | 2021 | | 2020 | |
|--------------------------------|--------|-------------------------|------|------------------|
| | % | RO | % | RO |
| A'Namaa Poultry Co. SAOC | 23.46% | 2,482,330 | 20% | 2,651,200 |
| Osool Poultry SAOC | 6.5% | 6,726,944 | 6.5% | 4,426,282 |
| Share of losses from associate | | (110,610) | | (413,701) |
| | | <u>9,098,664</u> | | <u>6,663,781</u> |

16 INVESTMENT

| | Parent Company | | Group | |
|---------------------------|----------------------|---------|----------------------|---------|
| | 2021 RO | 2020 RO | 2021 RO | 2020 RO |
| Unquoted local investment | <u>47,671</u> | 47,671 | <u>47,671</u> | 47,671 |