ANNUAL REPORT 2018

القيم الأساسية للغذاء الصحي، الصحة والسعادة.
Core values of Healthy food, Health and Happiness.

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HIS MAJESTY
SULTAN QABOOS BIN SAID

CONTENT

الصفاء
A'SAFFA
١٠٠٪ طبيعي وشهي
100% Natural & Tasty

BOARD OF DIRECTORS

Sheikh Rashid Saif Mohammed Al Saadi
Chairman

Eng. Ali Hilal Ali Al Kuwari
Vice Chairman

Mr. Fahad Mohammed Al AbdulQader
Director

Mr. AbdulAziz Mohammed Nasser Al Nadabi
Director

Sheikh Majid Salim Said Al Fannah Al Araimi
Director

Eng. Mohammed Khalifa Al Jalahma
Director

Mr. Abdulla Mohamed Al Alansari
Director

Auditors

ERNST & YOUNG

Legal Consultants

Zaid Al-Malki & Nasser Al-Tabiab
Advocacy & Legal Consultant

Internal Auditor

Ms. Shamsa Mohammed Al Touqi

Bankers

Oman Arab Bank SAOC - Al Yusr Islamic Banking
Bank Dhofar SAOG - Maisarah Islamic Banking Services
National Bank of Oman SAOG - Muzn Islamic Banking
Bank Muscat SAOG - Meethaq Islamic Banking
Alizz Islamic Bank SAOG

Registered Office

P.O. Box 458, Postal Code 211, Salalah
Sultanate of Oman

Principal Place of Business

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Sultanate of Oman
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Fax: +968-22360260
E-mail: asaffa@omantel.net.om
Website: www.asaffa.com

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to welcome you to the 17th Annual General Meeting of your company and present the Directors' Report and the Audited Financial Statements for the year ended 31st December, 2018.

Business Performance

The overall business environment in the region remained under pressure during the year 2018. There were new imported brands launched in the market at low prices. Your company responded to the market situation with vigorous efforts to protect market share. The input cost particularly fuel, transport and logistic etc. increased significantly during the year.

For the year under review, the company achieved the Sales of RO 31,795,016 as compared to RO 31,943,607 during 2017. The decrease in sale was mainly due to the less production in last quarter of 2018 as compared to previous year.

The A'Saffa was awarded by Cobb "Best Cycle Mortality" award for the year 2018.

Further, A'Saffa Foods SAOG achieved "AIWA Award 2018" instituted by Alam Al-Iktisaad Wal A'Mal (AIWA), Oman's leading Arabic monthly business magazine, published by United Media Services (UMS). This is an honour and a great success and testimony of the commitment to building the A'Saffa brand through brand communications.

Expansion Project

The expansion project is in progress at full swing. All the major machinery and equipment purchases have been finalized. The construction work going at full swing. The expansion project will be completed by the end of 2019.

The expansion project includes the construction of 90 poultry houses (the existing poultry houses are also 90). It also includes the construction of state-of-the-art Slaughter House with 12000 birds per hour slaughtering capacity, fully automatic and latest technology Feed Mill, Hatchery expansion, Rendering and Waste Water Treatment plants.

Financial Performance Review for 2018

The parent company achieved net profit before tax for the year 2018 for RO 2.635 million as compared to RO 4.460 million during preceding year. The decrease in net profit was due to less production and increase of input cost.

The parent company net profit after tax for the year 2018 was RO 2.116 million as compared to RO 3.742 million in the previous year 2017. The tax has been provided at 15%.

The consolidated net profit before tax achieved for the year 2018 for RO 3.417 million as compared to RO 5.164 million during preceding year.

Subsidiaries

1) A'Saffa Food Processing LLC

We are pleased to inform that A'Saffa Food Processing LLC achieved further improvement in its performance during 2018. The company achieved the Sales of RO 4.182 million as compared to RO 4.251 million during 2017 and net profit of RO 449,944/- as against RO 432,879/- for the previous year.

2) A'Saffa Logistics LLC

The A'Saffa Logistics also achieved a good performance during the year 2018. The company achieved the net profit of RO 0.230 million as against profit of RO 0.152 million for the previous year.

3) A'Saffa Eggs LLC

The Board of Directors approved the project in the year 2010 to produce 100 million table eggs per annum and the company had arranged the financing for the project at same time. The implementation of the project, however, has been significantly getting delayed due to the allotment of land and well.

Dividend

I am pleased to announce that your Board of Directors are recommending a cash dividend of 20% (20 Baisas per share) of the paid up capital subject to approval of the shareholders during the Annual General Meeting on March 31, 2019.

Our Commitment to Shareholders

Your company maintains the principle of sustainable development, keeping in view the growing food demand in the region. Our actions are guided by the aim to make business decisions that give credence to our social, environmental, economic responsibility and achieve Government resolve for food safety of the country.

Future Outlook

As part of improving business productivity and operational efficiencies, the Company shall continue to invest suitably in operational facilities, business systems and replacing aging assets. The Company is aware of the intense competition in a highly price sensitive local market and will remain focused to sustain & profitably maintain its market share. The Company is optimistic about future prospects with product expansion & diversification plans and continued focus on achieving improved production efficiencies. Further, the Company is also watchful of the ongoing changes in the regional economic conditions due to volatile oil prices, which may also impact its business performance and subsequently its investments strategies.

Human Resources

A'Saffa believes that its people are the biggest strength to realize its vision of becoming a leading food producer in Oman. A'Saffa is an energetic and vibrant company that attracts highly skilled professionals. The company has sourced some outstanding local and global talent to drive its growth strategy forward thus emerging far stronger.

The company is focused to the development of Omani graduates by exposing them with sound business knowledge, leadership and technical skills on a continuous basis. Omani graduates have been sent on advanced workshops on a regular basis to improve their skills to operate on modern systems. Further, our company is collaborating with local institutions with the aim of building a local talent pool to meet A'Saffa's requirements. These initiatives will add immense value to the organization's objective of building sustainability into its operations and embedding a culture of belongingness in the company.

Corporate Governance

The Company believes that to succeed on a sustainable basis, it must maintain high standards of corporate governance towards its shareholders, employees, consumers and the community. The company has and will always remain focused on good corporate governance. A separate report on compliance to the Code of Governance for MSM listed companies is enclosed.

Company has aligned its Corporate Governance with the latest Guidelines issued by Capital Market Authority of Oman and has conducted a Board Evaluation as required through an independent third party evaluator appointed by the shareholders in AGM held on March 29, 2017.

Corporate Social Responsibilities

A’Saffa is well aware of the science behind the relationship between humankind and the environment. Our definition of Corporate Responsibility is simple: we believe that every business, and every individual within those businesses, has a responsibility to make the future a better place.

The global community faces enormous challenges such as climate change, food shortages and high living costs, and we believe that our generation, beyond any other in the history of humankind, has to meet these challenges for the benefit of future generations.

While our primary goal is to develop the A’Saffa business continually so that it is more profitable and thereby sustainable in an economic sense, we will do this in a manner that places the principles of sustainability at the heart of what we do.

The A’Saffa Board is strongly committed to the Group’s Corporate Responsibility Strategy and its robust implementation to ensure that its objectives are achieved.

A’Saffa aims to build stronger and healthier global communities through education, charitable donations and support of non-profit agencies in the communities in which we operate.

The company has established a fund with the help of the Office of the Minister of State & Governor of Dhofar, which will be utilized to provide help to the orphans and educational scholarships for the needy students. The company has contributed RO 100,000 towards this fund in the year 2018 (similar contribution every year since 2013). The 50% of fund amount is to be allocated to orphans and remaining 50% of the amount to the educational scholarships of needy students. The Office of the Minister of State and Governor of Dhofar has formed a committee comprising of Government authorities and one representative of A’Saffa to manage the fund. The committee will regularly update the management about the programs and activities conducted to help the orphans and educational scholarships for the students.

Acknowledgements

On behalf of the Board of Directors, I would like to express my sincere gratitude to His Majesty Sultan Qaboos Bin Said for the encouragement and support given by his Government to the private sector and pray to Almighty God to provide Oman and its people with peace and prosperity under His Majesty’s wise leadership.

I also wish to thank the Ministry of Agriculture and Fisheries, Ministry of Commerce and Industry, Ministry of Finance and National Economy and other authorities that have been providing great support to the company.

Finally, I take this opportunity to thank all the Shareholders, Investment Funds, Institutions, Companies, Customers and the management and staff for their continued support and confidence in the Company.

Rashid Saif Mohammed Al Saadi
Chairman

Related Party Transactions

The related party transactions for the year ended December 31, 2018 are as follows :

RELATED PARTY TRANSACTIONS – 2018			2018
Sl.	Name of Directors / Company / Major Promoter / Shareholder	Nature of transaction	Amount (RO)
1	A'Saffa Food Processing LLC	Sale of Poultry Meat	363,345
2	A'Saffa Food Processing LLC	Purchase of further processed products	4,170,590
3	A'Saffa Logistics LLC	Office, Transportation and hiring of storage facility	546,528
4	National Bank of Oman	Bank Services	721
	TOTAL		**5,081,184**

Sitting Fee Details

Sitting Fees paid to the members of the Board of Directors for attending the Board and its Committees meetings.

1. Financial year ended 31/12/2018

In the financial year ended 31/12/2018, sitting fees was paid to the members of the Board of Directors for attending Board or Board Committees Meetings, as detailed below :

Name of the Directors	No. of Board Meeting/s Attended	No. of Audit Committee Meeting/s attended	No. of Executive Committee Meeting/s attended	No. of Nomination and Remuneration Committee Meeting/s attended	Amount (RO)
Sheikh Rashid Saif Mohammed Al Saadi	5	-	-	2	4900
Eng. Ali Hilal Ali Al Kuwari	5	4	3	2	9800
Mr. Fahad Mohammed Al AbdulQader	5	4	2	1	8400
Mr. AbdulAziz Mohammed Nasser AlNadabi (until 13/12/2018)	5	4	-	-	6300
Sheikh Majid Salim Said Al Fannah Al Araimi	2	-	2	1	3500
Eng. Mohammed Khalifa Al Jalahma	4	4	-	-	5600
Mr. Abdullah Mohamed Al Al Ansari	5	-	3	2	7000
TOTAL					**45,500**

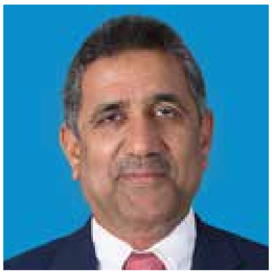
2. For the Year 2019:

The Chairman of the Board and Members of Board and Sub-Committees are eligible for sitting fee @ RO 700/- per meeting for Board and Committee meetings.

SENIOR MANAGEMENT TEAM

Dr. Nasser Zahir Al Maawali
Advisor
Chief Executive Officer (Retd.)

Eng. Mohamed Suhail Said Al Shanfari
Acting Chief Executive Officer



Mr. Muhammad Rafique Chaudhry
Chief Financial Officer

Mr. Mohamed Ahmed Al Shanfari
Asst. CEO for Admin. Affairs

Eng. Yassin Khidir Elnour
Senior Operations Manager

MANAGEMENT DISCUSSION & ANALYSIS REPORT

RESULTS OF OPERATION FOR 2018

It has been a challenging time in our industry during the last year with severe pressure on poultry companies due to economic forces such as raw materials prices have not been favourable for sometime, general economic slowdown, uncertainty of foreign markets etc. Despite this backdrop, A'Saffa Foods SAOG has managed to achieve growth.

A'Saffa's key priorities continue to be to drive revenue through brand relevance and differentiation and to enhance profitability through cost competitiveness. A'Saffa brand is embedded in the lives of consumers, adding joy and vitality to everyday moments. By delivering on A'Saffa promise of "100% Natural & Tasty, Real Halal" through enjoyable food, the Company contributes to the joy and well-being of its consumers.

The Company has implemented several initiatives in all areas of operations to create an efficient and robust supply chain. These will be reinforced further by integrating manufacturing and logistics and industrializing the set of manufacturing practices and technologies the Company has built to date.

The following table shows the past five years sales performance;

Years	Sales RO
2018	31,795,016
2017	31,943,607
2016	30,556,601
2015	31,863,225
2014	30,453,438

The Company achieved the above performance level in spite of:

- No increase in sales prices for the general consumers.
- Significant competition from lower-priced imported brands.
- Increase of input cost.

The company's performance in the last 5 years is shown below :

Years	Net equity	Net profit
2018	RO 40,234,116	RO 2,116,123
2017	RO 40,517,993	RO 3,742,125
2016	RO 39,175,868	RO 4,454,025
2015	RO 36,881,843	RO 5,795,602
2014	RO 33,246,241	RO 6,438,843

OUTLOOK

We are inspired by our achievements so far, confident in our capabilities, aware of the challenges ahead of us and optimistic of the future. Looking ahead, a key focus will be to set and implement the direction for the next phase of growth and improve our returns. We are conscious where our growth opportunities are and where our efforts and investments need be made.

As we move forward in our journey towards further enrichment and growth, we commit ourselves once again towards the health and well-being of every household and to the task of bringing more smiles to the faces of our employees, shareholders, suppliers and consumers.

KEY STRENGTHS OF A'SAFFA

Economies of Scale and Integration

- Fully integrated poultry project.
- Parent farms to ensure consistency in production and quality.
- Location is ideally suitable for poultry farming.
- No threat for any contagious diseases because of ideal isolated location.
- Good quality of the products.
- Very well established Brand Image.
- Economically viable project size.

The major strength of the company lies in its ability to deliver quality product to its customers resulting in considerable customer satisfaction and delight and importantly in the challenging times ahead, a strong customer loyalty.

Market Penetration & Image

A'Saffa has been able to make great market penetration and created the Brand Awareness in Oman and other GCC countries.

The well thought decision to start direct distribution in all over Oman resulted in greater penetration in the local market which helped in achieving the better results.

The significant advantage that the company enjoys is its consistent production of large quantities of Farm Fresh Chickens everyday assuring the customers continuous supply, ready availability, fresh product, Real Halal and high quality product. Delivery "on time, every time" has been our mission and consumer's delight our motto.

"A'Saffa's continued success demonstrates that our Plan to Win works in any environment and has positioned us to continue our performance in 2018."

We believe growth comes from enhanced marketing for our brands and product portfolio and, even more importantly, from driving growth engines that leverage the power of our brands.

People and Technical Expertise

The company has employed highly experienced management staff in all areas of operations. It is continuously imparting training at all levels including Omanis. The Company is also committed to developing the available local Omani workforce around Wilayat Thumrait. The company has a very good management team and technical expertise to effectively run the company.

THREATS & WEAKNESSES

- The Company operates in an industry characterized by high raw material content. The international prices of raw materials are volatile and can potentially have a significant impact on the Company's profitability. The management takes steps to actively monitor and manage these price fluctuations and mitigate the price risk.
- The threat of Bird flu outbreak in some European countries can affect our breeder day old chick importation.
- High influx of cheap and subsidized imported products.

OPPORTUNITIES

- Capability to produce product mix to enhance the margins and profitability.
- To meet the ever growing demand for A'Saffa products and the opportunity to increase the scale of production exists.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has a good system of internal control comprising authority levels and powers, supervision, checks and balances, policies and procedures. The system is reviewed and updated on an ongoing basis. On an annual basis, the Board approves a business plan and budget for the management to adhere to.

CONCLUSION

Financial year 2018 was an exciting and rewarding year for all of us at A'Saffa Foods SAOG. But what is most rewarding to me is how we have positioned the Company for the future.

We look forward to building on the momentum we generated in financial year 2018 and addressing our many opportunities, including our most important one: generating value for our shareholders.

Eng. Mohamed Suhail Said Al Shanfari
Acting Chief Executive Officer

EY
Building a better working world

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C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

REPORT OF FACTUAL FINDING
TO THE SHAREHOLDERS OF A'SAFFA FOODS SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' corporate governance report of A'saffa Foods SAOG (the "Company") as at and for the year ended 31 December 2018 and its application of the corporate governance practices in accordance with amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the Code as issued by the CMA and are summarised as follows:

1) We obtained the corporate governance report (the "report") issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and

2) We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2018. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of A'saffa Foods SAOG to be included in its annual report for the year ended 31 December 2018 and does not extend to any financial statements of A'saffa Foods SAOG, taken as a whole.

Ernst & Young LLC

5 March 2019
Muscat

ارنست ويونغ ش م م
ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

1. CORPORATE PHILOSOPHY

The Corporate Governance philosophy of A'Saffa Foods SAOG ("the Company") aims at corporate fairness and is committed to the business integrity. As part of this commitment; the Board supports the highest standards of corporate governance and promotes a culture of compliance, transparency and accountability. The objective of Corporate Governance is to enhance the value and maximize interest of stakeholders, which in turn will lead to corporate growth.

2. BOARD OF DIRECTORS

a. Role & Functions

The Board of Directors play a leading role within the organization in developing the Company's strategies and objectives, while ensuring and monitoring the effectiveness of internal controls.

b. Appointment of Directors

The Articles of Association of the Company provide for 7 Directors. The Board of Directors can be appointed either from among the shareholder or others. The qualification shares requirement for a shareholder Director is 500,000 shares. In case of the Directors nominated by the investing companies the qualification shares are held by the respective companies. The Directors are appointed every three years, for a term of three years as per Company Articles of Association, in the Annual General Meeting as per procedures laid down by Capital Market Authority. The current Board of Directors were elected by the shareholders in the Annual General Meeting held on March 29, 2017, and their term will last until March 29, 2020.

c. Composition of the Board of Directors

All the members of the Board have considerable expertise.

The Board comprises of seven members, all of whom including the Chairman are non-executive and independent. Four of the Directors are nominee Directors representing institutional investors and three of them are expert non-shareholder Directors. None of the Directors is a member of the Board of more than four public joint stock companies whose principle place of business is in the Sultanate of Oman (or) is a Chairman of more than two such companies.

The complete list of Board members is as follows: -

Sl.	Name of Directors	Position	Category	Details of Directorship in Other SAOG/SAOC Companies in Oman
1.	Sheikh Rashid Saif Mohammed Al Saadi	Chairman	Non-Executive and independent	1. Chairman, Takaful Oman Insurance SAOG. 2. Director, National Bank Oman SAOG. 3. Director, National Finance Co. SAOG. 4. Chairman, Omani Hospitality Company SAOC. 5. Director, Al Mouj Muscat Co. SAOC. 6. Director, Minerals Development Oman SAOC. 7. Director, Muscat National Development and Investment Company SAOC.
2.	Eng. Ali Hilal Ali Al Kuwari	Vice Chairman	Non-Executive and Non-Independent	None
3.	Mr. Fahad Mohammed Al AbdulQader	Director	Non-Executive and Non-Independent	None
4.	Mr. AbdulAziz Mohammed Nasser AlNadabi	Director (until 13/12/2018)	Non-Executive and Independent	None
5.	Eng. Mohammed Khalifa Al Jalahma	Director	Non-Executive and independent	None
6.	Sheikh Majid Salim Said Al Fannah Al Araimi	Director	Non-Executive and Non-Independent	1. Chairman, Galfar Engineering & Contracting SAOG. 2. Director, Oman Medical College SAOC.
7.	Mr. Abdulla Mohamed Al AlAnsari	Director	Non-Executive and Non-Independent	Oman Qatar Insurance Co. SAOC.

- Mr. AbdulAziz Mohammed Nasser Al Nadabi has submitted his resignation from the membership of the Board and Audit Committee of A'Saffa Foods SAOG on December 13, 2018. The Board of Directors accepted his resignation on 13/12/2018.

d. Number of Board Meetings

During the year 2018, Five Board meetings were held as under:

Board Meeting 1/2018	February 19, 2018
Board Meeting 2/2018	April 23, 2018
Board Meeting 3/2018	July 16, 2018
Board Meeting 4/2018	October 18, 2018
Board Meeting 5/2018	December 13, 2018

e. Director's Attendance Record

Name of Directors	No. of Meetings held	No. of Meetings attended	Whether attended last AGM
Sheikh Rashid Saif Mohammed Al Saadi	5	5	Yes
Eng. Ali Hilal Ali Al Kuwari	5	5	Yes
Mr. Fahad Mohammed Al AbdulQader	5	5	No
Mr. AbdulAziz Mohammed Nasser AlNadabi (until 13/12/2018)	5	5	Yes
Eng. Mohammed Khalifa Al Jalahma	5	4	No
Sheikh Majid Salim Said Al Fannah Al Araimi	5	2	No
Mr. Abdulla Mohamed Al Alansari	5	5	No

f. Related Party Disclosure

Details of all commercial and financial transactions where Directors have potential interest are provided to the Board. All related party transactions have been effected without any preferential advantage accruing to any related party concerned.

The nature of significant related party transactions and the amounts involved during the year 2018 were as follows:

Description	Year 2018 (RO)
Office, Transportation and hiring of storage facility	546,528/-
Purchase of further processed products	4,170,590/-
Sale of Poultry Meat	363,345/-
Bank Services	721/-
TOTAL	**5,081,184/-**

g. Committees of the Board

The Board has the following three committees, whose objectives, powers and procedures are approved by the Board.

i) Audit Committee

The Audit Committee of the Company comprising of four independent members who are also Directors on the Board was reconstituted by Board on March 29, 2017. Mr. AbdulAziz Mohammed Nasser AlNadabi is a independent Director, he is the Chairman of the Audit Committee. The other three members of the Audit Committee are Mr. Fahad Mohammed Al AbdulQader, Eng. Ali Hilal Ali Al Kuwari and Eng. Mohammed Khalifa Al Jalahma having rich experience in Business Management and Internal Controls.

The Audit Committee reviews the financial accounts/policies, adequacy of internal control systems, interacts with the statutory auditor and internal auditors. The CEO and other functional heads are invitees to the Audit Committee meetings. The Audit Committee reviews the audit plans, audited and un-audited financial results, observation of the internal and external auditors and follow-up on reports of the management. During the year 2018, the Audit Committee met four (4) times. The Minutes of Meetings of Audit Committee are reviewed by the Board of Directors.

During the year 2018, four Audit Committee meetings were held as under:

Audit Committee Meeting 1/2018	February 18, 2018
Audit Committee Meeting 2/2018	April 22, 2018
Audit Committee Meeting 3/2018	July 15, 2018
Audit Committee Meeting 4/2018	October 17, 2018

Name of Directors	No. of Meetings held	No. of Meetings attended
Mr. AbdulAziz Mohammed Nasser AlNadabi (until 13/12/2018)	4	4
Eng. Ali Hilal Ali Al Kuwari	4	4
Mr. Fahad Mohammed Al AbdulQader	4	4
Eng. Mohammed Khalifa Al Jalahma	4	4

- Mr. AbdulAziz Mohammed Nasser AlNadabi has submitted his resignation from the membership of the Audit Committee of A'Saffa Foods SAOG on December 13, 2018. The Board of Directors accepted his resignation on 13/12/2018.

ii) Executive Committee

The Executive Committee comprises of 4 Directors and is headed by the Vice Chairman of the company, Eng. Ali Hilal Ali Al Kuwari. The Executive Committee meets at periodical intervals as needed and the objective of the Executive Committee is to discharge responsibilities on behalf of the Board in deciding specific policy matters and business matters.

Major decisions and contracts are awarded within the approved mandate by the Executive Committee who is authorized by the Board of Directors to take such decisions and award. They also look into Policies & Procedure and Manpower Plan and the Budget estimates. Besides they recommend Board of Directors on matters in which the Board of Directors have to take decision/give approval.

During the year 2018, there were three meetings of the executive committee held as under:

Executive Committee Meeting 1/2018	March 28, 2018
Executive Committee Meeting 2/2018	July 16, 2018
Executive Committee Meeting 3/2018	November 10, 2018

Name of Directors	No. of Meetings held	No. of Meetings attended
Eng. Ali Hilal Ali Al Kuwari	3	3
Mr. Fahad Mohammed Al AbdulQader (until18 /10/2018)	3	2
Sheikh Majid Salim Said Al Fannah Al Araimi	3	2
Mr. Abdulla Mohamed Al Alansari	3	3

- Mr. Fahad Mohammed Al AbdulQader has submitted his resignation from the membership of Executive Committee of A'Saffa Foods SAOG on October 16, 2018. The Board of Directors accepted his resignation on October 18, 2018.

iii) Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of four Directors and is headed by the Chairman of the company, Sheikh Rashid Saif Mohammed Al Saadi. The Board constituted "Nomination and Remuneration Committee" to assist and advise the Board on matters relating to the remuneration of the Board, and the performance and remuneration of Executive management, along with assisting on nomination of Directors and senior executive management.

During the year 2018, there were two meetings of the Nomination and Remuneration Committee held as under :-

Nomination and Remuneration Committee Meeting 1/2018	February 19, 2018
Nomination and Remuneration Committee Meeting 2/2018	November 10, 2018

Name of Directors	No. of Meetings held	No. of Meetings attended
Sheikh Rashid Saif Mohammed Al Saadi	2	2
Eng. Ali Hilal Ali Al Kuwari	2	2
Mr. Fahad Mohammed Al AbdulQader (until18 /10/2018)	2	1
Mr. Abdulla Mohamed Al Alansari	2	2
Sheikh Majid Salim Said Al Fannah Al Araimi (from 18/10/2018 onwards)	2	1

- Mr. Fahad Mohammed Al AbdulQader has submitted his resignation from the membership of Nomination and Remuneration Committee of A'Saffa Foods SAOG on October 16, 2018. The Board of Directors accepted his resignation and appointed Sheikh Majid Said Al Fanah Al Araimi in place of outgoing Director on October 18, 2018.

Process of nomination of the Directors

The Company follows the Commercial Companies Law, Code of Corporate Governance and the guidelines issued by CMA in this regard. The Company has made efforts to have a Board with appropriate skills, experience and vision.

3. REMUNERATION OF DIRECTORS AND TOP 5 MANAGERS

a) The Chairman of the Board and Members of the Board of the Company are eligible for sitting fee @ RO 700/- per meeting for Board and Committee meetings.

b) Directors sitting fees paid for the year 2018 was RO 45,500/-. Directors' travelling and related cost to attend the meetings during the year was RO 19,443 /-. Moreover the Directors remuneration recommended for the year 2018 was RO 30,306/-.

c) Basic salary, allowances and perquisites paid to top five employees in the year 2018 amounted to RO 344,195/- which is fully a fixed component, and RO 35,422/- was paid for business related travel expenses. Gratuity charge for the year 2018 for Expatriate Key Management Staff RO 8,053/- and Social Insurance (PASI) charge for the year 2018 for Omani Key Management Staff RO 12,420/-. In addition RO 68,066/- was paid as Bonus linked to performance for the year 2018.

d) The company enters into a contract of employment with each employee and such contracts are in line with regulations of Ministry of Manpower.

4. MEANS OF COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

a) The notice to the Shareholders for the Annual General Meeting including the details of the related party transactions is filed with CMA and mailed to shareholders along with Directors' report and audited accounts.

b) The Quarterly results of the company as per CMA format are prepared by the management for every quarter, reviewed by the Audit Committee, approved by the Board, uploaded on the website of Muscat Securities Market (MSM) and also published in the Newspapers as per the directives of CMA.

c) Important Board decisions are disclosed to the investors through MSM from time to time.

d) The Management Discussion and Analysis Report forms part of the Annual Report.

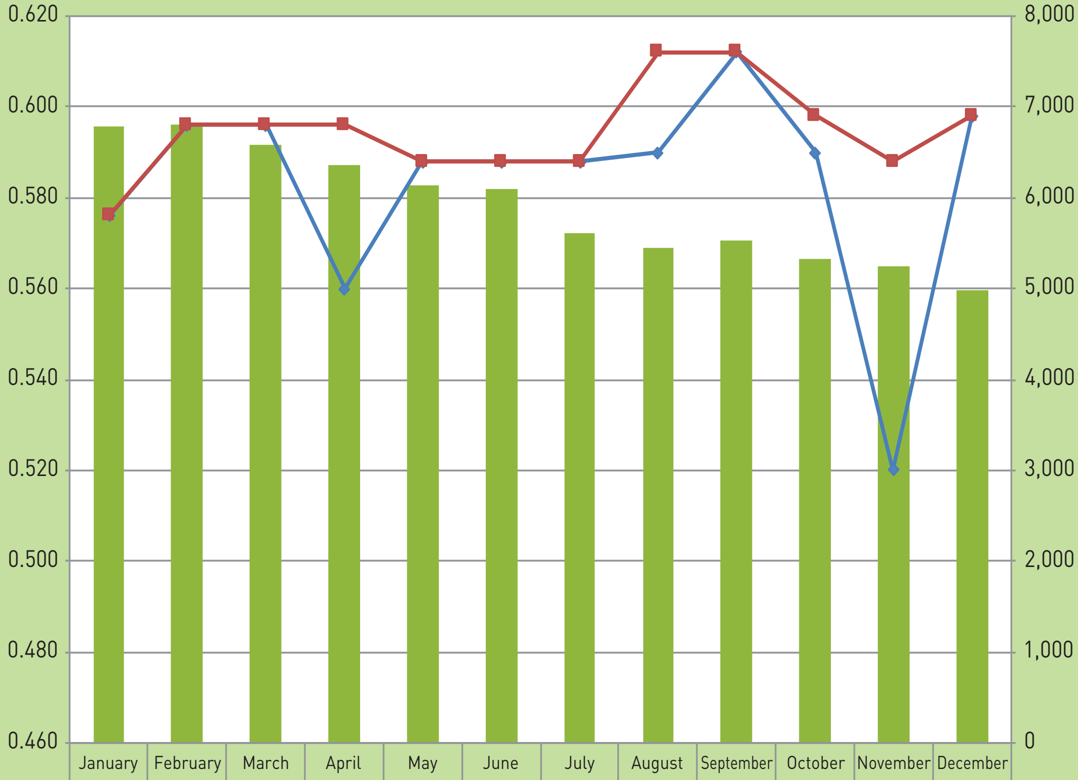
e) Dividends for all Shareholders are transferred to the Investor's Trust Fund account administered by the Muscat Clearing and Depository Company SAOC.

5. SHARE PRICE DATA

a) Details of share price movement during the year ended 31st December 2018 are furnished below:

Period (Month, 2018)	High	Low	Volume
January	0.576	0.576	0
February	0.596	0.596	10,000
March	0.596	0.596	4,273
April	0.596	0.560	29,550
May	0.588	0.588	0
June	0.588	0.588	0
July	0.588	0.588	0
August	0.612	0.590	50,000
September	0.612	0.612	0
October	0.598	0.590	60,100
November	0.588	0.520	8,001,289
December	0.598	0.598	0

MSM Industry Sector Index vs A'Saffa Foods SAOG in 2018.



	January	February	March	April	May	June	July	August	September	October	November	December
MSM Index (Industry)	6,781	6,801	6,593	6,367	6,144	6,100	5,605	5,452	5,535	5,337	5,254	4,991
Low	0.576	0.596	0.596	0.560	0.588	0.588	0.588	0.590	0.612	0.590	0.520	0.598
High	0.576	0.596	0.596	0.596	0.588	0.588	0.588	0.612	0.612	0.598	0.588	0.598

b) Shareholders of the Company who own 5% or more of the Company's shares whether in their name or through a nominee account and the number of shares they hold are as follows:

Description	2018		2017	
	%	Number	%	Number
Zulal Investment Company	**33.249**	**39,898,654**	33.249	39,898,654
Gulf Investment Corporation	**20.007**	**24,008,666**	20.007	24,008,666
Al-Hosn Investment Company SAOC	**13.242**	**15,890,000**	13.242	15,890,000
Al Watanyiah National United Engineering & Contracting Co. LLC	**10**	**11,999,999**	10	11,999,999
Internal Security Service Pension Fund	**-**	**-**	6.665	7,997,560
Public Authority for Social Insurance	**6.665**	**7,997,560**	-	-

6. MEASURING BOARD PERFORMANCE

In accordance with the Fourth Principle of the Corporate Governance of Public Shareholding Companies issued by the Capital Market Authority, the Annual General Assembly meeting held on March 29, 2018 approved the below mentioned two points and resolved to appraise the Board's performance every three years instead of every year.

- Criteria for appraising the Board of Directors performance.
- Appoint an independent firm to evaluate the performance of the Board of Directors during the financial year ended December31,2018.

7. STATUTORY AUDITORS

The Shareholders of the Company had appointed M/s. Ernst & Young as the external Auditors of the company for the year ended 31st December 2018. A total fee to Statutory Auditors for year 2018 is RO 8,500/- in respect of Statutory Audit and Review of Corporate Governance Report.

Professional profile of Ernst & Young (EY): Statutory Auditors

EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923 and employs over 7,000 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,600 partners and approximately 106,775 professionals. Globally, EY operates in more than 150 countries and employs 261,559 professionals in 700 offices. Please visit ey.com for more information about EY.

As per CMA regulations, the auditors of the company can hold office for a period of 4 consecutive years and the financial year 2018 was the fourth year.

8. INTERNAL AUDIT DEPARTMENT

The company's Internal Audit Department to carry out activities according to the Internal Audit Charter approved by the Audit Committee.

Mr. Saleem Padmavathy Vasu was responsible for Internal Audit Department. He resigned with effect from 24th May 2018 for personal reasons. The Board of Directors has accepted his resignation on April 24, 2018 and appointed Ms. Shamsa Al Touqi an Assistant Auditor as Internal Auditor from 24th May 2018 onwards.

9. DETAILS OF NON-COMPLIANCE BY THE COMPANY

There are no instances of non-compliance by the Company by way of penalties, strictures imposed on the Company by Capital Market Authority/Muscat Securities Market or any statutory authority on any matter related to capital markets during the last year.

10. EXECUTIVE MANAGEMENT

The executive management consists of persons having wide relevant experience in the industry:

Dr. Nasser Zahir Al Maawali is the Chief Executive Officer with 40 years wide ranging experience in animal production encompassing planning and overseeing implementation of projects and programmes, conducting and supervising research projects and hand-on commercial production at the farm level.

Dr. Nasser decided to retire after 15 years of services of the Company. The Board of Directors of A'Saffa Foods SAOG at its meeting held on December 13, 2018 accepted his resignation with effect from December 31, 2018.

Eng. Mohamed Suhail Said Al Shanfari, Chief Operating Officer with 24 years of extensive experience in the field of animal development, including research, planning and implementation of projects related to livestock.

The Board of Directors of A'Saffa Foods SAOG at their meeting held on December 13, 3018 have appointed Eng. Mohamed Suhail Said Al Shanfari as Acting Chief Executive Officer with effect from January 1, 2019.

Mr. Muhammad Rafique Chaudhry, Chief Financial Officer with 35 years diversified experience in strategic financial and Operation planning, designing corporate objectives and goals, monitoring project performance, performance analysis and corrective measures, financial and accounting activities of the project and business development.

Mr. Mohamed Ahmed Al Shanfari, Asst. CEO for Admin. Affairs with more than 45 years in the Public relation, Commercial activities, Human Resource and Administration.

Mr. Sidhartha Lenka, Head of the Marketing and Sales with extensive experience in Sales and Marketing in India as well as Eastern & Southern African countries, special expertise in brand building, setting distribution network, direct distribution, advertisement and promotion, sales planning and setting goals, target achievement.

Mr. Sidhartha had submitted his resignation on October 21, 2018 for personal reason. The management has accepted his resignation. His last working day with the company will be on January 20, 2019.

11. ACKNOWLEDGEMENT BY BOARD OF DIRECTORS

The Board of Directors acknowledges their responsibility in preparing the financial statements in accordance with the International Standards on Accounting and the relevant rules of the Sultanate of Oman.

The Board of Directors, based on the review of Audit Committee, believe that the financial statements are prepared in accordance with applicable standards and rules.

The board believes, based on the review of internal controls carried out by the audit committee, that the system of internal control is adequate to ensure compliance with laws and regulations.

Based on an examination of the internal audit work, discussion with management and scrutiny of previous management information, the audit committee have concluded that company's system of internal control have operated effectively during the year.

The Board has approved the budget of the company for the year 2019 and, on the strength of the budget and consideration of the expected cash flow, consider that the company will continue in operational existence for the foreseeable future.

Rashid Saif Mohammed Al Saadi	**Ali Hilal Ali Al Kuwari**
Chairman of the Board	Vice Chairman – Audit Committee

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C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'SAFFA FOODS SAOG

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements (the "financial statements") of A'Saffa Foods SAOG (the "Company") and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group and separate financial position of the Company as at 31 December 2018 and their respective financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

A'SAFFA FOODS SAOG (CONTINUED)

Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
Expected Credit Loss (ECL) for trade receivables for consolidated and separate financial statements Trade receivables are significant to the consolidated and separate financial statements. Effective from 1 January 2018, the Group has applied the simplified approach in IFRS 9 'Financial Instruments' to measure ECL for trade receivables, which allows for lifetime expected credit losses to be recognised from initial recognition of the receivables. The Group determines the expected credit losses on trade receivables by using a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Trade receivables have been grouped based on shared credit risk characteristics and days past due. Due to the significance of trade receivables and the complex nature of ECL calculation, this was considered as a key audit matter.	Our audit procedures in the area included the following: • Evaluated the appropriateness of the selection of accounting policies; • Considered the appropriateness of the transition approach and evaluated the management's process for selection of expected credit loss model; • Obtained an understanding of the process relating to the allowance for credit losses of trade receivables; • Evaluated the reasonableness of the key judgments and estimates relating to calculation of probability of default and forward-looking factors made in the expected credit loss model; • Involved specialists to assist in evaluating the judgments and estimates; • Evaluated the completeness, accuracy and relevance of data used in the expected credit loss model and checked the mathematical accuracy of the calculations; • Obtained an ageing report of trade receivables and tested the accuracy by checking the ageing of select invoices on a sample basis. Details regarding credit risk and the aging of trade receivables is set out in note 19 of the financial statements. We also assessed the appropriateness of the disclosures in the financial statements in accordance with IFRS.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'SAFFA FOODS SAOG (CONTINUED)

Other information included in the Group's 2018 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Group's 2018 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2018 Annual Report after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law of 1974, as amended, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'SAFFA FOODS SAOG (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of those charged with governance use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'SAFFA FOODS SAOG (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 1974, as amended, and CMA of the Sultanate of Oman.

Ernst & Young LLC

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س.ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي - ١١٢، سلطنة عمان
EY ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

Philip Stanton
Muscat
5 March 2019

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

		Parent Company		Group	
		2018	2017	**2018**	2017
	Notes	**RO**	RO	**RO**	RO
Revenue		**31,795,016**	31,943,607	**32,272,724**	32,228,070
Cost of sales	4	**(21,473,685)**	(20,455,398)	**(21,190,870)**	(19,993,115)
Gross profit		**10,321,331**	11,488,209	**11,081,854**	12,234,955
Selling and distribution expenses	5	**(5,561,256)**	(4,979,891)	**(5,144,940)**	(4,635,505)
General and administrative expenses	6	**(2,180,277)**	(2,209,958)	**(2,368,873)**	(2,369,981)
Other operating income	7	**35,264**	11,908	**32,433**	13,891
Operating profit		**2,615,062**	4,310,268	**3,600,474**	5,243,360
Finance income / (costs) – net	9	**62,926**	208,041	**(140,444)**	(21,530)
Impairment of investment in security	16	**-**	(8,405)	**-**	(8,405)
Share of loss from associates	15	**(42,738)**	(49,022)	**(42,738)**	(49,022)
Profit before tax		**2,635,250**	4,460,882	**3,417,292**	5,164,403
Taxation					
- Current income tax	10	**(458,483)**	(717,050)	**(523,811)**	(723,081)
- Deferred tax - net	10	**(60,644)**	(1,707)	**(97,413)**	(114,254)
		(519,127)	(718,757)	**(621,224)**	(837,335)
Profit and total comprehensive income for the year		**2,116,123**	3,742,125	**2,796,068**	4,327,068
Basic earnings per share (RO)	11	**0.018**	0.031	**0.023**	0.036

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		Parent Company		Group	
		2018	2017	**2018**	2017
	Notes	**RO**	RO	**RO**	RO
ASSETS					
Non-current assets					
Property, plant and equipment	12	**20,637,587**	16,820,439	**28,906,126**	25,295,271
Intangible assets	13	**81,354**	183,518	**122,325**	237,032
Investments in subsidiaries	14	**2,950,000**	2,950,000	**-**	-
Investment at fair value through profit and loss	16	**47,671**	47,671	**47,671**	47,671
Investment in associates	15	**4,187,974**	2,599,512	**4,187,974**	2,599,512
Term deposits	21	**-**	4,500,000	**-**	4,500,000
Total non-current assets		**27,904,586**	27,101,140	**33,264,096**	32,679,486
Current assets					
Inventories	17	**3,649,852**	3,879,933	**4,550,106**	4,674,276
Biological assets	18	**1,474,185**	1,276,354	**1,474,185**	1,276,354
Trade and other receivables	19	**13,840,115**	12,931,853	**12,967,631**	12,244,811
Term deposits	21	**2,000,000**	3,000,000	**2,000,000**	3,000,000
Cash and bank balances	20	**153,591**	272,277	**263,714**	544,519
Total current assets		**21,117,743**	21,360,417	**21,255,636**	21,739,960
TOTAL ASSETS		**49,022,329**	48,461,557	**54,519,732**	54,419,446
EQUITY AND LIABILITIES					
Equity					
Share capital	22	**12,000,000**	12,000,000	**12,000,000**	12,000,000
Legal reserves	23	**4,000,000**	4,000,000	**4,161,188**	4,093,193
Retained earnings		**24,234,116**	24,517,993	**25,584,013**	25,255,940
Total equity		**40,234,116**	40,517,993	**41,745,201**	41,349,133
LIABILITIES					
Non-current liabilities					
Borrowings	25	**-**	360,009	**1,320,000**	2,160,009
Deferred government grant	25	**32,168**	89,991	**32,168**	89,991
Finance lease liabilities	26	**-**	-	**358,593**	1,142,760
End of service benefits	27	**670,049**	583,789	**707,883**	612,112
Deferred tax liabilities	10	**625,783**	565,139	**813,008**	715,595
Total non-current liabilities		**1,328,000**	1,598,928	**3,231,652**	4,720,467
Current liabilities					
Borrowings	25	**2,807,951**	1,587,599	**3,287,951**	2,067,599
Finance lease liabilities	26	**-**	-	**941,617**	858,807
Trade and other payables	28	**4,652,262**	4,757,037	**5,313,311**	5,423,440
Total current liabilities		**7,460,213**	6,344,636	**9,542,879**	8,349,846
Total liabilities		**8,788,213**	7,943,564	**12,774,531**	13,070,313
TOTAL EQUITY AND LIABILITIES		**49,022,329**	48,461,557	**54,519,732**	54,419,446
Net assets per share (RO)	29	**0.335**	0.338	**0.348**	0.345

The financial statements were authorised for issue in accordance with a resolution of the board of directors on 21 Febraury 2019 and signed on their behalf by:

CHAIRMAN

DIRECTOR

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	Parent Company		Group	
		2018	2017	**2018**	2017
		RO	RO	**RO**	RO
OPERATING ACTIVITIES					
Cash generated from operations	31	**2,626,594**	283,106	**4,060,211**	1,757,345
Interest paid	9	**(64,130)**	(67,395)	**(267,500)**	(296,966)
Interest received	9	**127,056**	275,436	**127,056**	275,436
Net cash generated from operating activities		**2,689,520**	491,147	**3,919,767**	1,735,815
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	12	**(5,093,780)**	(215,799)	**(5,304,789)**	(305,160)
Purchase of intangible assets	13	**-**	-	**-**	(5,635)
Investment in associates	15	**(1,631,200)**	(1,731,840)	**(1,631,200)**	(1,731,840)
Proceeds from disposal of property, plant and equipment		**14,254**	10,355	**14,254**	10,355
Term deposits	21	**5,500,000**	4,000,000	**5,500,000**	4,000,000
Net cash (used in)/generated from investing activities		**(1,210,726)**	2,062,716	**(1,421,735)**	1,967,720
FINANCING ACTIVITIES					
Finance lease repaid		**-**	-	**(701,357)**	(814,276)
Borrowings repaid		**(500,000)**	(500,000)	**(980,000)**	(620,000)
Dividend paid	22	**(2,400,000)**	(2,400,000)	**(2,400,000)**	(2,400,000)
Net cash used in financing activities		**(2,900,000)**	(2,900,000)	**(4,081,357)**	(3,834,276)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,421,206)**	(346,137)	**(1,583,325)**	(130,741)
Cash and cash equivalents at beginning of the year		**(815,322)**	(469,185)	**(543,080)**	(412,339)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**(2,236,528)**	(815,322)	**(2,126,405)**	(543,080)
Cash and cash equivalents comprise of following:					
Bank overdrafts	25	**(2,390,119)**	(1,087,599)	**(2,390,119)**	(1,087,599)
Cash and bank balances	20	**153,591**	272,277	**263,714**	544,519
		(2,236,528)	(815,322)	**(2,126,405)**	(543,080)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 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	-	-	3,742,125	3,742,125
Dividend paid (note 22c)	-	-	(2,400,000)	(2,400,000)
At 31 December 2017	12,000,000	4,000,000	24,517,993	40,517,993
Group:				
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	-	-	4,327,068	4,327,068
Dividend paid (note 22c)	-	-	(2,400,000)	(2,400,000)
Transfer to legal reserve	-	93,193	(93,193)	-
At 31 December 2017	12,000,000	4,093,193	25,255,940	41,349,133
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	**-**	**-**	**2,116,123**	**2,116,123**
Dividend paid (note 22c)	**-**	**-**	**(2,400,000)**	**(2,400,000)**
At 31 December 2018	**12,000,000**	**4,000,000**	**24,234,116**	**40,234,116**
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	**-**	**-**	**2,796,068**	**2,796,068**
Dividend paid (note 22c)	**-**	**-**	**(2,400,000)**	**(2,400,000)**
Transfer to legal reserve	**-**	**67,995**	**(67,995)**	**-**
At 31 December 2018	**12,000,000**	**4,161,188**	**25,584,013**	**41,745,201**

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

(a) The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB), the requirements of the Commercial Companies Law of 1974, as amended and disclosure requirements of the Capital Market Authority (CMA) of the Sultanate of Omans.

b) Basis of measurement

The financial statements have been prepared on the historical cost. This is the first set of annual financial statements, in which IFRS 9 and IFRS 15 has been applied. Changes to accounting policies relating to IFRS 9 are described in note 2 (d). The effect of adoption of IFRS 15 was not significant to the overall financial statement.

c) Functional currency

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

d) Standards, amendments and interpretation effective in 2018

For the year ended 31 December 2018, the Group has adopted all of the following 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 annual periods beginning on or after 1 January 2018.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The adoption of these standards and interpretations has not resulted in any significant changes to the Group's accounting policies and has not affected the amounts reported for the current year, which is detailed out below:

IFRS 9 — Financial Instruments

The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The key changes in the accountig policies are given in section 2.12.1 and transition is set out below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

d) Standards, amendments and interpretation effective in 2018 (continued)

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 were not materialy different from the provision as 31 December 2017, hence no restatement of opening retained earning was required."

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets as measured at FVOCI."

Classification of financial assets on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 (loan and receivables) and the new measurement categories under IFRS 9 (amortised cost) for the Company's financial assets as at 1 January 2018.

Financial asset (Group)	Original carrying amount (RO)	Re-measurement - ECL (RO)	New carrying amount (RO)
Cash and bank balances	544,519	-	544,519
Term deposit	7,500,000	-	7,500,000
Trade and other receivables	12,244,811	-	12,244,811
	20,289,330	-	20,289,330

Financial asset (Parent)	Original carrying amount (RO)	Re-measurement - ECL (RO)	New carrying amount (RO)
Cash and bank balances	272,277	-	272,277
Term deposit	7,500,000	-	7,500,000
Trade and other receivables	12,931,853	-	12,931,853
	20,704,130	-	20,704,130

Adoption of IFRS 9 did not result in any change in classification or remeasurement of financial liabilities.

IFRS 15 — Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group's adoption of IFRS 15 under modified retrospective method had no material impact on the financial statements of the Group.

e) Standards issued but not yet effective

IFRS 16 Leases

The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). For lessors, there is little change to the existing accounting in IAS 17 Leases. The Group will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

e) Standards issued but not yet effective (continued)

The standard's transition provisions permit certain reliefs

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. While the Group is in process of assessing the impact of the initial application. Management believes that the most significant impact will be that the Company will need to recognise a right of use assets and lease liability for land on which their depots, office and bulk storage facilities are constructed, currently treated as an operating lease. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense. Future minimum lease commitments under non-cancellable operating lease are disclosed in note 26.

2.2 Consolidation

(a) Basis of consolidation

The financial statements comprise the financial statements of the Parent company and its subsidiaries as at 31 December 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(b) Investment in associates (continued)

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 comprehensive income 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 comprehensive income 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 comprehensive income

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.

(c) Investment in subsidiaries

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

2.3 Revenue recognition (Policy before 1 January 2018)

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.

2.3.1 Revenue recognition (Policy applicable from 1 January 2018)

Revenue from contracts with customers

The Group's principal activity is sale and distribution of poultry meat and poultry products.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer."

Sale and distribution of poultry meat.

Revenue from sale and distribution of poultry meat and poultry products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit terms are 180 to 270 days upon delivery/receipt. The Group's contracts with customers for sale of goods generally includes one performance obligation.

2.4 Interest income and interest expense

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

2.5 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Leases (continued)

Rental income arising on account of operating lease is accounted for on a straight-line basis over the operating lease terms and is included as revenue in the statement of comprehensive income.

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.

2.6 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.

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Property, plant and equipment (continued)

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.

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

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.

2.11 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.

2.12 Biological assets

Biological assets include poultry for live stock of bredding parent chicken, hatchable eggs and broiler birds.

Biological assets, except breeding parent chicken and hatchable eggs, are measured at fair value less cost to sell.

The valuation of the Breeder biological assets and hatchable eggs are determined on the following basis:

Bredding birds and hatchable eggs are used for captive consumption, it is uncommon to be sold before the end of its useful life and as such, there is no active market for the Company's useful breeding stock and hatchable eggs. Other references to market prices such as market prices for similar assets are also not available due to the uniqueness of the breed. Valuation based on a discounted cash flow method is considered to be unreliable given the uncertainty with respect to mortality rates and production. Consequently, breeder birds and hatchable eggs are measured at cost, less depreciation and impairment losses.

Breeder birds are depreciated over the production cycle which is estimated to be ten to twelve months on average based on anticipated output month to month.

Broiler chicken is stated at fair value less estimated selling cost. Cost of sell include all cost that would be necessary to sell the assets. Gain and losses arising on the initial recognition of brolier birds at fair value less estimated point of sale costs and from a change in fair value less estimated point-of-sale costs are recognised in the statement of profit and loss in the period in which they arise."

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Financial assets (Applicalbe to 2017 only)

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 receivables

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 (notes 2.15 and 2.16).

(c) 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14.1 Financial assets (Applicable from 2018)

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14.1 Financial assets (Applicable from 2018)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables and cash and cash equivalents.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group does not have any such instruments.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group does not have any such instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. The Group does not any such instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14.1 Financial assets (Applicable from 2018)

Subsequent measurement (continued)

Impairment of financial assets (Applicable from 2018)

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVTPL. The Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience as adjusted for forward-looking factors.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group considers a financial asset in default when contractual payment is 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

2.15 Trade and other receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

2.16 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.

2.17 Financial liabilities (Applicable from 2018)

Initial recognition and measurement (Applicable from 2018)

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss."

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Financial liabilities (Applicable from 2018) (continued)

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.

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.

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.

2.18 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.19 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.

2.20 Foreign currency

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

2.21 Fair Value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:"

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Fair Value (continued)

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable quotations.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.22 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.

2.25 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) Useful lives of property, plant and equipment (Applicable to 2017 and 2018)

The Group'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.

(b) Valuation of biological assets (Applicable to 2017 and 2018)

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) Inventories (Applicable to 2017 and 2018)

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.

(d) Classification of financial assets (Applicable from 1 January 2018)

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

(e) Impairment of financial assets at amortised cost (Applicable from 1 January 2018)

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(f) Impairment of trade receivables (Applicable to 2017)

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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(f.1) Impairment of trade receivables (Applicable to 2018)

On 1 January 2018 IFRS 9 "Financial Instruments" replaced the 'incurred loss' impairment model in IAS 39 "Financial Instruments: Recognition and Measurement" with an 'expected credit loss' (ECL) impairment model. The new impairment model requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It also requires management to assign probability of default to various categories of receivables. Probability of default constitutes a key input in measuring an ECL and entails considerable judgement; it is an estimate of the likelihood of default over a given time horizon, the calculation of which involves historical data, assumptions and expectation of future conditions. In the previous year, the impairment review of trade receivables was performed only for receivables for which management had an indication for impairment. That also entailed significant judgement. It was determined by reference to past default experience of a counterparty and an analysis of the counterparty's financial situation, but the "incurred loss" model disregarded entirely the current and expected future conditions. As a result , it is expected that under the new impairment model credit losses will be recognised earlier.

(g) Taxes (Applicable to 2017 and 2018)

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.

4 COST OF SALES

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Cost of materials consumed	**15,823,721**	14,508,325	**13,549,645**	12,226,524
Less: Government subsidy	**(20,693)**	(6,102)	**(20,693)**	(6,102)
	15,803,028	14,502,223	**13,528,952**	12,220,422
Employee related costs (note 8)	**3,748,668**	3,236,093	**4,549,428**	4,007,386
Depreciation (note 12)	**1,081,622**	1,104,546	**1,464,369**	1,486,057
Fuel expenses	**354,860**	1,031,133	**464,165**	1,140,462
Amortisation (note 13)	**30,649**	30,649	**43,192**	42,293
Other direct expenses	**454,858**	550,754	**1,140,764**	1,096,495
	21,473,685	20,455,398	**21,190,870**	19,993,115

In 2018, the Parent Company received a subsidiy at RO 20,693 (2017: 6,102) from the Government for certain raw materials consumed in the manufacture of poultry products. The subsidy is applicable for the period starting from 1 January 2017 to 31 December 2017.

5 SELLING AND DISTRIBUTION EXPENSES

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Transportation costs	**1,887,174**	1,302,982	**1,887,174**	1,219,281
Employee related costs (note 8)	**1,685,372**	1,544,221	**1,685,372**	1,544,221
Rent and storage expenses	**1,086,048**	1,169,310	**669,732**	824,924
Advertisement and sales promotion	**565,817**	552,086	**565,817**	552,086
Insurance	**100,887**	118,692	**100,887**	118,692
Communication	**75,480**	85,599	**75,480**	85,599
Depreciation (note 12)	**25,450**	25,989	**25,450**	25,989
Amortisation (note 13)	**22,476**	22,476	**22,476**	22,476
Miscellaneous	**112,552**	158,536	**112,552**	242,237
	5,561,256	4,979,891	**5,144,940**	4,635,505

6 GENERAL AND ADMINSTRATIVE EXPENSES

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Employee related costs (note 8)	**1,241,997**	1,122,462	**1,483,787**	1,324,918
Depreciation (note 12)	**165,159**	168,930	**199,714**	203,640
Rent	**166,463**	139,320	**36,251**	9,108
Directors' remuneration (note 32d)	**30,306**	140,000	**30,306**	140,000
Printing and stationery	**84,324**	112,280	**85,232**	113,792
Contributions for social causes	**77,747**	100,000	**77,747**	100,000
Business travel and meeting expenses	**54,940**	49,907	**54,940**	50,107
Professional and consultancy fees	**52,457**	25,604	**64,604**	33,709
Amortisation (note 13)	**49,039**	49,039	**49,039**	49,039
Directors' meeting attendance fees (note 32d)	**45,500**	51,100	**51,600**	56,600
Provision for expected credit losses (note 19)	**40,065**	12,890	**40,065**	12,890
Communication	**26,126**	18,119	**26,126**	18,119
Registration and renewals	**22,095**	22,001	**22,095**	22,476
Repairs and maintenance	**19,566**	24,794	**19,566**	24,794
Vehicle expenses	**8,591**	12,658	**11,754**	21,323
Foreign exchange loss	**-**	55,103	**-**	57,237
Miscellaneous	**95,902**	105,751	**116,047**	132,229
	2,180,277	2,209,958	**2,368,873**	2,369,981

7 OTHER OPERATING INCOME

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Profit on disposal of property, plant and equipment	**9,853**	9,948	**9,853**	9,948
Miscellaneous	**25,411**	1,960	**22,580**	3,943
	35,264	11,908	**32,433**	13,891

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	**6,207,451**	5,549,197	**7,177,119**	6,452,967
Leave salary	**255,329**	181,000	**303,258**	225,648
Air passage	**104,257**	89,621	**115,585**	102,962
End of service benefits (note 27)	**109,000**	82,958	**122,625**	94,948
	6,676,037	5,902,776	**7,718,587**	6,876,525

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)	**3,748,668**	3,236,093	**4,549,428**	4,007,386
Selling and distribution expenses (note 5)	**1,685,372**	1,544,221	**1,685,372**	1,544,221
General and administrative expenses (note 6)	**1,241,997**	1,122,462	**1,483,787**	1,324,918
	6,676,037	5,902,776	**7,718,587**	6,876,525

9 FINANCE INCOME / (COSTS) - NET

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
a) Interest expenses:				
- on government soft loan	**(76,546)**	(115,874)	**(76,546)**	(115,874)
- on bank overdraft	**(27,072)**	(19,221)	**(27,196)**	(20,654)
	(103,618)	(135,095)	**(103,742)**	(136,528)
Financing cost on Islamic overdraft	**(18,335)**	(12,834)	**(18,335)**	(12,916)
Financing cost on Islamic finance lease	**-**	-	**(198,345)**	(228,056)
Government soft loan - release of grant	**57,823**	80,534	**52,922**	80,534
Interest expenses - net	**(64,130)**	(67,395)	**(267,500)**	(296,966)
b) Interest Income:				
Profit on deposits	**101,879**	241,305	**101,879**	241,305
Interest income on deposits	**25,177**	34,131	**25,177**	34,131
Interest income	**127,056**	275,436	**127,056**	275,436
Finance income /(costs) - net	**62,926**	208,041	**(140,444)**	(21,530)

10 TAXATION

Statement of comprehensive income:

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Current tax	**458,483**	717,050	**523,811**	723,081
Deferred tax	**60,644**	1,707	**97,413**	114,254
	519,127	718,757	**621,224**	837,335
Statement of financial position:				
a) Current tax liabilities:				
Current year	**458,483**	717,050	**523,811**	723,081
Prior year	**14,215**	-	**14,215**	-
	472,698	717,050	**538,026**	723,081
b) Deferred tax liabilities:				
1 January	**565,139**	563,432	**715,595**	601,341
Movement for the year	**60,644**	1,707	**97,413**	114,254
31 December	**625,783**	565,139	**813,008**	715,595

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.

Any difference between the applicable tax rates of 15% and the effective tax rate of 15.02% (2017: 15.35%) arises due to the tax effect of income not considered to be taxable and expenses that are not considered to be deductible. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

The tax assessments of the Parent Company has been finalised till 2013. None of the tax assessment of the subsidiaries has been completed. The Management believes that additional tax liability if any, that may arise on the completion of the assessments for the unassessed tax years for the Parent Company and the subsidiaries will not be material to the financial position of the the Parent Company and Group at the end of the reporting period.

Deferred tax liability/assets has been calculated at 15% (2017: 15%).The deferred tax liability comprises the following types of temporary differences:

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Plant and equipment qualifying for accelerated tax relief	**653,004**	578,029	**840,229**	740,847
On carried forward of losses	**-**	-	**-**	(12,362)
Other	**(6,411)**	-	**(6,411)**	-
Provision for bad debts	**(20,810)**	(12,890)	**(20,810)**	(12,890)
	625,783	565,139	**813,008**	715,595

11 BASIC EARNINGS PER SHARE

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

	Parent Company		Group	
	2018	2017	**2018**	2017
Profit attributable to shareholders (RO)	**2,116,123**	3,742,125	**2,796,068**	4,327,068
Weighted average number of shares outstanding	**120,000,000**	120,000,000	**120,000,000**	120,000,000
Basic earnings per share (RO)	**0.018**	0.031	**0.023**	0.036

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 60 to 63.

(b) Depreciation is allocated as follows:

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Cost of sales (note 4)	**1,081,622**	1,104,546	**1,464,369**	1,486,057
General and administrative expenses (note 6)	**165,159**	168,930	**199,714**	203,640
Selling and distribution expenses (note 5)	**25,450**	25,989	**25,450**	25,989
	1,272,231	1,299,465	**1,689,533**	1,715,686

(c) Buildings are constructed on land leased for a period of five years from 2015 to 2020 renewable for a further five years from the Ministry of Housing, Electrical and Water (MHEW). Based on approval by Ministral Council during the year 2009, the rental charges for the year amounted to RO 60,425 (2017: RO 60,425).

(d) In 2015, A'Saffa Processing entered into a sale and lease back arrangement with an Islamic Bank. A'Saffa Processing sold 84% of its building and 74.467% of plant and machinery to the bank and leased back the same, which has a carrying value of RO 3,375,280 (2017: RO 3,422,050). The associated liability against finance lease was recognised as detailed in note 26. These assets are jointly registered in the name of A'Saffa Processing and the bank (note 25).

(e) In 2016, Company obtained a loan from an Islamic bank for purchase of certain assets. The loan is secured against first commercial charge on building and equipment of RO 3,270,544 and RO 640,948 (2017: RO 3,347,862 and RO 666,447) respectively (note 25).

13 INTANGIBLE ASSETS

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Cost				
At 1 January	**510,819**	510,819	**575,977**	510,819
Addition for the year	**-**	-	**-**	65,158
At 31 December	**510,819**	510,819	**575,977**	575,977
Accumulated amortisation				
At 1 January	**327,301**	225,137	**338,945**	225,137
Charge for the year	**102,164**	102,164	**114,707**	113,808
At 31 December	**429,465**	327,301	**453,652**	338,945
Net book amount				
At 31 December	**81,354**	183,518	**122,325**	237,032

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

13 INTANGIBLE ASSETS (continued)

Amortisation is allocated as follows:

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Cost of sales (note 4)	**30,649**	30,649	**43,192**	42,293
Selling and distribution expenses (note 5)	**22,476**	22,476	**22,476**	22,476
General and admininstrative expenses (note 6)	**49,039**	49,039	**49,039**	49,039
	102,164	102,164	**114,707**	113,808

14 INVESTMENT IN SUBSIDIARIES

			Parent Company	
	% holding	**Year of incorporation**	**2018 RO**	2017 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

(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 INVESTMENT IN ASSOCIATES

The Company has the following associates as at 31 December:

Parent company / Group:

	2018		2017	
	%	**RO**	%	RO
A'Namaa Poultry Company SAOC	**20%**	**2,372,668**	20%	821,228
Osool Poultry SAOC	**20%**	**1,815,306**	20%	1,778,284
		4,187,974		2,599,512

Movement in investment in associates are as follows:

	A'Namaa Poultry Company SAOC		Osool Poultry SAOC	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Opening balance	**821,228**	865,959	**1,778,284**	50,735
Additional investment	**1,631,200**	-	**-**	1,731,840
Share of loss/ (profit) from associates	**(79,760)**	(44,731)	**37,022**	(4,291)
	2,372,668	821,228	**1,815,306**	1,778,284

15 INVESTMENT IN ASSOCIATES (continued)

The following table illustrate the summarised information of the Company's investment in associates:

	Parent and Group	
	2018	2017
	RO	RO
Share of the associate's statement of financial position:		
Current assets	**15,684,302**	10,672,120
Non-current assets	**6,814,186**	3,066,195
Current liabilities	**(1,175,982)**	(285,200)
Non-current liabilities	**(382,634)**	(455,555)
Net assets	**20,939,872**	12,997,560
Group's share in equity	**20%**	20%
Group's carrying amount of the investment	**4,187,974**	2,599,512
Share of loss from associates	**(42,738)**	(49,022)

16 INVESTMENT AT FAIR VALUE THROUGH PROFIT AND LOSS

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Unquoted local investment	**47,671**	47,671	**47,671**	47,671

1. The Parent Company holds 100,000 shares of RO 1 each (2017: 100,000 shares of RO 1 each) in Al Najd Agricultural Development SAOC.
2. In the opinion of the management, the carrying value of the unquoted local investment is considered to be the fair value at the reporting date.

17 INVENTORIES

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Raw materials and consumables	**1,927,603**	2,083,398	**2,642,232**	2,713,924
Finished products	**815,940**	1,100,915	**837,727**	1,117,994
Stores and spares	**906,309**	695,620	**1,070,147**	842,358
	3,649,852	3,879,933	**4,550,106**	4,674,276

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

18 BIOLOGICAL ASSETS

	Parent and Group	
	2018	2017
	RO	RO
Mature biological assets (Broiler birds)	**820,959**	647,220
Immature biological assets (Parent day old chicks)	**460,032**	450,615
Hatchable eggs	**193,194**	178,519
	1,474,185	1,276,354

At 31 December 2018, 1,812,272 Nos. broiler birds (2017 - 1,559,566 Nos. broiler birds) and 211,119 Nos. chicks (2017 - 210,230 Nos. chicks) were forming part of biological assets.

18 BIOLOGICAL ASSETS (continued)

Movement in mature biological assets (Brolier birds):

	Parent and Group	
	2018	2017
	RO	RO
1 January	**647,220**	703,424
Produced during the year	**21,647,425**	20,399,194
Sold during the year	**(21,473,686)**	(20,455,398)
31 December	**820,959**	647,220

There has been no material difference in the fair value and carrying value of the brolier birds. The fair value measurements for the biological assets have been categorised as Level 3 fair values based on the inputs to the valuation techniques used. Valuation techniques and significant unobservable inputs used for valuation of biological assets are as below:

Valuation Technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Fair value: The valuation model considers the average live weight of bird, mortality and the estimated selling price less cost to sell [including the additional cost required to bring the birds as ready to sell (i.e. feed cost, medicines and overhead)].	Mortality of birds 2.1%.	The estimated fair value would increase/ (decrease) if:
		Mortality was lower / (higher).
	Average weight of birds 0.800 kgs – 1.3 kgs	Average weight of birds higher/ (lower).
	Sales price of fully grown bird less cost to sell RO 1.09	Selling price of fully grown bird less cost to sell was higher/ (lower)."

A 5% change in the unobservable inputs would not results in a significant impact on the fair value.

19 TRADE AND OTHER RECEIVABLES

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Trade receivables	**7,051,999**	8,836,013	**7,262,068**	9,001,081
Less: allowance for expected credit losses	**(138,736)**	(98,821)	**(188,013)**	(148,098)
	6,913,263	8,737,192	**7,074,055**	8,852,983
Due from a related party (note 32)	**1,294,243**	1,037,444	**150,533**	150,565
Advance to staff and suppliers	**5,449,306**	2,681,400	**5,522,224**	2,743,183
Prepayments	**117,098**	70,954	**154,614**	93,216
Other receivables	**66,205**	404,863	**66,205**	404,864
	13,840,115	12,931,853	**12,967,631**	12,244,811

Movement in the allowance for expected credit losses during the year are as follows:

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
At 1 January	**98,821**	104,181	**148,098**	153,458
Charge for the year	**40,065**	12,890	**40,065**	12,890
Written back during the year	**(150)**	(18,250)	**(150)**	(18,250)
At 31 December	**138,736**	98,821	**188,013**	148,098

19 TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2018, the ageing of trade receivable is as follows:

Group

	Weighted average loss rate	Gross carrying amount	Expected credit loss	Net carrying amount
		RO	RO	RO
Not past due	0.00%	3,745,515	33	3,745,482
← 60 days	0.00%	2,616,769	64	2,616,705
61-120 days	0.05%	276,302	125	276,177
121-180 days	0.32%	178,071	567	177,504
181-240 days	5.27%	95,849	5,053	90,796
→ 241 days	52.11%	349,562	182,171	167,391
		7,262,068	**188,013**	**7,074,055**

Parent

	Weighted average loss rate	Gross carrying amount	Expected credit loss	Net carrying amount
		RO	RO	RO
Not past due	0.00%	3,624,637	33	3,624,604
← 60 days	0.00%	2,590,370	64	2,590,306
61-120 days	0.05%	262,787	125	262,662
121-180 days	0.32%	178,071	567	177,504
181-240 days	5.27%	95,849	5,053	90,796
→ 241 days	44.26%	300,285	132,894	167,391
		7,051,999	**138,736**	**6,913,263**

As at 31 December 2017, the ageing of gross trade receivables is as follows :

	2017 Group	2017 Parent
	RO	RO
Neither past due nor impaired	8,477,812	8,477,812
Debts due within 12 months	120,681	236,472
Debts due more than a year	237,520	286,797
	8,836,013	9,001,081

The other classes within receivables and prepayments do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

The net carrying amounts of the Group's trade receivables are denominated in the following currencies:

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Rial Omani	**6,017,499**	6,617,817	**6,227,568**	6,782,885
Qatari Rial	**728,731**	1,658,421	**728,731**	1,658,421
UAE Dirhams	**152,966**	245,869	**152,966**	245,869
Kuwaiti Dinar	**19,319**	-	**19,319**	-
Bahraini Dinar	**133,484**	313,906	**133,484**	313,906
	7,051,999	8,836,013	**7,262,068**	9,001,081

20 CASH AND BANK BALANCES

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Cash on hand	**49,521**	84,396	**52,421**	85,996
Cash at bank	**104,070**	187,881	**211,293**	458,523
	153,591	272,277	**263,714**	544,519

Cash at bank balances are with commercial banks in Oman and are denominated in Omani Rial. Cash at bank includes call deposits, which are short term in nature and carries interest at commercial rate. Bank balances and deposit accounts are placed with reputed financial instutions. The management believes that the ECL is immaterial at the financial statement as a whole.

21 TERM DEPOSITS

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

Term deposits are denominated in Omani Rial and are placed with an Islamic bank at profit rate ranging between 1.5% to 4% per annum (2017 - 1.5% to 4%). Term deposits amounting to RO 2,000,000 (2017: RO 2,000,000) are pledged against bank overdraft (note 25). The management believes that the ECL is immaterial at the financial statement as a whole.

22 SHARE CAPITAL

(a) The authorised share capital comprises of 200,000,000 (2017: 200,000,000) ordinary shares of 100 baisa (2017: 100 baisa) each and the issued share capital comprises 120,000,000 (2017 - 120,000,000) fully paid up shares of 100 baisa each.

(b) The shareholders of the Company who own 6% or more of the Company's shares and the number of shares held by them are set out below:

	2018		2017	
	Number of shares	% of Holding	**Number of shares**	% of Holding
Zulal Investment Company	**39,898,654**	33.25%	**39,898,654**	33.25%
Gulf Investment Corporation	**24,008,666**	20.07%	**24,008,666**	20.07%
Al Hosn Investment SAOC	**15,890,000**	13.24%	**15,890,000**	13.24%
Al Wataniyah National United Engineering & Contracting Co. LLC	**11,999,999**	10.00%	**11,999,999**	10.00%
Internal Security Service Pension Fund	**-**	-	**7,997,560**	6.67%
Public Authority for Social Insurance	**7,997,560**	6.67%	**-**	-

(c) During the year, dividend of RO 0.020 per share totalling RO 2,400,000 relating to 2018 was declared and paid (2017: RO 0.020 per share totalling RO 2,400,000 was paid relating to 2017).

23 LEGAL RESERVE

In accordance with the Commercial Companies Law of Oman 1974, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one third of the value of the Company's paid up share capital. This reserve is not available for distribution.

24 PROPOSED DIVIDEND

The Board of Directors, at their meeting held on 21 Febraury 2019 proposed a cash dividend of 20 baisas per share (2018: cash dividend of 20 baisas per share) totalling to RO 2,400,000 (2017: RO 2,400,000) which is subject to the approval of shareholders at the forthcoming Annual General Meeting.

25 BORROWINGS

Non-current:

	Parent Company		Group	
	2018	2017	**2018**	2017
Term loans from commercial banks:	**RO**	RO	**RO**	RO
Term loan 1 (a)	**-**	-	**1,800,000**	2,280,000
Government soft loan (b)	**450,000**	950,000	**450,000**	950,000
	450,000	950,000	**2,250,000**	3,230,000
Less: current portion of term loans included under current borrowings	**(417,832)**	(500,000)	**(897,832)**	(980,000)
Less: government grant included on the statement of financial position	**(32,168)**	(89,991)	**(32,168)**	(89,991)
	-	360,009	**1,320,000**	2,160,009

Current:

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Current portion of term loans	**417,832**	500,000	**897,832**	980,000
Bank overdrafts (d)	**2,390,119**	1,087,599	**2,390,119**	1,087,599
	2,807,951	1,587,599	**3,287,951**	2,067,599

(a) Term loan 1 is denominated in Omani Rial and was availed in 2015 from a local islamic bank. The loan is subject to profit rate of 5.25% (2017: 5.25%) per annum. It is repayable in twenty quarterly installments of RO 120,000 commenced from October 2017. The loan is secured against first commercial charge on building and equipment (note 12).

(b) The Government soft loan was arranged through Oman Arab Bank SAOC acting as an agent for the Government of the Sultanate of Oman. The loan carries interest of 3% per annum (net of subsidy) (2017 - 3% per annum) and is secured against a guarantee from the Government of the Sultanate of Oman to the commercial bank. The Government soft loan is secured by a first ranking legal mortgage over all present and future property, plant and equipment of the Parent company. The Government soft loan balance is repayable in annual instalments of RO 500,000 per annum with the final instalment of RO 450,000 due in 2019.

(c) The loan from the Government of Sultanate of Oman is carried at the fair value of the consideration received. The fair value of the consideration received is a sum total of all future cash payments discounted using the borrowing rate of 9% per annum (2017 - 9% per annum) applicable to similar loans. The Government soft loans are recognised initially at their fair values, which have been determined by the management using the effective interest rate method. The subsidy on Government soft loan is amortised on a systematic basis in the same periods in which the loans are repaid and amounted to RO 57,823 for the year (2017 - RO 80,534) (note 9).

(d) The overdraft is repayable on demand and therefore the carrying amounts approximate their fair values. Bank overdrafts are secured by a lien over a term deposit amounting to RO 2,000,000 (2017 - RO 2,000,000), assignment of certain accounts receivable and carries interest / profit ranging from 0.3% to 0.5% (2017 - 0.4% to 0.5%) per annum above short term deposit rate / wakala deposit rate. Bank borrowings are subject to renegotiation with the banks upon renewal of the facilities, which generally takes place on an annual basis.

26 FINANCE LEASE LIABILITIES

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

	Group	
	2018	2017
	RO	RO
Finance lease liabilities	**1,343,743**	2,061,286
Finance charges relating to future periods	**(43,533)**	(59,719)
	1,300,210	2,001,567
Amount falling due:		
Within one year	**941,617**	858,807
After one year but within four years	**358,593**	1,142,760
	1,300,210	2,001,567

(a) The lease liability carries a profit at rate of 5.5% (2017: 5.5%) per annum and is repayable in twenty quarterly installments, including profit, of RO 223,096 each commencing from 2015. Amounts payable within one year of the reporting date are classified as current liabilities. The leased assets are jointly registered in the name of the subidiaries and the lessor.

(b) The interest / financing cost on finance lease for the year of RO 198,345 is included in finance costs (2017 : RO 228,056 (note 9).

27 END OF SERVICE BENEFITS

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
At 1 January	**583,789**	506,564	**612,111**	526,550
Charge for the year (note 8)	**109,000**	82,958	**122,625**	94,948
Paid during the year	**(22,740)**	(5,733)	**(26,853)**	(9,386)
At 31 December	**670,049**	583,789	**707,883**	612,112

28 TRADE AND OTHER PAYABLES

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Trade payables	**1,827,250**	1,323,456	**2,139,639**	1,804,100
Accruals	**479,701**	937,381	**565,598**	955,698
Tax payable (note 10)	**472,698**	717,050	**538,026**	723,081
Other payables	**1,364,783**	1,734,753	**1,562,218**	1,896,163
Advances from customers	**44,401**	27,246	**44,401**	27,246
Accrued interest	**415**	415	**415**	415
Retentions payable	**463,014**	16,736	**463,014**	16,737
	4,652,262	4,757,037	**5,313,311**	5,423,440

29 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)	**40,234,116**	40,517,993	**41,745,201**	41,349,133
Number of shares at 31 December	**120,000,000**	120,000,000	**120,000,000**	120,000,000
Net assets per share (RO)	**0.335**	0.338	**0.348**	0.345

30 COMMITMENTS

(a) Purchase commitments

At 31 December 2018, the Parent Company and Group had purchase commitments amounting to RO 1,812,211 (2017: RO 2,000,439) mainly relating to purchase of raw material.

(b) Capital commitments

At 31 December 2018, the Parent Company and the Group had capital commitments amounting to RO 30,661,459 (2017: RO 3,006,404).

(c) Other commitments

At the end of the reporting period, the Parent Company's share in the uncalled share capital of associates amounted to RO 11,489,960 (2017: RO 13,121,160).

31 CASH GENERATED FROM OPERATIONS

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Operating activities				
Profit before taxation	**2,635,250**	4,460,882	**3,417,292**	5,164,403
Adjustment for:				
Depreciation (note 12)	**1,272,231**	1,299,465	**1,689,533**	1,715,686
Amortisation (note 13)	**102,164**	102,164	**114,707**	113,808
Provision for expected credit losses	**40,065**	12,890	**40,065**	12,890
Write back - provision for expected credit losses	**(150)**	(18,250)	**(150)**	(18,250)
Interest income (note 9)	**(127,056)**	(275,436)	**(127,056)**	(275,436)
Interest expense (note 9)	**64,130**	67,395	**267,500**	296,966
Gain on disposal of property, plant and equipment (note 7)	**(9,853)**	(9,948)	**(9,853)**	(9,948)
Impairment of available for sale financial assets	**-**	8,405	**-**	8,405
Share of loss from associates	**42,738**	49,022	**42,738**	49,022
Accruals of end of service benefits (note 27)	**109,000**	82,958	**122,625**	94,948
	4,128,519	5,779,547	**5,557,401**	7,152,494
Income tax paid	**(702,835)**	(630,747)	**(708,866)**	(630,747)
Payment of end of service benefits (note 27)	**(22,740)**	(5,733)	**(26,853)**	(9,386)
	3,402,944	5,143,067	**4,821,682**	6,512,361
Working capital changes:				
Inventories and biological assets	**32,250**	150,147	**(73,661)**	(27,714)
Trade and other receivables	**(948,177)**	(4,575,990)	**(1,022,036)**	(4,420,491)
Trade and other payables	**139,577**	(434,118)	**334,226**	(306,811)
Cash generated from operations	**2,626,594**	283,106	**4,060,211**	1,757,345

32 RELATED PARTIES

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions (other related parties).

The Parent Company and Group maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and conditions which the management consider to be comparable with those adopted for arm's length transactions with third parties.

During the year, the Parent Company and Group entered into transactions with related parties in the normal course of business. The nature of significant related party transactions and the amounts involved were as follows:

(a) The following transactions were carried out with related parties:

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Purchase of goods and services				
- Subsidiary	**4,170,590**	4,183,991	**-**	-
Sales of goods				
- Subsidiary	**363,345**	350,391	**-**	-
Expenses recharged				
- Subsidiary	**546,528**	463,885	**-**	-
- Associates	**-**	-	**-**	-
- other related parties	**721**	3,235	**721**	3,235
	547,249	467,120	**721**	3,235

(b) Year end balances arising from purchases of goods and services are as follows:

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Receivable from:				
- Subsidiaries	**1,143,710**	886,879	**-**	-
- Other related parties	**150,533**	150,565	**150,533**	150,565
	1,294,243	1,037,444	**150,533**	150,565

(c) The key management personnel compensation for the year comprises:

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Short term employment benefits	**412,261**	331,735	**412,261**	331,735
End of service benefits and social security costs	**20,473**	18,368	**20,473**	18,368
	432,734	350,103	**432,734**	350,103

(d) The directors' remuneration for the year comprises:

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Directors' remuneration (note 6)	**30,306**	140,000	**30,306**	140,000
Directors' meeting attendance fees (note 6)	**45,500**	51,100	**51,600**	56,600
Directors' travel and related expenses	**19,443**	19,905	**19,443**	19,905
	95,249	211,005	**101,349**	216,505

33 FINANCIAL RISK MANAGEMENT

33.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including effects of changes in; market risk (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the management under policies approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollars, UAE Dirham, Qatari Rial, Kuwaiti Dinar and Bahraini Dinar. As the US Dollar and UAE Dirham are pegged to Rial Omani, exposure arising on outstanding receivables in Qatari riyal, Kuwaiti Dinar and Bahraini Dinar.

The table below indicates the foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the RO currency rate against significant foreign currencies with all other variables held constant, on the statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities).

	Increase/ decrease in foreign currency to the RO	Effect on the profit before tax on currency fluctuation
2018	**5%**	**44,077**
	-5%	**(44,077)**
2017	5%	98,616
	-5%	(98,616)

(ii) Interest rate risk

Interest rate risk arises from the possibility of changes in interest rates and mismatches or gaps in the amount of assets and liabilities that mature or re-price in a given period.

The Group's interest rate risk arises from assets such as short term deposits. The Group also has interest bearing liabilities comprising of term loans from commercial banks and a related party and finance lease liabilities. These assets and liabilities are exposed to changes in market interest rates.

Deposits, loans and finance lease liabilities at fixed rates expose the Group to fair value interest rate risk. The Group analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Group.

As loan from a related party, deposits and finance lease liabilities are at fixed interest rates, therefore management believes that there is no significant impact on the interest expense or interest income recognised. If the interest rate were to shift by 1% on loans from commercial bank, there would be a maximum increase or decrease in the interest charge of RO 18,000 (2017: RO 22,800).

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash and cash equivalents and credit exposures to customers. The Group has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group requires bank guarantees on higher credit risk customers. The Group does not require collateral in respect of all other financial assets

Investments are made in liquid securities and only with commercial banks in Oman. Management does not expect any counter party to fail to meet its obligations.

33 FINANCIAL RISK MANAGEMENT (continued)

33.1 Financial risk factors (continued)

(b) Credit risk (continued)

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's and Parent company's performance to developments affecting a particular industry or geographical location.

Trade and other receivables

Credit is extended to corporate customers only with an objective of optimising the Group's and Parent company's profits and the prime responsibility for providing credit to customers and the timely collection of all debts rests with the functional manager. Credit has a cost to the business and necessary controls and procedures are established to manage the Group's and Parent company's credit risk and its working capital. It is, therefore, the Group's policy to have effective credit control systems in place which are flexible enough to respond to changing market needs yet rigorous enough to ensure that customer credit limits are established and regularly updated on the basis of reliable up-to-date information. The Group's twenty five largest customers account for 81% of the outstanding accounts receivable at 31 December 2018 (2017: twenty five largest customers: 73%).

The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the reporting date is on account of:

	Parent Company		Group	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Trade receivables	**7,051,999**	8,836,013	**7,262,068**	9,001,081
Other receivables	**6,809,754**	4,123,707	**5,738,962**	3,298,612
Bank balances	**104,070**	187,881	**211,293**	458,523
	13,965,823	8,836,013	**13,212,323**	9,001,081

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In accordance with prudent risk management, the members aim to maintain sufficient cash and an adequate amount of committed credit facilities.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash.

The table below analyses the Group's financial liabilities into the relevant maturity borrowings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

33 FINANCIAL RISK MANAGEMENT (continued)

33.1 Financial risk factors (continued)

Parent Company

At 31 December 2018	Total RO	Less than one year RO	Between one and five years RO	More than five years RO
Borrowings (including government soft loan)	**2,807,951**	**2,807,951**	**-**	**-**
Trade and other payables	**4,179,564**	**4,179,564**	**-**	**-**
	6,987,515	**6,987,515**	**-**	**-**

Parent Company

At 31 December 2017	Total RO	Less than one year RO	Between one and five years RO	More than five years RO
Borrowings (including government soft loan)	2,037,599	1,587,599	450,000	-
Trade and other payables	4,039,987	4,039,987	-	-
	6,077,586	5,627,586	450,000	-

Group

At 31 December 2018	Total RO	Less than one year RO	Between one and five years RO	More than five years RO
Borrowings (including government soft loan)	**4,640,119**	**3,287,951**	**1,352,168**	**-**
Finance lease liabilities	**1,300,210**	**941,617**	**358,593**	**-**
Trade and other payables	**4,775,285**	**4,775,285**	**-**	**-**
	10,715,614	**9,004,853**	**1,710,761**	**-**

Group

At 31 December 2017	Total RO	Less than one year RO	Between one and five years RO	More than five years RO
Borrowings (including government soft loan)	4,317,599	2,067,599	2,250,000	-
Finance lease liabilities	2,001,567	858,807	1,142,760	-
Trade and other payables (excluding tax payable)	4,700,359	4,700,359	-	-
	11,019,525	7,626,765	3,392,760	-

33.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a commercially defensible capital structure to reduce the cost of capital. Capital comprises share capital, legal reserve and retained earnings.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

33 FINANCIAL RISK MANAGEMENT (continued)

33.3 Fair value estimation

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. Financial assets consist of cash and bank balances, investment security, trade and other receivables. Financial liabilities consist of bank borrowings, payables and accruals.

The following table presents the fair values of investment in security fair valued throguh profit and loss:

Parent Company and Group

At 31 December 2018	**Level 3 RO**	**Total RO**
Investment in fair value through profit and loss account	**47,671**	**47,671**
Biological assets (note 18)	**1,474,185**	**1,474,185**
	1,521,856	**1,521,856**

At 31 December 2017	Level 3 RO	Total RO
Investment in fair value through profit and loss account	47,671	47,671
Biological assets (note 18)	1,276,354	1,276,354
	1,324,025	1,324,025

34 SEGMENT REPORTING

Operating segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board considers the business from a Group level as the Group is principally engaged in one segment which is manufacturing and distribution of poultry meat. The Board also considers the geographical segments. The directors review monthly analysis of these geographical segments by monitoring volume and value and the related receivables. As the directors effectively look at only one group level segment, all relevant details are as set out in the statement of comprehensive income and statement of financial position. The geographical distribution of revenue and receivables, based on the reports reviewed by the directors are set out as follows:

Geographical segments

The geographical analysis relating to the primary segment based on the location of the Group's customers is as follows:

Sales	**Parent Company**		**Group**	
	2018 RO	2017 RO	**2018 RO**	2017 RO
Local	**25,521,289**	25,975,572	**25,998,997**	26,320,488
GCC countries	**6,273,727**	5,968,035	**6,273,727**	5,907,582
	31,795,016	31,943,607	**32,272,724**	32,228,070

Trade receivables	**Parent Company**		**Group**	
	2018 RO	2017 RO	**2018 RO**	2017 RO
Local	**6,017,499**	6,617,817	**6,227,568**	6,782,885
GCC countries	**1,034,500**	2,218,196	**1,034,500**	2,218,196
	7,051,999	8,836,013	**7,262,068**	9,001,081

The Group does not maintain separate segmental costing and operational results for different regions.

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Freehold land RO	Buildings RO	Motor vehicles RO	Bore wells RO	Plant and machinery RO	Furniture and fittings RO	Office equipment RO	Porta cabins RO	Capital work-in-progress RO	Total RO
Cost										
At 1 January 2018	575,868	13,420,877	808,371	323,575	12,924,048	281,778	407,394	213,626	22,732	28,978,269
Additions	-	-	58,645	-	36,300	1,733	16,408	-	4,980,694	5,093,780
Disposals	-	-	(73,450)	-	-	-	-	-	-	(73,450)
At 31 December 2018	575,868	13,420,877	793,566	323,575	12,960,348	283,511	423,802	213,626	5,003,426	33,998,599
Accumulated depreciation										
At 1 January 2018	-	4,129,125	652,822	132,909	6,566,556	221,733	330,669	124,016	-	12,157,830
Charge for the year	-	447,363	64,617	16,179	652,772	38,255	42,382	10,663	-	1,272,231
Disposals	-	-	(69,049)	-	-	-	-	-	-	(69,049)
At 31 December 2018	-	4,576,488	648,390	149,088	7,219,328	259,988	373,051	134,679	-	13,361,012
Net book amounts										
At 31 December 2018	575,868	8,844,389	145,176	174,487	5,741,020	23,523	50,751	78,947	5,003,426	20,637,587

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Freehold land RO	Buildings RO	Motor vehicles RO	Bore wells RO	Plant and machinery RO	Furniture and fittings RO	Office equipment RO	Porta cabins RO	Capital work-in-progress RO	Total RO
Cost										
At 1 January 2017	575,868	13,381,497	856,924	271,232	12,010,874	277,588	399,263	205,226	887,049	28,865,521
Additions	-	39,380	54,498	52,343	26,125	4,190	8,131	8,400	22,732	215,799
Disposals	-	-	(103,051)	-	-	-	-	-	-	(103,051)
Transfer	-	-	-	-	887,049	-	-	-	(887,049)	-
At 31 December 2017	575,868	13,420,877	808,371	323,575	12,924,048	281,778	407,394	213,626	22,732	28,978,269
Accumulated depreciation										
At 1 January 2017	-	3,682,738	663,633	117,695	5,926,473	183,871	273,752	112,847	-	10,961,009
Charge for the year	-	446,387	91,833	15,214	640,083	37,862	56,917	11,169	-	1,299,465
Disposals	-	-	(102,644)	-	-	-	-	-	-	(102,644)
At 31 December 2017	-	4,129,125	652,822	132,909	6,566,556	221,733	330,669	124,016	-	12,157,830
Net book amounts										
At 31 December 2017	575,868	9,291,752	155,549	190,666	6,357,492	60,045	76,725	89,610	22,732	16,820,439

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RO	Buildings (including leased assets) RO	Motor vehicles RO	Bore wells RO	Plant and machinery (including leased assets) RO	Furniture and fittings RO	Office equipment RO	Porta cabins RO	Capital work-in-progress RO	Total RO
Cost										
At 1 January 2018	575,868	19,591,053	999,391	323,575	16,333,427	309,503	433,038	213,626	61,372	38,840,853
Additions	-	2,500	77,875	-	213,772	6,028	23,920	-	4,980,694	5,304,789
Disposals	-	-	(73,450)	-	-	-	-	-	-	(73,450)
Transfer	-	38,640	-	-	-	-	-	-	(38,640)	-
At 31 December 2018	575,868	19,632,193	1,003,816	323,575	16,547,199	315,531	456,958	213,626	5,003,426	44,072,192
Accumulated depreciation										
At 1 January 2018	-	4,720,887	738,872	132,909	7,230,195	246,545	352,158	124,016	-	13,545,582
Charge for the year	-	653,277	103,435	16,179	819,897	40,799	45,283	10,663	-	1,689,533
Disposals	-	-	(69,049)	-	-	-	-	-	-	(69,049)
At 31 December 2018	-	5,374,164	773,258	149,088	8,050,092	287,344	397,441	134,679	-	15,166,066
Net book amounts										
At 31 December 2018	575,868	14,258,029	230,558	174,487	8,497,107	28,187	59,517	78,947	5,003,426	28,906,126

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RO	Buildings (including leased assets) RO	Motor vehicles RO	Bore wells RO	Plant and machinery (including leased assets) RO	Furniture and fittings RO	Office equipment RO	Porta cabins RO	Capital work-in-progress RO	Total RO
Cost										
At 1 January 2017	575,868	19,547,913	1,047,944	271,232	15,380,263	302,593	420,656	205,226	946,572	38,698,267
Additions	-	43,140	54,498	52,343	66,115	6,910	12,382	8,400	61,372	305,160
Disposals	-	-	(103,051)	-	-	-	-	-	-	(103,051)
Transfer	-	-	-	-	887,049	-	-	-	(887,049)	-
Transfer to intangible assets (note 13)	-	-	-	-	-	-	-	-	(59,523)	(59,523)
At 31 December 2017	575,868	19,591,053	999,391	323,575	16,333,427	309,503	433,038	213,626	61,372	38,840,853
Accumulated depreciation										
At 1 January 2017	-	4,067,854	712,048	117,695	6,420,747	207,170	294,179	112,847	-	11,932,540
Charge for the year	-	653,033	129,468	15,214	809,448	39,375	57,979	11,169	-	1,715,686
Disposals	-	-	(102,644)	-	-	-	-	-	-	(102,644)
At 31 December 2017	-	4,720,887	738,872	132,909	7,230,195	246,545	352,158	124,016	-	13,545,582
Net book amounts										
At 31 December 2017	575,868	14,870,166	260,519	190,666	9,103,232	62,958	80,880	89,610	61,372	25,295,271


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DR NASSER